IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions of the Securities, including any modifications to them from time to time, each time you receive any information from Halcyon Agri Corporation Limited (the "**Issuer**") and Sinochem International Corporation (中化国际 (控股) 股份有限公司) (the "**Guarantor**") and any of the Managers (defined below) as a result of such access.

Confirmation of Your Representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to DBS Bank Ltd., China Construction Bank Corporation Singapore Branch and CMBC Securities Company Limited as joint global coordinators, joint bookrunners and joint lead managers, and ING Bank N.V., Singapore Branch as joint bookrunner and joint lead manager (together, the "**Managers**") that (1) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; (2) to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"); and (3) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission and agree to the terms set forth herein.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Managers, the Trustee or the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls any of them nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you on request from the Managers.

Restrictions: The attached document is being furnished in connection with an offering in offshore transactions in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the issuer of the securities, the guarantor of the securities or the Managers, the Trustee or the Agents to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "**Reply**" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA and the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA and the UK may be unlawful under the PRIIPS Regulation.

Singapore Securities and Futures Act Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities are "**prescribed capital markets products**" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

HALCYON AGRI CORPORATION LIMITED

(a company incorporated with limited liability in the Republic of Singapore)

(UEN/Company Registration No. 200504595D)
(Stock code: SGX: 5VJ)

U.S.$200,000,000 3.80 PER CENT. GUARANTEED SUBORDINATED PERPETUAL SECURITIES

unconditionally & irrevocably guaranteed by

SINOCHEM INTERNATIONAL CORPORATION

（中化国际（控股）股份有限公司）

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 600500.SH)

Issue Price: 100 per cent.

The 3.80 per cent. guaranteed perpetual securities in the aggregate principal amount of U.S.$200,000,000 (the "**Securities**") will be issued by Halcyon Agri Corporation Limited (the "**Issuer**") and will be unconditionally and irrevocably guaranteed on a subordinated basis (the "**Guarantee of the Securities**") by Sinochem International Corporation (中化国际 (控股) 股份有限公司) (the "**Guarantor**").

The Securities confer a right to receive distribution (each, a "**Distribution**") for the period from, and including 18 November 2020 (the "**Issue Date**") at the applicable rate described below (the "**Distribution Rate**"). Subject to the terms and conditions of the Securities ("**Terms and Conditions**" or "**Terms and Conditions of the Securities**") relating to deferral of Distribution and increase in Distribution Rate following occurrence of certain events (see "*Terms and Conditions of the Securities – Distribution – Distribution Deferral*" and "*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events*"), Distribution shall be payable on the Securities semi-annually in arrear on 18 May and 18 November of each year (each, a "**Distribution Payment Date**"), commencing on 18 May 2021.

Payments on the Securities shall be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction (as defined in the Terms and Conditions of the Securities) to the extent described under "*Terms and Conditions of the Securities – Taxation*".

The Securities will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and *pari passu* with any Parity Securities (as defined in Terms and Conditions) of the Issuer. The rights and claims of the Holders (as defined in the Terms and Conditions) in respect of the Securities are subordinated as provided in Condition 1 of the Terms and Conditions. The Securities are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Guarantee of the Securities constitutes a direct, unconditional, subordinated and unsecured obligation of the Guarantor which shall, at all times rank at least *pari passu* with any Parity Securities (as defined in the Terms and Conditions) of the Guarantor. The rights and claims of the Holders (as defined in the Terms and Conditions) in respect of the Guarantee of the Securities are subordinated as provided in Condition 1 of the Terms and Conditions.

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around Issue Date. The Guarantor has undertaken to file or cause to be filed with the Shanghai Branch of the State Administration of Foreign Exchange ("**SAFE**") (as defined below) the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees《跨境擔保外匯管理規定》promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) before the Registration Deadline (being 120 PRC Business Days after the Issue Date).

The Securities will be issued within the annual foreign debt issuance quota of U.S.$200,000,000 (the "**NDRC Foreign Debt Quota**") granted to the Issuer pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC ("**NDRC**") which came into effect on 14 September 2015, the Registration Certificate of Enterprise Foreign Debt (企業借用外債備案登記證明) (the "**NDRC Quota Certificate**") and the Letter on Modification of Method, Borrower and Quota of Foreign Debt (關於同意調整外債借用方式、主體和額度的函) issued by NDRC on 17 April 2020 and 7 September 2020, respectively, and other applicable implementation rules or policies thereof as issued by the NDRC from time to time. Requisite information on the issuance of the Securities shall be provided to the NDRC within the prescribed timeframe after the Issue Date, as required by the NDRC.

Unless previously redeemed in accordance with the Terms and Conditions of the Securities, Distributions (i) in respect of the period from, and including, the Issue Date to, but excluding, 18 November 2025 (the "**First Call Date**") shall accrue on the outstanding principal amount of the Securities at the Initial Distribution Rate; and (ii) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the Relevant Reset Distribution Rate (except expressly provided to the otherwise, capitalised terms used herein shall have the meaning ascribed thereto in "*Terms and Conditions of the Securities*").

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders, the Trustee and the Principal Paying Agent in writing not more than 10 business days nor less than five business days prior to the relevant Distribution Payment Date unless a Compulsory Distribution Payment Event (as defined in the Terms and Conditions of the Securities) has occurred. Any Distribution so deferred shall remain outstanding in full and constitute Arrears of Distribution. Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution as described in "*Terms and Conditions of the Securities – Distribution – Cumulative Deferral*". The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) (*Optional Deferral*)) to further defer (in whole or in part) any Arrears of Distribution and Additional Distribution Amounts by complying with the foregoing notice requirements applicable to any deferral of Distribution. The Issuer is not subject to any limits as to the number of times any Distributions and Arrears of Distribution may be deferred. See "*Terms and Conditions of the Securities – Distribution – Cumulative Deferral*".

Unless and until (x) the Issuer or the Guarantor has satisfied in full, all outstanding Arrears of Distribution and Additional Distribution Amount or (y) the Issuer or the Guarantor (as the case may be) is otherwise permitted to do so by an Extraordinary Resolution of the Holders, the restrictions as described in "*Terms and Conditions of the Securities – Distribution – Restrictions in the case of Deferral*" shall apply.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and their respective associated companies (if any), the Guarantee of the Securities or the Securities. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for as long as any of the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

Investing in the Securities involves certain risks. See "*Risk Factors*" beginning on page 24 for a discussion of certain factors to be considered in connection with an investment in the Securities.

The Securities and the Guarantee of the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S under the Securities Act ("Regulation S")). The Securities and the Guarantee of the Securities are being offered only outside the United States in reliance on Regulation S.

For a description of these and certain further restrictions on offers and sales of the Securities and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Securities are expected to be rated "**Baa2**" by Moody's Investors Service, Inc. ("**Moody's**"). Such rating of the Securities does not constitute a recommendation by Moody's to buy, sell or hold the Securities and may be subject to revision or withdrawal at any time by Moody's. The Guarantor is rated Baa1 (stable) by Moody's, BBB+ (stable) by Standard & Poor's Ratings Services ("**S&P**") and A- (stable) by Fitch Ratings Ltd. ("**Fitch**"). Such rating should be evaluated independently of any other rating of the other securities of the Issuer and the Guarantor.

The Securities are perpetual securities in respect of which there is no fixed redemption date. The Issuer may redeem all, but not in part, of the Securities on and including 18 October 2025 (being the date falling one month prior to the First Call Date) up to (and including) the First Call Date or on any Distribution Payment Date after the First Call Date at the principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)). The Securities may also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in "*Terms and Conditions of the Securities – Redemption and Purchase*" upon the occurrence of (a) certain changes in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), (b) any change or amendment to the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "**equity**" of the Issuer or the Guarantor to the Relevant Accounting Standards, (c) a Change of Control Event, (d) a Breach of Covenant Triggering Event, (e) an Indebtedness Default Event, (f) a Tax Deductibility Event or (g) at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled prior to the date fixed for redemption.

The Securities will be represented in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and deposited with a common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for interests in the Global Certificate.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA and the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA and the UK may be unlawful under the PRIIPS Regulation.

Singapore Securities and Futures Act Product Classification – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products)."

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd. **CCB Singapore** **CMBC Capital**

Joint Bookrunner and Joint Lead Manager

ING Bank N.V., Singapore Branch

Offering Circular dated 11 November 2020

IMPORTANT NOTICE

Each of the Issuer and Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. SGX-ST takes no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Each of the Issuer and the Guarantor confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Issuer Group, the Group, the Securities, and the Guarantee of the Securities which is material in the context of, the issue, offering, sale, marketing or distribution of the Securities (including all information which is required by all applicable laws or, according to the particular nature of the Issuer, the Guarantor, the Issuer Group, the Group, the Guarantee of the Securities and of the Securities, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor, the Issuer Group, the Group and of the rights attaching to the Securities and the Guarantee of the Securities); (ii) the statements of fact contained in this Offering Circular are in every material respect true and accurate and not misleading and there are no other facts the omission of which would make any statement in this Offering Circular misleading; (iii) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumption; (iv) all reasonable enquiries have been and will be made by the Issuer, the Guarantor, the Issuer Group and the Group to ascertain such facts and to verify the accuracy of all such information and statements; (v) all statistical, industry and market related data included in this Offering Circulars are derived from sources which are accurate and reliable; and (vi) all descriptions of contracts or other material documents described in this Offering Circulars are accurate in all material respects and fairly summarise the contents of such contracts or documents. In addition, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Securities described in this Offering Circular. The distribution of this Offering Circular and the offering of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, DBS Bank Ltd., China Construction Bank Corporation Singapore Branch and CMBC Securities Company Limited as joint global coordinators, joint bookrunners and joint lead managers, and ING Bank N.V., Singapore Branch as joint bookrunner and joint lead manager (together, the "**Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Securities, the giving of the Guarantee of the Securities or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Securities, the Guarantor giving the Guarantee of the Securities and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the European Economic Area, Singapore, PRC, Hong Kong, Japan, Taiwan and Switzerland, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Securities and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor or any of the Guarantor's subsidiaries, the Securities, or the Guarantee of the Securities other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (in each case as defined in the Terms and Conditions of the Securities) or any of their respective directors, officers, employees, affiliates, advisers or agents. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Securities shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Issuer Group, the Group or any of them or since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the

Managers, the Trustee or the Agents or any of their respective affiliates to subscribe for or purchase any of the Securities and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Securities. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and the Guarantor and other sources identified in this Offering Circular. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, advisers or agents, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the Managers, the Trustee or the Agents or any of their respective directors officers, employees, affiliates, advisers or agents. To the fullest extent permitted by law, the Managers, the Trustee and the Agents and any of their respective directors, officers, employees, affiliates, advisers or agents do not accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers or on their behalf in connection with the Guarantor, the Issuer, the Issuer Group, the Group or the issue and offering of the Securities. Each of the Managers, the Trustee and the Agents and any of their respective directors, officers, employees, affiliates, advisers or agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any statement herein. None of the Managers, the Trustee or any Agent undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Issuer Group or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Securities of any information coming to the attention of the Managers, the Trustee or any Agent. None of the Managers, the Trustee nor any Agent has independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Each of the Managers, the Trustee and the Agents and any of their respective directors, officers, employees, affiliates, advisers or agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of the Offering Circular or any such statement. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Issuer Group, the Group, the Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Securities. Each potential purchaser of the Securities should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Securities should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ANY OF THE JOINT GLOBAL COORDINATORS APPOINTED AND ACTING IN ITS CAPACITY AS THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER (THE "STABILISATION MANAGER") MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER TO DO THIS. SUCH STABILISATION IF COMMENCED MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Listing of and quotation for the Securities on the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Issuer Group, the Guarantor, the Group, their respective subsidiaries or their respective associated companies (if any), the Guarantee of the Securities or the Securities. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Issuer Group, the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Securities. The Issuer, the Guarantor, the Issuer Group, the Group, the Managers, the Trustee and the Agents and their respective directors, officers, employees, affiliates, advisers or agents are not making any representation to any purchaser of Securities regarding the legality of any investment in the Securities by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers or any person affiliated with the Managers in connection with its investigation of the accuracy of such information or its investment decision.

Singapore Securities and Futures Act Product Classification – In connection with Section 309(B) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Securities or otherwise making them available to retail investors in the EEA and the UK has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA and the UK may be unlawful under the PRIIPS Regulation.

All non-company specific statistics and data relating to the Issuer Group and the Group's industry or the economies of pertinent jurisdictions, such as Singapore and the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer and the Guarantor believe that the sources of this information are appropriate for such information and each of the Issuer and the Guarantor has taken reasonable care in extracting and reproducing such information. Each of the Issuer and the Guarantor has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, this information has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, advisers or agents and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, affiliates, advisers or agents makes any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

Unless otherwise indicated, all references in this Offering Circular to "**China**" or the "**PRC**" are to the People's Republic of China and, for the purpose of this Offering Circular only, exclude, Hong Kong, Macau SAR of the PRC and Taiwan, all references to "**Hong Kong**" are to the Hong Kong SAR of China. Unless otherwise indicated, all references in this Offering Circular to "**Singapore**" are to the Republic of Singapore.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only.

The Issuer and the Guarantor have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. All references to the "**Group**" and words of similar import are to Sinochem International Corporation (中化国际 (控股) 股份有限公司) and its consolidated subsidiaries and all references to "**Issuer Group**" are to Halcyon Agri Corporation Limited and its consolidated subsidiaries.

Unless otherwise specified or the context requires, references herein to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC, references herein to "**Singapore dollars**", "**S$**", "**SGD**" or "**S¢**" are to the lawful currency of Singapore and references herein to "**U.S. dollars**", "**U.S.$**", "**USD**", "**US cents**" or "**US¢**" are to the lawful currency of the United States of America. In addition, references herein to the financial ratios of the Guarantor and defined terms used in the calculation of such ratios may differ from those in the "*Terms and Conditions of the Securities*".

Solely for your convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollar amounts has been made at the rate of RMB6.9618 to U.S.$1.00, the exchange rate set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States (the "**Federal Reserve Board**") (the "**Noon Buying Rate**") on 31 December 2019. Further information on exchange rates is set forth in "*Exchange Rates*". You should not construe these translations as representations that the Renminbi amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

Solely for your convenience, this Offering Circular contains translations of certain Singapore dollar amounts into U.S. dollar amounts at specified rates. Unless indicated otherwise, the translation of Singapore dollar amounts into U.S. dollar amounts has been made at the rate of S$1.3446 to U.S.$1.00, the Noon Buying Rate on 31 December 2019. Further information on exchange rates is set forth in "*Exchange Rates*". You should not construe these translations as representations that the Singapore dollar amounts could actually be converted into any U.S. dollar amounts at the rates indicated or at all.

The contents of this Offering Circular have not been reviewed by any regulatory authority in Singapore. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains audited consolidated financial statements of the Issuer and the Guarantor as at and for the years ended 31 December 2018 and 2019. Such audited consolidated financial statements have been audited by, (i) in the case of the Issuer, Ernst & Young LLP, the Issuer's independent auditors, and were prepared and presented in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and (ii) in the case of the Guarantor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditors, and were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). SFRS(I) is equivalent to International Financial Reporting Standards ("**IFRS**"). PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "*Description of Certain Differences between PRC GAAP and IFRS*". Investors should consult their own professional advisers for an understanding of the differences between SFRS(I) and PRC GAAP and the generally accepted accounting principles of other jurisdictions and how those differences might affect the financial information contained in this Offering Circular.

The summary audited consolidated financial information of the Issuer as of and for the years ended 31 December 2017, 2018 and 2019 has been derived from the Issuer's audited consolidated financial statements for the years ended 31 December 2018 and 2019 (the "**Issuer's Audited Financial Statements**"). Such information should be read in conjunction with, and is qualified in its entirety by reference, such audited consolidated financial statements of the Issuer and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Issuer are not necessarily indicative of results that may be achieved for any future period.

The summary audited consolidated financial information of the Guarantor as of and for the years ended 31 December 2017, 2018 and 2019 has been derived from the Guarantor's audited consolidated financial statements for the years ended 31 December 2018 and 2019 (the "**Guarantor's Audited Financial**

Statements"). Such information should be read in conjunction with, and is qualified in its entirety by reference, such audited consolidated financial statements of the Guarantor and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

The Guarantor's Audited Financial Statements have been prepared in Chinese only and the English translations of the Guarantor's Audited Financial Statements (the "**Translated Financial Statements**") have been prepared and included in this Offering Circular for reference only.

None of the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, advisers or agents has independently verified or checked the accuracy of the Translated Financial Statements and can give no assurance that the information contained in the Translated Financial Statements is accurate, true or complete.

On 14 August 2020, the Issuer published its unaudited consolidated financial information as at and for the six months ended 30 June 2020 (the "**Issuer's Interim Financial Information**"). The Issuer's Interim Financial Information are not included in and do not form part of this Offering Circular and were prepared by the Issuer's management and have not been audited or reviewed by Ernst & Young LLP, the Issuer's independent auditors. On 31 October 2020, the Guarantor published its unaudited consolidated financial information as at and for the nine months ended 30 September 2020 (the "**Guarantor's Interim Financial Statements**"). The Guarantor's Interim Financial Statements are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been audited or reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditors. See "*Summary – Recent Developments – Interim Financial Statements*" for more details on the Issuer's Interim Financial Information and the Guarantor's Interim Financial Statements.

Unaudited condensed consolidated financial information of the Issuer or the Guarantor referred to above should not be relied upon to provide the same quality of information associated with information that has been subject to an audit or review. None of the Joint Lead Managers makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such unaudited consolidated interim financial information of the Issuer or the Guarantor for an assessment of, and potential investors must exercise caution when using such data to evaluate, financial condition and results of operations of the Issuer or the Guarantor. Potential investors must exercise caution when using such data to evaluate the Group's financial condition or results of operations. The Issuer's Interim Financial Information and the Guarantor's Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Issuer and the Guarantor for the full financial year ending 31 December 2020, respectively.

The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation (as defined below), and there is no pro forma financial information in this Offering Circular that takes into consideration the potential impact of the Yangnong Reorganisation given that the completion of the Yangnong Reorganisation remains subject to the execution of definitive documentation and uncertainty around completion of the conditions precedent. For more information on the Yangnong Reorganisation, see "*Summary – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*".

The Group's historical financial information presented in this Offering Circular is not indicative of what the Group's results of operations, financial position and cash flows would have been had such historical financial information included the impacts of the Yangnong Reorganisation. Accordingly, the historical financial information presented in this Offering Circular is not necessarily indicative of the Group's future results of operations, financial position and cash flows (including the Group's future results of operations, financial position and cash flows following completion of the Yangnong Reorganisation), and investors may have difficulty assessing its prospects based on such financial information in this Offering Circular should the Yangnong Reorganisation be completed. For more information on the risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all*" and "*Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The Issuer and the Guarantor have made forward-looking statements in this Offering Circular regarding, among other things, their future operations, performance, financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Issuer and the Guarantor's current expectations about future events. Although the Issuer and the Guarantor believe that these expectations and projections are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Guarantor and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among other things:

- the impact of COVID-19;
- the ability of the Group to successfully implement its business plans and strategies;
- the Group's business prospects and capital expenditure plans;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- changes in the Group's competition landscape and conditions;
- changes in demographics;
- general economic, social and political conditions;
- risks associated with business activities, including rules, regulations and policies of the relevant governmental authorities affecting the Group's business;
- macroeconomic measures taken by the relevant government to manage economic growth;
- the availability of credit;
- fluctuations in interest rates, foreign currency exchange rates, equity prices, commodity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- other factors beyond the control of the Issuer, the Guarantor and/or the Group; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan", "seek", "may", "will", "would" and "could" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and the Guarantor undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer, the Guarantor and/or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Offering Circular, undue reliance must not be placed on those forecasts, projections and statements. The Issuer and the Guarantor do not represent or warrant that the actual future results, performance or achievements of the Issuer, the Guarantor and/or the Group will be as discussed in those statements.

Neither the delivery of this Offering Circular nor the issue of any Securities by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, the Guarantor and/or the Group or any statement of fact or information contained in this Offering Circular since the date of this Offering Circular or the date on which this Offering Circular has been most recently amended or supplemented.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer and the Guarantor's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Securities. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

Sinochem Group

*Sinochem Group Co., Ltd ("***Sinochem Group***") is a PRC State-Owned Enterprise ("***SOE***") under the supervision of the State-owned Assets Supervision and Administration Commission of the State Council of China ("***SASAC***"). Founded in 1950 and headquartered in Beijing, China, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, chemicals and agricultural products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas, agricultural and chemical businesses, and has also further diversified its businesses into real estate and financial services, transforming itself from a trading company into a multi-industry market-oriented conglomerate.*

Sinochem Group is one of China's key SOEs, which has been rated as Grade-A Enterprise in the performance assessment conducted by SASAC for 15 years and has been named in the "Fortune Global 500" 30 times and ranked 109th in 2020. In 2014, Sinochem Group was also ranked first in the "trading industry list" for two consecutive years of "World's Most Admired Companies 2013" published by Fortune. Since 2004, the brand "SINOCHEM" has ranked among the top 10 of "China's 500 Most Valuable Brands" selected by the World Brand Lab for 17 consecutive years and become one of China's top ten brands, ranking 7th with a brand value of RMB356.8 billion in 2020.

Sinochem Group has five core business lines: energy, chemicals, agriculture, real estate and financial services.

Guarantor Group

The Guarantor is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. Sinochem Group is a PRC SOE under the supervision of the SASAC. Founded in 1950 and headquartered in Beijing, China, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, chemical and agricultural products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas, agricultural and chemical businesses, and has also further diversified its businesses into real estate and financial services, transforming itself from a trading company into a multi-industry market-oriented conglomerate.

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The Guarantor has been an integral part of Sinochem Group's transformation and expansion since commencing operations in 1998. Over the years, its assets and businesses have continued to grow through reorganisations, asset injections by Sinochem Group and acquisitions. As of 31 December 2019, Sinochem Group has provided a shareholder loan of RMB657 million from SASAC to the Guarantor by way of entrusted loan at a concessionary interest rate of 1.35 per cent..

The Guarantor accounted for 13.55 per cent., 10.73 per cent. and 9.61 per cent. of Sinochem Corporation's total assets as of 31 December 2017, 2018 and 2019, respectively. The Guarantor accounted for 12.22 per cent., 10.25 per cent. and 9.70 per cent. of Sinochem Corporation's revenue for the years ended 31 December 2017, 2018 and 2019, respectively.

The Group's businesses are categorised into seven segments for financial reporting purposes: "Agrochemical", "High-performance Materials and Intermediates", "Polymer Additives", "Natural Rubber", "Lightweight Materials", "Medial and Pharmaceutical Health" and "Others", which are determined based on products and services.

The Group believes that the following factors contribute to its strong competitive position:

- *leading position in the industry with outstanding market position, as well as industrial integration and management internationalisation of its core businesses;*
- *diversified portfolio and operations effectively coping with market volatility;*
- *achieving international business and establishing a global sales network;*
- *leader in China's specialty chemical and agrochemical industries and Sinochem Group's "In Science We Trust" philosophy with strong R&D capabilities;*
- *sound risk control and efficient operation and safety management;*
- *robust financial management and high financial flexibility;*
- *strong support from Sinochem Group, one of China's key SOEs under direct supervision of the SASAC;*
- *established and trusted Sinochem brand with strong support from Sinochem Group; and*
- *experienced and respected management team.*

The Group's strategy is to adopt the concept of "Science First" and core value and philosophy of "In Science We Trust" and implement an innovation-driven strategy to optimise its various business segments. The Group's aim is to become a world-class fine chemical enterprise, a leading solution provider for high-performance materials of new energy automobiles and a Chinese pesticide benchmark enterprise.

Issuer Group

The Issuer is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the SGX-ST. The Issuer Group is a global natural rubber supply chain manager, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber and latex. The Issuer Group is headquartered in Singapore (where its risk management, merchandising and central corporate operations are domiciled) with key operating assets strategically located in major natural rubber production regions and key locations worldwide.

In the upstream/plantations segment, the Issuer Group owns approximately 122,000 hectares of land across Africa and Malaysia, with a total plantable land bank of 69,000 hectares. Approximately 53 per cent. of these cultivatable lands have been planted with rubber trees and 3 per cent. planted with oil palm.

In the midstream/processing segment, the Issuer Group operates 38 rubber processing factories located in the following major natural rubber producing areas: Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand, with a total annual production capacity of approximately 1.6 million tonnes. In the downstream/distribution segment, the Issuer Group's distribution network is extensive, comprising sales offices and logistic assets in over 100 locations, spanning Southeast Asia, the PRC, the U.S. and the EU.

As of 31 December 2019, the Issuer Group had a global market share of natural rubber (including tyre and non-tyre) and natural rubber (tyre only) of 9 per cent. and 11 per cent., respectively. The Issuer Group's sales volume for the year ended 31 December 2019 is 1.3 million tonnes.

The Issuer Group has strategic assets positioned along One Belt One Road countries and is poised to benefit from China's continued investment in infrastructure. The Issuer Group's production capacity located in China is 160,000 tonnes, which represents 20 per cent. of China's domestic production, while its production capacity located in One Belt One Road countries is approximately 1.5 million tonnes (excluding Cameroon and Cote d'Ivoire which may export their rubber into China through intermediary countries).

Recent Developments

Reorganisation of Yangnong Group and Yangnong Chemical

On 6 November 2020, the Guarantor entered into a conditional framework agreement (the "**Framework Agreement**") with Syngenta Group Co., Ltd. ("**Syngenta**") and Jiangsu Yangnong Chemical Group Co., Ltd. ("**Yangnong Group**"), one of the Guarantor's non-wholly owned consolidated subsidiaries, regarding (i) the Guarantor's purchase (the "**Yangnong Group Acquisition**") of Syngenta's entire 39.88 per cent. interest in Yangnong Group, and (ii) the Guarantor's sale to Syngenta (the "**Yangnong Chemical Divestment**") of 112,084,812 ordinary shares in Jiangsu Yangnong Chemical Co., Ltd. ("**Yangnong Chemical**"), another non-wholly owned consolidated subsidiary of the Guarantor, which is listed on the Shanghai Stock Exchange, representing Yangnong Group's entire 36.17 per cent. interest in Yangnong Chemical. The Yangnong Group Acquisition and the Yangnong Chemical Divestment shall collectively be referred to as the "**Yangnong Reorganisation**".

Completion of the Yangnong Group Acquisition is conditional upon the completion of the Yangnong Chemical Divestment and vice versa. The consideration for the Yangnong Reorganisation will be payable by the Guarantor and Syngenta in cash and (i) in the case of the Yangnong Group Acquisition, will be separately determined with reference to asset valuations to be performed by qualified valuers and approved by the relevant state-owned asset supervisory and administration authorities, and (ii) in the case of the Yangnong Chemical Divestment, will amount to an aggregate consideration of approximately RMB10,222,134,854. The consideration for the Yangnong Group Acquisition is currently proposed to be paid by the Guarantor from its existing funds and/or self-raised funds.

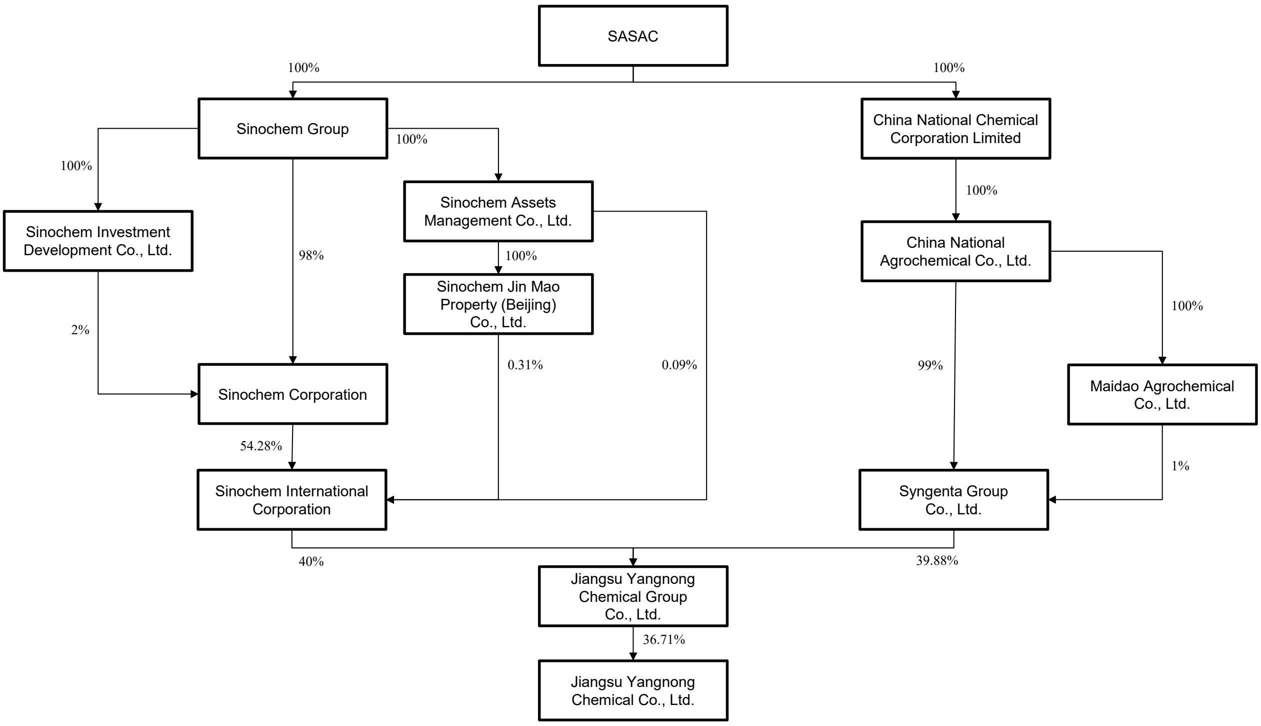
The board of directors of the Guarantor has provided its in-principle approval for the Yangnong Reorganisation on 6 November 2020. As of the date of the Framework Agreement, the formal scheme relating to the Yangnong Reorganisation remains subject to approvals from (without limitation) the relevant state-owned asset supervisory and administration authorities and anti-monopoly regulators, and the board of directors and shareholders of each of the Guarantor, Syngenta and Yangnong Group. On or around the date of the meeting to be convened by the board of directors of the Guarantor to approve the formal scheme in respect of the Yangnong Reorganisation, the Guarantor, Syngenta and Yangnong Group shall enter into a supplemental agreement to the Framework Agreement relating to further details on, and key conditions precedent to the closing for, the Yangnong Reorganisation. Such conditions precedent shall include, but are not limited to, the aforementioned approvals and satisfactory due diligence being conducted.

As at the date of this Offering Circular, the Guarantor holds an aggregate interest of 40.00 per cent. in Yangnong Group and consolidates the accounts of Yangnong Group as a consolidated subsidiary as a result of its concerted action arrangements with Syngenta Group, pursuant to which the Guarantor controls the voting rights to Syngenta's entire 39.88 per cent. interest in Yangnong Group in addition to its existing shareholding. Yangnong Group, as the controlling shareholder of Yangnong Chemical, in turn consolidates Yangnong Chemical. As a result of such consolidation, Yangnong Chemical's assets, liabilities and revenue are reflected in full in the Guarantor's consolidated financial statements, while its profit is adjusted for minority interests and attributable to shareholders of the Guarantor after such adjustment.

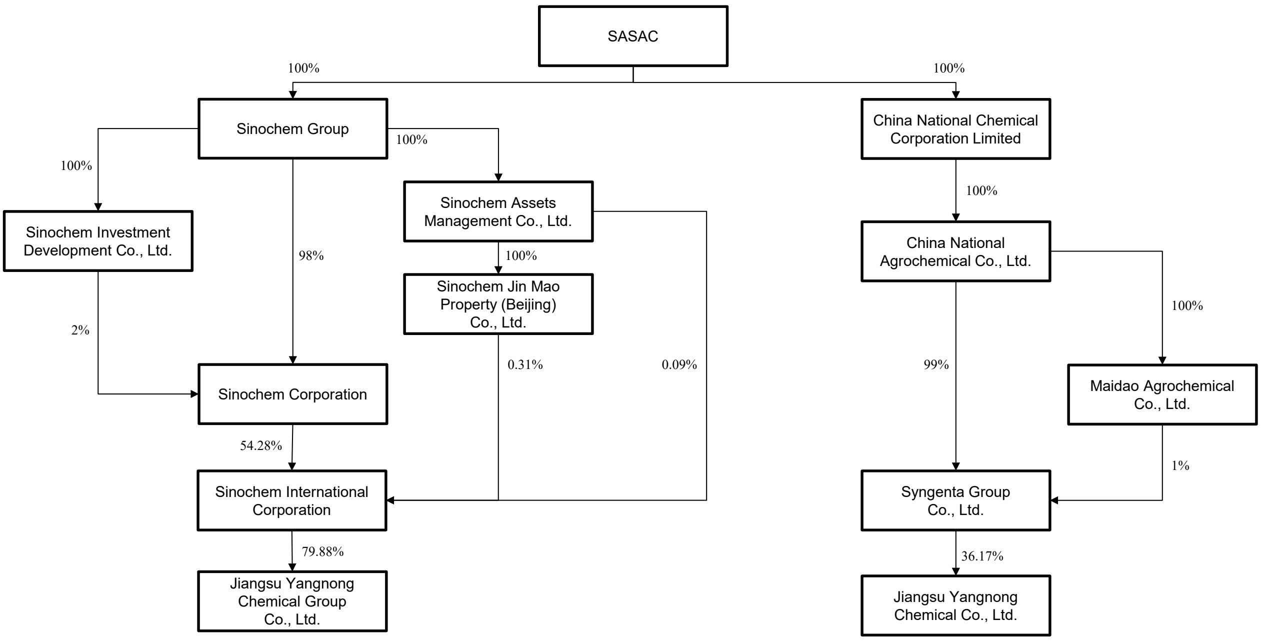
Yangnong Chemical's operations constitute the entirety of the agrochemical segment of the Group. For the year ended 31 December 2019, the Group's agrochemical segment recorded total revenue of RMB8.7 billion and profit before tax of RMB1.3 billion, and had total assets of RMB10.7 billion and total liabilities of RMB4.6 billion. These amount to approximately 16.4 per cent., 67.5 per cent., 20.4 per cent. and 16.7 per cent. of the Group's total revenue, profit before tax, total assets and total liabilities, respectively. Following the Yangnong Reorganisation, the Guarantor will no longer consolidate Yangnong Chemical's results, such that Yangnong Chemical's assets, liabilities and revenue, as well as its profit attributable to shareholders, which constitute the agrochemical segment of the Group, will no longer be reflected in the Guarantor's consolidated financial statements. Upon completion of the Yangnong Reorganisation, the Guarantor will hold an aggregate interest of 79.88 per cent. in Yangnong Group post-transfer of Yangnong Chemical to Syngenta, while Syngenta will hold an aggregate interest of 36.17 per cent. in, and become the controlling shareholder of, Yangnong Chemical.

The following charts illustrate the shareholding structure between the Guarantor, Syngenta, Yangnong Group and Yangnong Chemical prior to and immediately following the Yangnong Reorganisation:

Shareholding Structure Prior to the Yangnong Reorganisation



Shareholding Structure Immediately Following the Yangnong Reorganisation



Syngenta is a PRC state-owned entity which is indirectly wholly-owned by China National Chemical Corporation Limited ("**ChemChina**") and under the supervision of SASAC. Sinochem Group had in June 2020 completed the transfer of shares in eight agricultural companies owned by it to ChemChina.

For more information on the risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

Strategic Reorganisation with ChemChina

On 23 January 2020, the Guarantor announced that it received a letter from Sinochem Group stating that Sinochem Group is planning a strategic reorganisation with ChemChina, which remains subject to the requisite approvals, consents and other authorisations being obtained from the relevant authorities. Pursuant to such reorganisation, Sinochem Group had in June 2020 completed the transfer of shares in eight agricultural companies owned by it to ChemChina. For more information on the Yangnong Reorganisation, see "*Summary – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*".

The ongoing COVID-19 pandemic

The ongoing COVID-19 pandemic has caused substantial disruptions in the global economies and markets which has resulted in additional uncertainties in the Group's operating environment. See "*Risk Factors – Risks relating to the Group – The Group's results of operations are dependent, among other things, on the conditions of the global economy.*" and "*Risk Factors – Risks relating to the Group – The Group is exposed to risks in respect of COVID-19 and other epidemics, pandemics and natural or other calamities.*" for more details.

The Group has been closely monitoring the impact of the ongoing COVID-19 pandemic on the Group's businesses and will keep its contingency measures and risk management under review as the situation evolves. As of the date of this Offering Circular, a majority of the Group's factories have resumed operations and a majority of the Group's distribution and corporate offices around the world have adopted telecommuting arrangements where practicable.

Interim Financial Statements

On 14 August 2020, the Issuer published the Issuer's Interim Financial Information. The Issuer's Interim Financial Information are not included in and do not form part of this Offering Circular and were prepared by the Issuer's management and have not been audited or reviewed by Ernst & Young LLP, the Issuer's independent auditors. On 31 October 2020, the Guarantor published the Guarantor's Interim Financial Statements. The Guarantor's Interim Financial Statements are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been audited or reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditors.

The Issuer's Interim Financial Information and the Guarantor's Interim Financial Statements should not be relied upon by the Investors. See "*Risk Factors – Risks relating to the Financial Information – The Issuer published and may continue to publish periodical financial information in the Singapore. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*" and "*Risk Factors – Risks relating to the Financial Information – The Guarantor published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*" for more details.

However, certain material changes in financial position and/or results have been disclosed below on a qualitative basis:

The Issuer Group's revenue decreased by approximately 15.5 per cent. for the six months ended 30 June 2020 ("**H1 2020**") as compared to the six months ended 30 June 2019 ("**H1 2019**"), due to weakened demand amid COVID-19 outbreak, which caused a decline in sales volume. The decrease in volume have adversely affected factory utilisation, and coupled with the precipitous decline in the market prices during H1 2020, has resulted in a approximately 48.6 per cent. reduction in gross profit. Losses attributable to the owners of the Issuer Group increased period-to-period, mainly due to (i) the aforementioned decrease in gross profit, (ii) the absence of one-off reversal of a provision for doubtful receivables which was recorded as other income in H1 2019, and (iii) an increase in administrative expenses primarily due to business rationalisation expenses.

As of 30 June 2020, the total current assets of the Issuer Group decreased by approximately 16.5 per cent. compared to 31 December 2019, largely as a result of lower rubber prices as well as a decrease in sales, further compounded by the reclassification of a loan to third party from current assets to non-current assets. The total non-current assets of the Issuer Group increased by approximately 4.0 per cent. compared to 31 December 2019, largely as a result of the aforementioned reclassification of loan and the additional investments in PPE and plantation related properties as part of planned capital expenditure. In addition, the total equity of the Issuer Group decreased by approximately 9.5 per cent. as of 30 June 2020 compared to 31 December 2019 due to net losses incurred for the period. The Issuer Group's cash and bank balances have increased by approximately 93.4 per cent. as of 30 June 2020 compared to 31 December 2019 (from the liquidation of its net working capital), with an increase in net gearing ratio (which is computed as total loan payables less cash divided by total equity (excluding perpetual securities)) from 1.8 times as of 31 December 2019 to 1.9 times as of 30 June 2020 (due to the decrease in total equity following the losses as abovementioned).

For the nine months ended 30 September 2020 ("**Q3 2020**"), there was a decrease of approximately 5.5 per cent. in the Group's operating income as compared to the nine months ended 30 September 2019 ("**Q3 2019**") as a result of the COVID-19 pandemic's impact on the polymer additives, natural rubber and lightweight materials businesses of the Group in particular. This contributed towards a decrease of approximately 22.3 per cent. and 76.9 per cent. in the Group's net profit and net profit attributable to shareholders of the Guarantor, respectively. There was also a significant increase of approximately 91.4 per cent. in the Group's losses on impairment of assets for Q3 2020 as compared to Q3 2019, primarily due to a downturn in the chemicals industry as a result of the COVID-19 pandemic and impairment of the Group's inventories of natural rubber and commodities. For Q3 2020, the Group's EBITDA was approximately RMB2.95 billion.

As of 30 September 2020, the total current and non-current assets of the Group increased by approximately 11.0 per cent. and 12.1 per cent., respectively, compared to 31 December 2019. The Group's total debt (which includes short-term borrowings, notes payable, non-current liabilities due within one year, long term borrowings and bonds payable) increased by approximately 15.8 per cent. as of 30 September 2020 compared to 31 December 2019, largely as a result of increased demand for operating funds as a result of the COVID-19 pandemic.

THE ISSUE

The following contains summary information about the Securities and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Securities" and "The Global Certificate" shall have the same meanings in this summary. For a more complete description of the terms of the Securities, see "Terms and Conditions of the Securities".

Issuer	Halcyon Agri Corporation Limited. The Legal Entity Identifier (LEI) code of the Issuer is 5493006WFD8UUJNP6G81.
Guarantor	Sinochem International Corporation (中化国际（控股）股份有限公司).
Issue	U.S.$200,000,000 aggregate principal amount of 3.80 per cent. Guaranteed Perpetual Securities.
Guarantee	The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Securities.
Issue Price	100 per cent.
Form and Denomination	The Securities will be issued in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Distribution	Subject to Condition 4(d) (*Distribution – Distribution Deferral*) and Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*), the Securities confer a right to receive distribution (each a "**Distribution**") from, and including, the Issue Date at the Distribution Rate in accordance with Condition 4(a). Subject to Condition 4(d) (*Distribution – Distribution Deferral*) and Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*), Distribution shall be payable on the Securities semi-annually in arrear on 18 May and 18 November of each year (each, a "**Distribution Payment Date**"), commencing on 18 May 2021.
Distribution Rate	Subject to any increase pursuant to Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*), the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be: (a) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, 18 November 2025 (the "**First Call Date**"), the Initial Distribution Rate (being 3.80 per cent. per annum); and (b) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Pursuant to Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*) of the Terms and Conditions of the Securities, upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Securities), the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) of the Terms and Conditions of the Securities by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate pursuant to Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*) shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate (as defined in the Terms and Conditions of the Securities), as further described in "*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events*".

Distribution Deferral

The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders (in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Securities), the Trustee and the Principal Paying Agent in writing not more than 10 business days nor less than five business days prior to the relevant Distribution Payment Date unless a Compulsory Distribution Payment Event (as defined in the Terms and Conditions of the Securities) has occurred (an "**Optional Deferral Event**").

No Obligation to Pay

The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) (*Distribution – Distribution Deferral – Optional Deferral*) of the Terms and Conditions of the Securities.

Cumulative Deferral

Any Distribution deferred pursuant to Condition 4(d) (*Distribution – Distribution Deferral*) of the Terms and Conditions of the Securities shall constitute "**Arrears of Distribution**". Each amount of Arrears of Distribution shall accrue Distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

	The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) (*Distribution – Distribution Deferral – Optional Deferral*) of the Terms and Conditions of the Securities) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution and is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred, as further described in Condition 4(d)(iv) (*Distribution – Distribution Deferral – Cumulative Deferral*).
Restrictions in the case of Deferral	Each of the Issuer and the Guarantor undertakes that, unless on any Distribution Payment Date payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities, any Arrears of Distribution and any Additional Distribution Amount) is made in full: (a) it shall not declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, on any Parity Securities or Junior Securities of the Issuer or the Guarantor (except in relation to the Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis); or (b) it shall not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer or the Guarantor (except in relation to the Parity Securities of the Issuer or the Guarantor, as the case may be, on a *pro-rata* basis), in each case, unless and until (x) the Issuer or the Guarantor has satisfied in full all outstanding Arrears of Distribution and Additional Distribution Amount or (y) the Issuer or the Guarantor (as the case may be) is otherwise permitted to do so by an Extraordinary Resolution of the Holders.
Issue Date	18 November 2020
Maturity Date	There is no maturity date.
Status of the Securities and Guarantee of the Securities	The Securities constitute direct, unconditional, subordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and *pari passu* with any Parity Securities of the Issuer. The rights and claims of the Holders in respect of the Securities are subordinated as provided in Condition 1 of the Terms and Conditions. The Guarantee of the Securities constitutes a direct, unconditional, subordinated and unsecured obligation of the Guarantor which shall at all times rank at least *pari passu* with any Parity Securities of the Guarantor. The rights and claims of the Holders in respect of the Guarantee of the Securities are subordinated as provided in Condition 1 of the Terms and Conditions.

Ranking of claims in respect of the Securities	Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Issuer, the rights of the Holders in respect of the Securities to payment of principal and Distribution on the Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with any Parity Securities of the Issuer and in priority to any Junior Securities of the Issuer.
Ranking of claims in respect of the Guarantee of the Securities	Subject to the insolvency laws of the PRC and other applicable laws, in the event of the winding-up of the Guarantor, the rights of the Holders in respect of the Guarantee of the Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Guarantor but at least *pari passu* with any Parity Securities of the Guarantor and in priority to any Junior Securities of the Guarantor.
Set-off – Securities	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.
Set-off – Guarantee of the Securities	Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

Taxation	All payments of principal, premium (if applicable) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, the Trust Deed and under the Deed of Guarantee of the Securities by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (collectively, "**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. Where such withholding or deduction is made by the Guarantor by or within the PRC up to the rate applicable on 11 November 2020 (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate or (ii) any deduction or withholding by or within Singapore, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Holders of such amounts after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions. See "*Terms and Conditions of the Securities – Taxation*".
Negative Pledge and Other Covenants	The Securities contain a negative pledge provision and other covenants, as further described in Condition 3(a) (*Negative Pledge and Other Covenants – Negative Pledge*) of the Terms and Conditions of the Securities.
Redemption at the Option of the Issuer	The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) and including 18 October 2025 (being the date falling one month prior to the First Call Date) up to (and including) on the First Call Date or on any Distribution Payment Date after the First Call Date.
Redemption for Tax Reasons	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), as further described in Condition 5(c) (*Redemption and Purchase – Redemption for tax reasons*) of the Terms and Conditions of the Securities.

Redemption for Accounting Reasons	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at: (a) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or (b) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date, if, immediately before giving such notice, the Issuer notifies the Trustee that as a result of any changes or amendments to, or a change or amendment to any official interpretation of, SFRS(I) (in the case of the Issuer) or PRC GAAP (in the case of the Guarantor) or any other generally accepted accounting standards that may be adopted for the purposes of preparing the Issuer's or the Guarantor's consolidated financial statements (the "**Relevant Accounting Standards**"), the Securities in whole or in part must not or must no longer be recorded as "equity" of the Issuer or the Guarantor pursuant to the Relevant Accounting Standards.
Redemption for Change of Control	Following the occurrence of a Change of Control Triggering Event, the Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), as further described in Condition 5(e) (*Redemption and Purchase – Redemption for Change of Control*) of the Terms and Conditions of the Securities.
Redemption on the occurrence of a Breach of Covenant Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Breach of Covenant Event.
Redemption on the occurrence of an Indebtedness Default Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of an Indebtedness Default Event.

Redemption for Tax Deductibility Event	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)), as further described in Condition 5(h) (*Redemption and Purchase – Redemption for Tax Deductibility Event*) of the Terms and Conditions of the Securities.
Redemption for minimum outstanding amount	The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.
Limited rights to institute proceedings	No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Guarantor as those which the Trustee is entitled to exercise as set out in Condition 8 (*Non-Payment*) of the Terms and Conditions of the Securities.
Proceedings for Winding-Up	If (i) there is a Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer or the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee of the Securities and the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Non-Payment – Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.
Clearing Systems	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.
Clearance and Settlement	The Securities have been accepted for clearance by Euroclear and Clearstream under the following codes: ISIN: XS2257850409 Common Code: 225785040

Further Issues	Subject to compliance with Condition 3(b) (*Negative Pledge and Other Covenants – Undertakings in relation to the Guarantee of the Securities*) of the Terms and Conditions of the Securities, the Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further Securities having the same terms and conditions as the Securities in all respects (except for the Issue Date, the issue price, the first payment of Distribution and the timing for reporting to the NDRC and filing with SAFE) so as to form a single series with the Securities.
Governing Law	The Securities, the Trust Deed, the Deed of Guarantee, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith, are governed by English law, except that the subordination provisions applicable to (i) the Issuer set out in Condition 1(b) (*Form, Denomination, Status and Guarantee – Status of the Securities*), Condition 1(d) (*Form, Denomination, Status and Guarantee – Ranking of claims in respect of the Securities*), Condition 1(f) (*Form, Denomination, Status and Guarantee – Set-off – Securities*) and clause 5 (*Subordination*) of the Trust Deed shall be governed by, and construed in accordance with, the laws of Singapore and (ii) the Guarantor set out in Condition 1(c) (*Form, Denomination, Status and Guarantee; Status of the Guarantee of the Securities*), Condition 1(e) (*Form, Denomination, Status and Guarantee – Ranking of claims in respect of the Guarantee of the Securities*), Condition 1(g) (*Form, Denomination, Status and Guarantee – Set-off – Guarantee of the Securities*) and clause 2.2 and clause 2.3 of the Deed of Guarantee shall be governed by, and construed in accordance with, PRC law.
Trustee	DB International Trust (Singapore) Limited.
Registrar, Calculation Agent, Principal Paying Agent, and Transfer Agent	Deutsche Bank, Singapore Branch.
Listing	Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and their respective associated companies (if any), the Guarantee of the Securities or the Securities. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for as long as any of the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.
Ratings	The Securities are expected to be rated Baa2 by Moody's. Such rating of the Securities does not constitute a recommendation by Moody's to buy, sell or hold the Securities and may be subject to revision or withdrawal at any time by Moody's. The Guarantor is rated Baa1 (stable) by Moody's, BBB+ (stable) by S&P and A- (stable) by Fitch.
Use of Proceeds	See "*Use of Proceeds*".

SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE ISSUER

The following tables set forth the summary audited consolidated financial information of the Issuer as at and for the periods indicated.

The summary audited consolidated financial information of the Issuer as of and for the years ended 31 December 2017, 2018 and 2019 has been derived from the Issuer's Audited Financial Statements. Such information should be read in conjunction with, and is qualified in its entirety by reference, such audited consolidated financial statements of the Issuer and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Issuer are not necessarily indicative of results that may be achieved for any future period.

The Issuer's Audited Financial Statements have been prepared and presented in accordance with SFRS(I). The SFRS(I) is equivalent to the IFRS.

Consolidated Statement of Financial Position of the Issuer Group

	Issuer Group		
	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2017**
	(audited) *U.S.$'000*	*(audited)* *U.S.$'000*	*(audited)* *U.S.$'000*
ASSETS			
Non-current assets			
Intangible assets	300,941	300,903	200,416
Property, plant and equipment	311,652	294,972	244,929
Plantation and biological assets	466,079	380,391	337,025
Investment properties	44,718	46,799	25,256
Deferred tax assets	21,259	15,056	14,346
Deferred charges	433	352	531
Other Assets	1,618	1,787	1,793
Loan and other receivables	3,425	3,491	3,641
Investment in an associate	1,035	1,190	-
Total non-current assets	1,151,160	1,044,941	827,937
Current assets			
Cash and bank balances	57,905	125,214	152,229
Trade receivables	133,753	146,745	121,689
Loan and other receivables	159,700	146,186	111,058
Tax receivables	11,696	9,386	2,175
Derivative financial instruments	20,523	44,190	22,885
Inventories	375,394	297,941	305,347
Consumable biological assets	6	17	49
	758,977	769,679	715,432
Assets of disposal group classified as held-for-sale	4,820	-	89,384
Total current assets	763,797	769,679	804,816
Total assets	**1,914,957**	**1,814,620**	**1,632,753**

	Issuer Group		
	As at 31 December 2019	**As at 31 December 2018**	**As at 31 December 2017**
	(audited) *U.S.$'000*	*(audited)* *U.S.$'000*	*(audited)* *U.S.$'000*
LIABILITIES AND EQUITY			
Current liabilities			
Derivative financial instruments	10,534	1,920	145
Trade payables	38,331	34,570	38,757
Other payables	55,076	55,682	60,443
Loan payables	611,821	520,400	207,551
Provision for taxation	6,187	12,418	21,040
Lease liabilities	3,124	42	496
	725,073	625,032	328,432
Liabilities of disposal group classified as held-for-sale	-	-	16,463
Total current liabilities	725,073	625,032	344,895
Net current assets	**38,724**	**144,647**	**459,921**
Non-current liabilities			
Loan payable	511,912	391,640	402,960
Retirement benefit obligations	22,541	19,024	19,024
Deferred tax liabilities	48,012	38,643	30,782
Lease liabilities	10,203	132	86
Other payables	8,228	4,263	1,843
Total non-current liabilities	600,896	453,702	454,695
Net assets	**588,988**	**735,886**	**833,163**
Capital and reserves			
Share capital	603,874	603,874	603,874
Perpetual Securities	-	148,690	148,690
Capital reserves	1,814	1,617	711
Other reserves	(2,952)	(3,313)	-
Accumulated losses	(56,162)	(51,651)	(5,694)
Foreign currency translation reserves	14,903	7,749	42,672
Equity attributable to owners of the Company	561,477	706,966	790,253
Non-controlling interests	27,511	28,920	42,910
Total equity	588,988	735,886	833,163
Total liabilities and equity	**1,914,957**	**1,814,620**	**1,632,753**

Consolidated Statement of Profit or Loss of the Issuer Group

	Issuer Group		
	For the year ended 31 December 2019	For the year ended 31 December 2018	For the year ended 31 December 2017
	(audited) *U.S.$'000*	*(audited)* *U.S.$'000*	*(audited)* *U.S.$'000*
Revenue	1,907,747	2,141,034	2,158,383
Cost of sales	(1,800,395)	(2,022,591)	(2,007,825)
Gross profit	**107,352**	**118,443**	**150,558**
Other income	62,248	6,655	24,920
Selling expenses	(45,174)	(43,859)	(49,295)
Administrative expenses	(90,143)	(81,521)	(79,610)
Administrative expenses – foreign exchange gain	4,361	5,342	12,783
Impairment losses on financial assets	(324)	(585)	(107)
Operating profit	**38,320**	**4,475**	**59,249**
Finance income	6,069	4,900	2,950
Finance costs	(40,826)	(26,174)	(25,674)
Share of (loss)/profit of associates	(252)	(165)	10,043
(Loss)/Profit before tax	3,311	(16,964)	46,568
Income tax credit/(expense)	(7,041)	3,551	(12,038)
(Loss)/Profit for the financial year	**(3,730)**	**(13,413)**	**34,530**
(Loss/Profit attributable to:			
Owners of the Company	(1,633)	(8,484)	31,027
Non-controlling interests	(2,097)	(4,929)	3,503
	(3,730)	(13,413)	34,530
Earnings/(Loss) per share ("EPS/LPS"):			
Basic and diluted (U.S. cents per share)	(0.31)	(0.53)	1.95

Consolidated Statement of Comprehensive Income of the Issuer Group

	Issuer Group		
	For the year ended 31 December 2019	**For the year ended 31 December 2018**	**For the year ended 31 December 2017**
	(audited) *U.S.$'000*	*(audited)* *U.S.$'000*	*(audited)* *U.S.$'000*
(Loss)/profit for the financial year	**(3,730)**	**(13,413)**	**34,530**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	7,171	(31,711)	45,723
Net Fair value gain/(loss) on derivative financial instruments at fair value through other comprehensive income reclassified to profit or loss	314	(315)	-
Realisation of foreign currency translation reserve upon liquidation of a subsidiary	-	(5,333)	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation (net of tax)	697	3,132	(1,197)
Net fair value loss on equity instruments at fair value through other comprehensive income	(2)	(4)	-
Other comprehensive income/(loss) for the financial year net of tax	8,180	(34,231)	44,526
Total comprehensive income/(loss) for the financial year net of tax	4,450	(47,644)	79,056
Attributable to:			
Owners of the Company	6,529	(40,766)	72,725
Non-controlling interests	(2,079)	(6,878)	6,331
Total comprehensive income/(loss) for the financial year net of tax	4,450	(47,644)	79,056

SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GUARANTOR

The following tables set forth the summary audited consolidated financial information of the Group as at and for the periods indicated.

The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2017, 2018 and 2019 has been derived from the Guarantor's Audited Financial Statements. Such information should be read in conjunction with, and is qualified in its entirety by reference, such audited consolidated financial statements of the Guarantor and, including the notes thereto, included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

The Guarantor's Audited Financial Statements have been prepared in Chinese only and the Translated Financial Statements have been prepared and included in this Offering Circular for reference only.

None of the Joint Lead Managers or any of their respective directors, officers, employees, affiliates, advisers or agents has independently verified or checked the accuracy of the Translated Financial Statements and can give no assurance that the information contained in the Translated Financial Statements is accurate, true or complete.

The Guarantor's Audited Financial Statements have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Description of Certain Differences between PRC GAAP and IFRS".

The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation, and there is no pro forma financial information in this Offering Circular that takes into consideration the potential impact of the Yangnong Reorganisation given that the completion of the Yangnong Reorganisation remains subject to the execution of definitive documentation and uncertainty around completion of the conditions precedent. For more information on the Yangnong Reorganisation, see "Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical".

The Group's historical financial information presented in this Offering Circular is not indicative of what the Group's results of operations, financial position and cash flows would have been had such historical financial information included the impacts of the Yangnong Reorganisation. Accordingly, the historical financial information presented in this Offering Circular is not necessarily indicative of the Group's future results of operations, financial position and cash flows (including the Group's future results of operations, financial position and cash flows following completion of the Yangnong Reorganisation), and investors may have difficulty assessing its prospects based on such financial information in this Offering Circular should the Yangnong Reorganisation be completed. For more information on the risks relating to the Yangnong Reorganisation, see "Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation".

Consolidated Balance Sheet of the Group

	As at 31 December		
	2019	2018	2017
	(audited)	*(audited)*	*(audited)*
		(RMB)	
Assets			
Current Assets			
Cash and bank balances	7,990,148,543.31	8,724,227,840.77	9,438,171,904.51
Financial assets at fair value through profit or loss	-	623,070.99	50,174.72
Derivative financial assets	73,835,550.64	86,720,808.97	82,905,837.88
Notes receivable	-	2,621,414,388.12	2,668,005,994.60
Accounts receivable	4,339,190,605.85	4,289,803,017.54	5,071,010,102.15
Factoring with receivables	2,681,242,552.79	-	-
Prepayments	1,084,831,442.09	866,164,036.06	816,237,021.91
Other receivables	909,879,535.90	1,291,346,145.82	1,077,928,469.47
Inventories	6,139,541,514.05	6,120,897,125.55	6,515,687,292.91
Assets classified as held-for-sale	32,560,101.97	-	9,140,168,719.90
Other current assets	2,919,556,369.70	5,585,316,712.20	1,502,746,265.51
Total current assets	26,170,786,216.30	29,586,513,146.02	36,312,911,783.56
Non-current Assets			
Available-for-sale financial assets	-	281,130,360.06	847,677,060.69
Long-term receivables	24,195,054.25	24,410,062.54	24,406,576.56
Long-term equity investments	546,493,588.37	328,126,156.10	1,046,616,232.79
Other equity instrument investments	432,783,548.17	-	-
Investment properties	636,623,801.65	347,241,037.63	308,968,228.42
Fixed assets	7,937,732,107.94	7,725,742,382.22	6,608,413,850.04
Construction in progress	3,732,697,048.98	1,172,683,332.29	922,115,454.26
Bearer biological assets	1,763,449,327.36	1,528,382,460.32	1,192,274,704.22
Intangible assets	4,615,088,436.46	3,842,907,727.51	3,630,431,631.59
Development expenditure	29,646,865.18	1,382,265.00	1,382,265.00
Goodwill	5,107,447,001.90	4,571,189,903.23	4,254,195,814.77
Long-term deferred expenses	43,573,451.50	56,569,662.78	56,975,053.61
Deferred tax assets	488,032,912.42	365,514,746.47	548,337,118.24
Other non-current assets	1,139,501,302.55	497,303,164.69	5,951,784.13
Total non-current assets	26,497,264,446.73	20,742,583,260.84	19,447,745,774.32
Total assets	52,668,050,663.03	50,329,096,406.86	55,760,657,557.88

	As at 31 December		
	2019	2018	2017
	(audited)	*(audited)*	*(audited)*
		(RMB)	
Liabilities and Equity			
Current liabilities			
Short-term borrowings	6,174,617,244.32	5,047,419,590.38	4,527,833,428.20
Derivative financial liabilities	25,209,543.59	60,861,182.25	22,764,496.48
Notes payable	2,240,567,735.94	2,342,938,002.00	2,005,189,927.59
Accounts payable	4,215,485,770.11	4,252,205,662.88	5,893,424,501.12
Receipts in advance	698,873,862.63	825,705,518.90	4,454,804,525.53
Employee benefits payable	434,290,940.83	413,476,083.57	342,532,808.19
Taxes payable	601,459,764.13	951,076,544.23	458,527,645.13
Interest payable	-	162,775,197.40	141,589,212.38
Other payables	1,420,765,135.13	1,706,809,599.08	938,938,726.71
Held-for-sale liabilities	-	-	5,082,189,802.03
Other current liabilities	-	-	2,445,888.93
Non-current liabilities due within one year	443,511,405.53	1,392,209,668.80	794,321,917.58
Total current liabilities	16,254,781,402.21	16,992,701,852.09	24,664,562,879.87
Non-current liabilities			
Long-term borrowings	4,606,282,155.88	3,730,945,086.31	3,467,064,437.77
Bonds payable	4,579,029,260.53	4,540,586,461.01	5,630,460,052.85
Long-term payables	343,325,084.79	30,470,361.28	65,322,682.09
Long-term employee benefits payable	172,557,553.63	130,562,798.97	138,143,292.43
Provisions	119,326,733.56	-	1,225,461.25
Deferred tax liabilities	813,924,193.45	704,829,738.79	658,310,372.72
Other non-current liabilities	406,213,321.99	119,741,354.66	38,200,388.87
Deferred income	97,772,189.97	77,909,044.26	53,938,800.26
Total non-current liabilities	11,138,430,493.80	9,335,044,845.28	10,052,665,488.24
Total Liabilities	27,393,211,896.01	26,327,746,697.37	34,717,228,368.11
Share capital	2,707,916,472.00	2,083,012,671.00	2,083,012,671.00
Other equity instruments	1,297,352,452.83	-	-
Capital reserves	3,677,062,285.25	3,324,204,169.24	3,449,681,500.22
Other comprehensive income	(644,146,043.72)	(691,405,402.69)	(549,348,625.33)
Special reserves	94,389,587.07	77,789,177.55	76,691,071.65
Surplus reserves	971,602,863.58	932,869,321.23	671,645,126.44
Retained profits	5,020,787,303.49	5,516,420,085.11	5,075,617,357.45
Equity attributable to owners of the parent	13,124,964,920.50	11,242,890,021.44	10,807,299,101.43
Minority interests	12,149,873,846.52	12,758,459,688.05	10,236,130,088.34
Total shareholders' equity	25,274,838,767.02	24,001,349,709.49	21,043,429,189.77
Total Liabilities and Shareholders' Equity	52,668,050,663.03	50,329,096,406.86	55,760,657,557.88

CONSOLIDATED INCOME STATEMENT OF THE GROUP

	For the years ended 31 December		
	2019	**2018**	**2017**
	(audited)	*(audited)*	*(audited)*
		(RMB)	
Operating income	52,846,463,065.75	59,956,573,411.59	62,466,074,604.33
Less:			
Operating costs	46,326,691,610.30	52,744,007,050.52	55,425,690,393.31
Taxes and levies	182,137,850.17	189,516,370.82	176,580,678.78
Selling expenses	1,291,675,450.52	1,332,279,056.44	1,398,304,110.18
General and administrative expenses	2,158,557,444.37	2,292,570,370.49	2,159,091,934.97
Research and development expenses	732,929,133.02	614,419,366.64	499,107,757.63
Financial expenses	448,404,999.39	532,478,149.37	775,425,604.71
Incl.: Interest expense	746,913,501.81	728,730,749.77	678,803,283.89
Incl.: Interest income	250,506,233.28	93,019,929.83	84,460,214.81
Add:			
Other income	147,625,879.30	134,846,543.73	85,855,507.38
Investment income	250,906,258.76	1,900,128,248.03	900,902,771.38
Incl.: Share of profits of associates and joint ventures	46,152,387.93	101,295,705.09	242,005,729.86
Gains / (Losses) on impairment of assets	(157,453,347.76)	(1,056,449,266.49)	(1,170,538,428.05)
Gains / (Losses) on fair value changes	(17,261,982.79)	(35,175,970.36)	115,740,599.17
Gains / (Losses) on impairment of credit	58,768,912.62	-	-
Gains / (Losses) on disposal of assets	(10,410,604.66)	(9,396,272.18)	68,296,551.12
Operating profit	1,978,241,693.45	3,185,256,330.04	2,032,131,125.75
Add: Non-operating income	77,373,456.53	90,074,835.43	341,135,426.70
Less: Non-operating expenses	84,299,390.10	78,606,558.90	333,642,765.90
Total profit	1,971,315,759.88	3,196,724,606.57	2,039,623,786.55
Less: Income tax expense	373,719,441.09	1,088,448,440.89	672,629,143.71
Net profit	1,597,596,318.79	2,108,276,165.68	1,366,994,642.84
Incl.: Net profit/(loss) from continuing operations	1,597,596,318.79	1,966,830,648.37	1,195,692,659.11
Incl.: Discontinued operating net profit/(loss)	-	141,445,517.31	171,301,983.73
Net profit attributable to non-controlling interests	1,137,815,966.98	1,197,182,176.48	718,947,533.37
Net profit attributable to owners of the parent	459,780,351.81	911,093,989.20	648,047,109.47
Net value of other comprehensive income after tax	108,854,570.89	(165,909,967.04)	(104,440,304.19)
Net value of other comprehensive income after tax attributable to owners of the parent	47,700,730.97	(142,056,777.36)	(46,659,781.45)
Other comprehensive income which won't be reclassified to the income statement	40,472,093.17	13,372,363.63	(6,417,929.53)
Incl.: Recalculation of change of net liabilities or net assets of the defined benefit pension plan	4,289,683.80	12,606,563.98	(5,652,129.88)

	For the years ended 31 December		
	2019	2018	2017
	(audited)	*(audited)*	*(audited)*
		(RMB)	
Incl.: Changes in the fair value of other equity instrument investments	36,182,409.37	-	-
Incl.: Other comprehensive income which won't be reclassified to the income statement under the equity method	-	765,799.65	(765,799.65)
Other comprehensive income which will be reclassified to the income statement	7,228,637.80	(155,429,140.99)	(40,241,851.92)
Share in other comprehensive income that will be reclassified to profit or loss under equity method	-	12,392,104.54	15,716,077.49
Changes in fair value of available-for-sale financial assets	-	(111,696,019.60)	(6,956,182.83)
Exchange differences from translation of the financial statements prepared in foreign currencies	7,228,637.80	(56,125,225.93)	(48,895,652.12)
Others	-	-	(106,094.46)
Net value of other comprehensive income after tax attributable to minority shareholders	61,153,839.92	(23,853,189.68)	(57,780,522.74)
Total comprehensive income	1,706,450,889.68	1,942,366,198.64	1,262,554,338.65
Including:			
Attributable to owners of the parent	507,481,082.78	769,037,211.84	601,387,328.02
Attributable to minority shareholders	1,198,969,806.90	1,173,328,986.80	661,167,010.63
Earnings per share			
Basic earnings per share	0.17	0.34	0.24
Diluted earnings per share	NA	NA	NA

RISK FACTORS

Any investment in the Securities is subject to a number of risks. Prior to investing in the Securities, prospective investors should carefully consider risk factors associated with any investment in the Securities, the business of the Issuer and the Guarantor and the industries in which they operate together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the section titled "Terms and Conditions of the Securities" or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive, complete or comprehensive list or explanation of all risks which investors may face when making an investment in the Securities and should be used as guidance only. Some risks may be unknown to the Issuer Group and Group and other risks, currently believed to be immaterial, could in fact be material. Additional risks and uncertainties relating to the Issuer Group and the Group that are not currently known to them or that they currently deem immaterial, may individually or cumulatively also have a material adverse effect on the Issuer Group and the Group's business, assets, performance, prospects, results of operations and/or financial position and, if any such risk should occur, the price of the Securities may decline and investors could lose all or part of their investment. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Investors should consider carefully whether an investment in the Securities is suitable for them in light of the information in this Offering Circular and their personal circumstances.

This Offering Circular contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer Group and the Group could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP

The Group's results of operations are dependent, among other things, on the conditions of the global economy.

The Group derives revenue primarily from sales of various agrochemicals, rubber, chemicals and other products in the PRC and globally. The demand for its products are, therefore, dependent on, among other things, on the conditions of the PRC and global economy.

The outlook for the PRC and global economy and financial markets remains uncertain. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom's exit from the EU has resulted in volatility in global financial markets, and it is expected to create mid-to long-term economic uncertainty to not only the economies of the United Kingdom and the EU but also globally. Geopolitical events such as prolonged tensions from the ongoing social unrests, protests and new national security legislation in Hong Kong, continued tensions in the Middle East and the Korean peninsula, escalation of tension between the United States and the PRC over trade policies, political and other issues and the 2020 Russia-Saudi Arabia oil price war could significantly undermine the stability of the global economies. There is also uncertainty with regard to the implications of the recent United States presidential election outcome, which may prompt significant policy changes and ramifications for the global economy and markets.

Furthermore, in both the PRC and the Group's overseas markets, general economic conditions and interest rate levels and unemployment rates, demographic trends, Gross Domestic Product growth and consumer confidence influence the growth of industries where the Group's products are widely used or applied. A downturn in the markets in which the Group's products are sold, or a downturn in general economic conditions could impact its sales, resulting in price pressure and reduced volumes and margins. A decline in demand or a shift to lower value end-products resulting from deteriorating economic conditions could materially and adversely affect the Group's business, financial condition or results of operations. In addition, concerns over inflation, increasing energy costs, geopolitical issues, the availability and cost of credit, unemployment, diminishing consumer confidence, declining asset values, capital market volatility and liquidity issues have created difficult operating conditions for the Group in the past few years and the impact may remain in the future.

Any significant change in the foregoing elements could negatively impact the Group's business, financial condition and results of operations. Furthermore, the PRC government has, from time to time, adjusted its monetary, fiscal and other policies and measures for stable economic growth and to revolve the overcapacity in certain industries or markets, which may have a direct or indirect impact on the Group's financial condition.

In particular, the Group's operating results are dependent upon the condition of the chemical and rubber industries, as the agrochemical, high-performance materials and intermediates and natural rubber segments constitute a significant portion of the Group's overall revenue and are heavily influenced by trends and movements in the chemical and rubber industries. The chemical and rubber industries have experienced alternating periods of inadequate capacity and supply and is cyclical in nature, allowing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply and overcapacity with corresponding declining utilisation rates and, ultimately, declining prices and profit margins. Some of the markets in which the Group's customers participate are highly competitive, are driven to a large extent by end-use markets and may experience overcapacity, all of which may affect demand for and the pricing of the Group's products. Excess industry capacity may also continue to depress volumes and margins on some products. In addition to changes in the supply and demand for products, changes in energy prices and other worldwide economic conditions may lead to additional volatility.

The Group is exposed to risks in respect of COVID-19 and other epidemics, pandemics and natural or other calamities.

The Group's business could be adversely affected by the effects of global epidemics, pandemics and natural or other calamities, including, for example, the ebola virus, H1N1 flu, H5N1 avian flu, Severe Acute Respiratory Syndrome ("**SARS**"), middle eastern respiratory syndrome ("**MERS**") and COVID-19. In 2006, 2007 and 2008, there have been reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In April 2009, an outbreak of H1N1 flu occurred in Mexico and the United States and human cases of H1N1 flu were discovered in China and Hong Kong. In 2014, there was an ebola virus outbreak in Africa which has yet to be contained.

More recently and in particular, the ongoing COVID-19 pandemic has triggered a global economic downturn and global economic contraction, causing unprecedented disruptions to global financial, foreign exchange, commodity and energy markets. In December 2019, the first case of a novel strain of coronavirus, COVID-19, was identified. The pandemic has since spread globally and there have been increasing initial infection and fatality rates across the world. Governments of many countries (including the PRC) have declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. There can be no assurance that such measures will be effective in ending or deterring the spread of COVID-19. The resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the countries affected by the COVID-19 pandemic, directly and/or indirectly, if prolonged, could cause a global recession. While central banks of different countries have cut policy rates and/or announced stimulus packages, and national governments have proposed or adopted various forms of economic relief to contain the economic impacts of the pandemic and stabilise the markets, there can be no assurance that such monetary and fiscal policy measures will have the intended effects or that a global economic downturn or market volatilities will not persist. Any severe or prolonged slowdown, instability, crisis or recession in the global economy resulting from COVID-19 has or may materially and adversely affect the Group's business, financial condition and results of operations. See "*Description of the Group – Recent Developments – The ongoing COVID-19 pandemic*" for more details on the impact of COVID-19. In addition, there can be no assurance that the pandemic will not escalate, and that the Group will not be adversely affected by it, or that the Group's suppliers and customers will be able to sustain the global economic downturn and contraction. These factors result in significant fluctuations in the Group's profits and cash flows from period to period and over business cycles.

Any prolonged occurrence or recurrence of H1N1 flu, H5N1 avian flu, SARS, MERS, COVID-19 or other adverse public health developments in Singapore, China or any of the major markets in which the Group operates, or the fear of such development, may have a material adverse effect on the Group's business and operations. These could include travel or shipment restrictions affecting the Group's ability to deliver its products, as well as temporary closure of its manufacturing facilities, or its customers' facilities, leading to delayed or cancelled orders, which may disrupt the Group's operations and adversely affect its business, financial condition and results of operations.

The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all.

Although the board of directors of the Guarantor has provided its in-principle approval for the Yangnong Reorganisation on 6 November 2020, the Yangnong Reorganisation remains subject to, among others, the execution of definitive documentation and various key conditions precedent to completion, including but not limited to approvals from the relevant state-owned asset supervisory and administration authorities and the board of directors and shareholders of the Guarantor, Syngenta and Yangnong Group. Completion of the Yangnong Group Acquisition is also conditional upon the completion of the Yangnong Chemical Divestment and vice versa. The Yangnong Reorganisation may be delayed or not completed at all for a number of reasons, including but not limited to any failure to obtain such board and/or shareholder approvals, issues uncovered as part of due diligence, objections raised by regulators and/or adverse changes in market conditions, and in the event any condition precedents are not satisfied or waived by the relevant parties by 30 June 2021, any party may also unilaterally elect to terminate the Yangnong Reorganisation unless parties agree to an extension. As such, there can be no assurance that the Group will be able to successfully complete the Yangnong Reorganisation within the anticipated time frame or that it will be completed at all, and any such delay or failure may have a material impact on the Group's strategy. For more information on the Yangnong Reorganisation, see "Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical".

For more information on the other risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

The Group's business is expanding and the introduction of new products and expansion into new markets might expose it to new business risks which it may not have the expertise, the capability or the systems to manage.

The Group's success in the future will depend on, among other things, its ability to implement its business strategies for future growth and expansion. In particular, the Group has been trying to capitalise on its existing high-performance materials and intermediates expertise and diversify into the fine chemicals business, as well as to leverage on its existing rubber asset base by bringing technology into the natural rubber supply chain to promote sustainability and greater price transparency in the natural rubber market. The successful implementation of such business strategies may be affected by a number of factors, including fluctuations in demand from domestic and global markets, changes in customer preference and demand, the availability of resources suitable for the Group's future product diversification and introduction of new products into different industries, increasing competition, the Group's ability to obtain any necessary approvals to enter into any markets in the future and changes in government policies.

The manufacturing processes of the Group are highly complex and involve inherent dangers.

Many of the Group's operations, including the production of agrochemicals and high-performance materials and intermediates involve highly complex and precise processes, requiring production in tightly controlled environments. As a result, the operations of the Group are vulnerable to manufacturing and logistical problems, including the following:

- The Group may experience problems in achieving an acceptable success rate in the production of its products. The likelihood of facing such difficulties is higher in connection with the transition to new manufacturing methods. As technological advances become more rapid, manufacturing activities become more complex and prone to more issues. The interruption of certain processes or the failure to achieve acceptable refining and/or manufacturing yields at any of its facilities would adversely affect the profitability and results of operations of the Group.

- Risks associated with the use of hazardous, toxic or flammable raw materials and intermediate products. The storage of such materials near its production facilities and the handling of these materials in the production process pose inherent risks. An accident could materially disrupt the Group's manufacturing operations and could lead to death or personal injuries. Any such accident could have a material adverse effect on the Group's operations, business and financial condition. Any such accident may also subject us to adverse publicity and damage to the Group's reputation and materially and adversely affect its business and financial condition.

- Certain inherently dangerous activities undertaken by the Group in the course of the Group's operations that expose it to a number of additional risks, including the risk of fire, explosion, leakage, release of toxic fumes or other unexpected or hazardous conditions causing personal injuries or death, property damage, environmental damage or interruption of operations.

The Group's business is subject to the risks affecting operations at processing facilities.

The Group currently operates processing facilities in various countries. These facilities are subject to operating risks, such as industrial accidents, which could cause personal injury or loss of human life, the breakdown or failure of equipment, power supplies or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters and the need to comply with new directives of relevant government authorities, and could result in the imposition of civil and criminal penalties. The occurrence of any of these events could have a material adverse effect on the productivity and profitability of a particular processing facility and on the Group's business, results of operations and financial position.

Although the Group takes precautions to mitigate the risk of any significant operational problems at its production facilities, there can be no assurance that its business, results of operations and financial position would not be adversely affected by disruptions caused by operational problems at the Group's processing facilities. Additionally, the Group's chemical segment needs to carry out planned shutdowns of its various plants for routine maintenance, statutory inspections and testing and may need, from time to time, to shut down its various plants for capacity expansions and equipment upgrades.

In addition, the Group's production facilities have not in the past been subject to any material accidents as a result of human, machine or other errors but such accidents may occur in the future. Many of the Group's businesses are subject to hazards related to the handling and transportation of raw materials, products and wastes, particularly in its agrochemical and high-performance materials and intermediates segments, which requires the processing and transportation of highly toxic, volatile or flammable chemical substances. These hazards include, among other things:

- pipeline and storage tank leaks and ruptures;

- explosions, fires and floods; and

- discharges or releases of toxic or hazardous substances.

In the event that the Group's chemical segment production facilities are disrupted by such hazards, the Group can still source for raw materials from external parties for any shortfall in its operations. However, this is subject to these external parties' production not being disrupted by the same. The disruption in the Group's operations and supply of raw materials from external parties may result in lower profit margins as well as result in an under-utilisation of the production and volume capacity of the Group's processing facilities. There is no assurance that such events will not cause a disruption or cessation in the operations, which in turn may result in a material adverse impact on its business, financial condition, results of operations and prospects.

The Group's production facilities are also subject to unscheduled maintenance or repair shutdowns that occur due to unexpected accidents and other problems with its facilities. In addition, the Group's facilities are subject to various safety regulations that require it to shut down operations for maintenance or repairs and submit to regulatory inspections, and this could significantly delay the restarting of the facilities. The Group is also subject to operating risks resulting from labour disruptions. If any of these operating risks occur, there may be protracted interruptions in the Group's business operations, including facility shutdowns.

Furthermore, the Group's production facilities may be subject to the risk of compulsory land acquisition. In the event of any compulsory acquisition of property by the respective government bodies of any of the countries in which the Group production facilities are located, the compulsory acquisition may lead to disruptions to the Group's business operations and may have a material adverse effect on its Group's business, financial condition, results of operation and prospects.

The Group's insurance coverage may not adequately protect it against certain operating hazards.

The nature of the Group's chemical business, including the transportation of chemicals, the handling, production and transportation of chemical products and the storage and sale of chemical products, are inherently dangerous and involve many hazards. In addition, the Group's businesses could be adversely affected by unanticipated events such as power failures, breakdown of equipment, unscheduled production shut-downs, difficulties or delays in obtaining raw materials, shipping delays, labour disputes, fire, explosion, weather, natural disasters, industrial accidents, as well as stringent environmental and conservation regulations.

The Group's operating risks may expose it to significant losses resulting from serious personal injury or loss of life, severe damage to or destruction of property, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties. While the Group maintains insurance coverage in line with what its management believes to be customary industry practice in the global market, there can be no assurance that the insurance taken on by the Group is sufficient for the Group's businesses or it will be adequate to cover losses or liabilities that may arise. To the extent that any such interruption or suspension of operations, disruption or damage to production facilities or imposition of civil or criminal penalties are not fully covered by the Group's insurance policies, the Group's income and cash flows may be adversely affected.

With respect to losses which are covered by the Group's insurance policies, it may be difficult and may take time to recover such losses from insurers. In addition, it may not be able to recover the full amount from the insurer. There can be no assurance that such policies would be sufficient to cover all potential losses, regardless of the cause, or whether it can recover such losses at all. Accordingly, there may be circumstances in which the Group will not be covered or compensated for certain losses, damages and liabilities, which may in turn adversely affect its financial position and results of operations, as the Group may be liable to cover any shortfall or losses. The Group cannot predict the continued availability of insurance at premium levels that are not prohibitively expensive. The Group's insurance premiums may also increase substantially from claims under its policies.

Fluctuations in the average selling prices of the Group's products may adversely affect its results of operations.

The average selling prices of most of the Group's products, especially those in the natural rubber, polymer additives and high-performance materials and intermediates segments, are subject to fluctuations which are primarily caused by intense market competition, changes in raw material costs and other factors that are beyond its control (such as the ongoing COVID-19 pandemic). There can be no assurance that the Group will not continue to experience volatile or declining average selling prices for its products in the future. If the Group cannot increase its sales volume to compensate for the loss of revenue caused by volatile or declining average selling prices for its products, its results of operations could be adversely affected.

The scale and complexity of the Group's operations may expose it to management and internal control risks.

The Group operates numerous subsidiaries and joint venture companies globally and has minority interests in companies operating in a variety of business domains. As a result of the diversity of the Group's portfolio companies and its operations in multiple business domains, it faces management challenges not faced by companies with a single business line.

Due to the Group's large number of subsidiaries, portfolio companies and production sets, its successful operation requires an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focussed incentives for management. Given the Group's size and large number of companies and production sets, it may fail to respond timely to problems faced by the lower level subsidiaries. If the Group is unable to exercise effective management control over its various business operations and different levels of subsidiaries, it may have a material adverse effect on its business, financial condition and results of operations.

Furthermore, the Group's portfolio companies in different segments may determine that it is in their shareholders' interests to pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of these business ventures will depend on a number of factors, including satisfactory due diligence and the receipt of necessary regulatory approval, among others. If the Group fails to complete such business ventures or such ventures prove to be unsuccessful, its segments involved may be adversely affected.

The Group may face uncertainties associated with its expansion plans.

In recent years, the Group has undertaken certain expansion initiatives through the merger and acquisition, the establishment of joint ventures and organic expansion (see "*Description of the Group*") and continues to view opportunistic mergers and acquisitions as a key driver for growth. For instance:

- In 2017, the Group acquired 100 per cent. shares of five companies, namely the Sinochem Plastics Co., Ltd. ("**Sinochem Plastics**"), Sinochem Pharmaceutical Co., Ltd. ("**Sinochem Pharmaceutical**"), Sinochem Health Co., Ltd. ("**Sinochem Health**") (Sinochem Qingdao Co., Ltd. as its predecessor), Sinochem International Chemicals (Hong Kong) Ltd. and Sinochem Japan Branch (together, the "**Sinochem Companies**"), to integrate the internal business of its agrochemical segment.

- In 2018 and 2019, the Group entered the field of EV batteries by acquiring Huai-an Junsheng New Energy Science & Technology ("**Huai-an Junsheng**"), a lithium battery manufacturer and boosted its polymer additives and lightweight materials segments by acquiring ELIX Polymers S.L., a leading manufacturer of Acrylonitrile-Butadiene-Styrene ("**ABS**") resins and derivatives in Europe ("**ELIX Polymers**").

- In 2020, Sinochem Group planned a strategic reorganisation with ChemChina, pursuant to which a transfer of shares in eight agricultural companies owned by it to ChemChina was completed (see "*Description of the Group – Recent Developments – Strategic Reorganisation with ChemChina*" for more details on the reorganisation).

- In 2020, the board of directors of the Guarantor provided its in-principle approval for the Yangnong Reorganisation. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical". For more information on the risks relating to the Yangnong Reorganisation, see "Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

See also "*Description of the Issuer Group – History and Background – Recent Corporate Activity*" for more details on some acquisitions and/or joint venture of the Issuer Group.

The Group's expansion initiatives involve numerous risks, including but not limited to, the financial costs of investment in machinery and equipment, construction of new facilities, working capital requirements, unforeseen contingent risks or latent liabilities relating to these businesses that may only become apparent after the merger or acquisition is finalised, potential difficulties in the integration and management of the operations and systems, potential difficulties in the retention of select personnel, potential difficulties in the co-ordination of sales and marketing efforts, and diversion of the Group's management's attention from other ongoing business concerns.

The success of the Group's merger, acquisition, investment and growth strategy depends on a number of factors, including:

- the Group's ability to identify suitable opportunities for investment, acquisition or growth;

- whether the Group is able to reach an acquisition or investment agreement on terms that are satisfactory;
- whether the Group is able to complete the acquisition and integration within targeted time;
- the extent to which the Group is able to exercise control over the acquired company or business;
- the economic, business or other strategic objectives and goals of the acquired company or business or any new business domains into which the Group expands into, compared to those of the Group's existing businesses;
- the Group's ability to successfully integrate the acquired company or business with the Group; and
- any unforeseen circumstances and problems relating to its expansion projects.

In particular, the Group has, in the past, acquired companies and businesses which have helped the Group expand its product offerings, manufacturing facilities and customer base. The Group may continue to pursue acquisitions in the future to pursue growth and to position itself as a global diversified chemical, rubber and industrial materials company. While the Group has not, to date, faced any material problems with the integration of acquired businesses, there can be no assurance that integration issues will not arise in the future. Further, the Group's integration plans may take longer than expected or result in more costs than estimated. The success of past acquisitions and any future acquisitions will depend upon several factors, including the Group's ability to:

- retain and expand its relationships with customers, suppliers and third parties and integrate acquired operations, products and technologies into the organisation; and
- retain and motivate key managerial personnel and to manage unanticipated problems, expenditures or legal liabilities of the acquired businesses.

The Guarantor is also a flagship subsidiary of Sinochem Group, which is a PRC state-owned enterprise under the supervision of SASAC. As such, the Group may be subject to restructuring, which may result in the Group acquiring new subsidiaries from other state-owned enterprises, divesting certain of its subsidiaries or merging with other state-owned enterprises, and the timing of and/or consideration for any such restructuring activities may be uncertain.

Any merger, acquisition or integration of expanded operations into the Group's existing operations may require a significant capital investment and financial resources. This, coupled with the delays associated with acquiring recognition in local markets, infrastructure readiness and the challenges of competing with established local firms, especially for hiring and retaining employees, can create a time lag between the initial capital outlay and the generation of a return on the capital employed. Such merger, acquisition or integration could also result in, *inter alia*, dilutive issuance of equity securities or the incurrence of debt or contingent liabilities, or other unanticipated events or circumstances. There can be no assurance that it will be able to achieve the strategic purpose of such an expansion or an acceptable return on such an investment. Its inability to effectively execute the planned expansion strategy, integrate successfully the expanded operations or manage or finance such undertakings while managing existing operations may materially and adversely affect the Group's overall operations and financial condition.

The Group faces competition from both domestic and international companies, which may affect its market share and profit margins.

The rubber industry, the chemical industry and the other industries in which the Group operates are highly competitive in various geographic markets. The Group actively competes with both domestic and international companies producing the same or similar products and, in some instances, with companies producing different products designed for similar uses. Increased competition may reduce the growth in customer base, reduce the profit margin and the market share that the Group currently enjoys, and result in higher selling and marketing expenses.

The Group's competitors may have greater access to financial resources, more experience in resource allocation, better ability in product innovation and longer operating histories. Some of the Group's international competitors may have more sophisticated management and may utilise more advanced technology than it does. In some of the developing economies where the Group operates, government controls on trade are gradually being released and trade is being opened up to new participants. As such, there are potential threats of new competitors entering the markets in which the Group operates. The Group's competitors in any particular market may also benefit from raw material supplies or production facilities that are closer to such markets, which could provide them with competitive advantages in terms of cost and proximity to customers. There can be no assurance that the Group's competitors will not surpass the Group's performance in the future, and if the Group fails to compete effectively and sustain its competitive advantages, it could materially and adversely affect its business, financial condition, results of operations and market position.

In most of the countries in which the Group operates and competes, the Group's operations are also subject to various licensing requirements. Complete deregulation or de-licensing of the countries from which the Group procures its products may lead to increased competition. This may have an adverse effect on the Group's business operations and competitive edge in these countries. As a result, the Group's business, results of operations and financial position may be adversely affected.

Further, the balance of supply relative to demand within the industries in which the Group competes may be significantly impacted by the addition of new capacity, especially if capacity is added in large increments. This may disrupt industry balances and result in downward pressure on prices due to the increase in supply. Pricing pressures or loss of current or potential customers resulting from the Group's failure to compete effectively may adversely affect its business, result of operations and financial condition.

The Group may encounter problems with its joint projects over which it may have limited control.

Some of the Group's projects and other infrastructure projects are conducted with consortium partners or in joint ventures. As the Group often lacks a controlling interest in such projects or enterprises even though its economic interests may be substantial, the Group may have limited ability to influence or control operations or future developments. Although the Group is currently on good terms with all its consortium partners, there is no assurance that the Group will be able to require its joint ventures sell assets or return invested capital, make additional capital contributions or take any other action without the vote of at least a majority of its consortium partners. If there are disagreements between the Group and its consortium partners or among the other consortium partners regarding the business and operations of the joint projects, there can be no assurance that it will be able to resolve them in a manner that will be in its best interests. Certain major decisions, such as selling or refinancing these projects, may require the consent of all other partners. These limitations could materially and adversely affect the Group's ability to sell, refinance or otherwise operate and profit from these projects.

In addition, the consortium partners may:

- have economic or business interests or goals that are inconsistent with the Group's interests or goals;
- take actions contrary to the Group's instructions, requests, policies or objectives;
- be unable or unwilling to fulfil their obligations;
- have financial difficulties; or
- have disputes with the Group as to their rights, responsibilities and obligations.

Any of these and other factors may have a material adverse effect on the performance of the Group's joint projects and expose such projects to a number of risks, including the risk that these projects may not be able to fulfil their obligations under contracts with customers, resulting in disputes not only between the Group and its partners, but also between the joint ventures and their customers, or create unexpected environmental or other complications. Such a material adverse effect on the performance of the joint projects may in turn materially and adversely affect the Group's business, financial condition and results of operations.

The Group may incur losses resulting from declines in the value of its assets.

Any declines in the value of the Group's assets, including goodwill, may require it to incur valuation or impairments losses. For example, for the year ended 31 December 2019, on the basis of prudence accounting principles, the Group recognised RMB157.5 million in impairment losses with respect to certain of its assets (primarily in connection with a decline in value of its inventory and provisions for bad debt).

Shortages of raw materials or volatility of raw material prices may adversely affect the Group's business and operations.

The cost of raw materials is a significant component of the Group's operating costs. The nature of the Group's operations requires it to obtain sufficient quantities of high quality raw materials in a timely manner and at acceptable prices in order to continue its operations and deliver finished products to its customers. As a result, the Group's operations are vulnerable to changes in the supply and price of raw materials. Therefore, disruptions to the operations of its raw material suppliers could limit its ability to obtain sufficient quantities of such raw materials of an acceptable or comparable quality, or at an acceptable price. Any inability to obtain high quality raw materials in a timely and cost effective manner may cause delays in the Group's production and delivery schedules, which may result in loss of customers and revenues and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, large amounts of raw materials are required in the Group's manufacturing processes and expansion plans. Although the Group has not experienced any significant difficulties in obtaining raw materials to satisfy its production and expansion requirements in the past, there can be no assurance that it will be able to continue to meet its raw materials requirements in the future. Any significant increase in the prices of raw materials could materially affect the Group's businesses, results of operations and financial conditions if such price increases cannot be passed on to customers by way of higher selling prices. The Group's ability to pass on cost increases to its customers is dependent on market conditions and the bargaining power of those customers. The prices of commodities have experienced significant volatility over the last few years and are inherently cyclical and are therefore largely determined by changes in the supply and demand of energy, agricultural and industrial commodities and raw materials that are caused by market fluctuations outside of the Group's control. These include global and regional economic conditions (such as the ongoing COVID-19 pandemic), developments in international trade, supply and demand for commodities and weather patterns, among other factors. In some instances, and for some periods, the prices of commodities could be affected by factors other than supply and demand, such as exchange rate fluctuations or government policies. Changes in the prices of commodities may affect the Group's margins.

In particular, crude oil constitutes the major feedstock cost of the Group's rubber products. Prices for crude oil may fluctuate widely in response to relatively minor changes in the supply and demand for oil, market uncertainty and other factors beyond the Group's control, including but not limited to global macroeconomic conditions (such as the 2020 Russia-Saudi Arabia oil price war), consumer demand, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, domestic and foreign government regulations (such as the COVID-19 pandemic related international-wide travel restrictions) and weather conditions. Therefore, revenue and operating profit from the Group's rubber products may be adversely affected by a wide range of macroeconomic and microeconomic factors beyond its control.

The Group is exposed to credit risk arising from receivables and financing activities.

The Guarantor and its affiliates undertake a number of financing activities in the ordinary course of business. These activities include providing trade credit to customers, extending financing to suppliers in the form of advance payments and entering into structured finance and hedging transactions as part of its risk control framework to minimise foreign currency exposure. There are inherent credit risks associated with these financing activities, such as suppliers' failure to supply the goods after the Group has provided advance payments or material quality problems with products supplied. To minimise credit risks, all potential counterparties to the Group's receivables and financing activities are also subject to a credit approval process.

Nonetheless, credit risks arising from financing activities may have an adverse impact on the Group's results of operations, financial condition and liquidity.

The Group has substantial indebtedness, and this could affect its ability to execute its strategy and grow its business.

Historically, the Group has had periods of significant indebtedness, outstanding guarantees or contingent liabilities, and although this has been brought down to manageable levels more recently, the Group's interest-bearing debt (which includes short-term borrowings, non-current liabilities due within one year, long term borrowings and bonds payable) remains substantial at RMB15.8 billion as at 31 December 2019. Furthermore, in order to maintain and expand its business operations and meet its capital requirements, the Group may incur additional interest-bearing debt in the future.

The Group's interest-bearing debt at any given time could have important consequences including but not limited to:

- a significant portion of the Group's net cash provided by operating activities is used to pay interest on borrowings, outstanding guarantees or contingent liabilities, which reduces the funds available to finance its operations, capital expenditures and other business activities;

- the Group's level of debt may impair its ability to obtain additional financing in the future for working capital, capital expenditures, general corporate or other purpose on favourable terms or at all. This may limit its flexibility in planning for or reacting to changes in its business environment and its ability to pursue strategic acquisitions of businesses; and

- the Group's leveraged financial position may make it more vulnerable to economic downturns, interest rate movements and ratings downgrades and may limit its ability to withstand competitive pressures compared to less leveraged competitors.

The Group's investment plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

The Group's business is capital intensive and its ability to maintain and increase its revenues, cash flows depends upon continued capital spending, with each of its segments requires substantial capital investments from time to time. The Guarantor has allocated approximately RMB3 billion to RMB4 billion in 2019 towards capital expenditure, primarily in the high-performance materials and intermediates segment as well as for the acquisition of fixed assets and upgrading existing machinery more generally. The Group's capital expenditure needs may vary significantly due to various factors, including, among others, the Group's ability to generate sufficient cash flows from operations to finance capital expenditures, its ability to finance such expenditures through borrowings and other requirements that are beyond its control. The Group may also encounter unforeseen costs and expenses in the process of carrying out its investment plans.

In addition, there can be no assurance as to whether, or at what cost, capital projects will be completed or that such projects will be successful if completed. Operating losses may be incurred if the Group does not have adequate capital resources to complete its investment plans or if actual expenditures exceed planned expenditures. There can be no assurance that any required financing or working capital, either on a short-term or long-term basis, will be available to it on satisfactory terms, or at all. If adequate funds or working capital facilities are not available on satisfactory terms, the Group may need to curtail expansion plans, which could result in an inability to successfully implement its business strategies and limitations on the growth of its business.

The Group has the ability under its existing credit facilities to incur substantial additional indebtedness and it may incur significant additional indebtedness from time to time in the future. The Group's ability to make payments on its debt, fund its other liquidity needs and make planned capital expenditures will depend on its ability to generate cash in the future. The Group's ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

There can be no assurance that the Group's business will generate sufficient cash flows from operations or that future borrowings will be available to the Group in an amount sufficient to enable us to make payments on its debt, fund its other liquidity needs and make planned capital expenditures. If the Group is unable to generate sufficient cash flows, Group may also face liquidity risk of not being able to meet the obligations under the borrowings when they fall due.

The Group requires a significant amount of cash to service its debt, the availability of which depends on many factors beyond its control.

As at 31 December 2017, 2018 and 2019, the Group had total debt (which includes short-term borrowings, notes payable, non-current liabilities due within one year, long term borrowings and bonds payable) of RMB16.4 billion, RMB17.1 billion and RMB18.0 billion, respectively. Although the Group recorded net current assets (calculated as current assets minus current liabilities) of RMB11.6 billion, RMB12.6 billion and RMB9.9 billion as at 31 December 2017, 2018 and 2019. There can be no assurance that the Group will not record net current liabilities in the future which may expose it to certain liquidity risks. The Group's future liquidity, the payment of trade and other payables and the repayment of outstanding debt obligations as and when they become due will depend on a range of factors, primarily on the Group's ability to maintain adequate cash inflows from operating activities and adequate external financing.

Substantially all of the Group's operations are conducted through its subsidiaries. As a result, the Group's ability to generate sufficient cash flow for its needs is dependent to a large extent on the earnings of its subsidiaries and the distribution of those earnings to the Group in the form of dividends and/or through repayment of loans or advances from them.

The creation or subsistence of any encumbrance or security interest upon the shares or the whole or any part of the present or future assets or revenues of any of the Group's subsidiaries to secure any payment of any sum, may impact the earnings of the Group due to any restriction which may be imposed on the distribution of dividends or the repayment of any loans or advances. The Group's rights to receive any payments from any of its subsidiaries may be subordinated to payments to any third parties with an encumbrance or security interest over the relevant subsidiary's assets or shares.

The Group's subsidiaries are separate and distinct legal entities. They have no obligation towards the Group's debt or to provide it with funds to meet its cash flow needs, whether in the form of dividends, distributions, loans or advances. In addition, any payment of dividends, loans or advances by the Group's subsidiaries could be subject to statutory or contractual restrictions. Payments to the Group by its subsidiaries is also contingent upon such subsidiaries' earnings and business considerations. The Group's rights to receive any assets of any of its subsidiaries upon liquidation or reorganisation will be effectively subordinated to the claims of the subsidiaries' creditors, including trade creditors.

If the Group fails to maintain an appropriate inventory level, it could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect its business, financial condition and results of operations.

Due to a number of factors, including macroeconomic and microeconomic factors beyond the Group's control, it is difficult to accurately estimate market demand for its products and to manage its inventories at any point in time. While the Group must maintain sufficient inventory to operate its business successfully and meet market demand, it also strives to avoid excess inventory to minimise inventory carrying costs. Changing demands of end-user customers, inaccurate demand forecasts and time lag between when the raw materials are ordered from the Group's suppliers and when its finished products are sold could expose it to inventory risk.

The Group carries a wide variety of inventory and must maintain a reasonable inventory level of its products. If the Group does not maintain a sufficient inventory to fulfil orders, it may lose out on new orders/businesses. On the other hand, excessive inventory levels could lead to higher inventory carrying cost. There can be no assurance that the Group can accurately perceive prevailing market demands, and manage its inventory levels accordingly, and any failure to do so could materially and adversely affect its business, financial condition and results of operations.

The Group may incur significant expenses to maintain its manufacturing equipment and any interruption in the operations of its facilities may harm its operating performance.

The Group regularly incurs significant expenses to maintain its manufacturing equipment and facilities across each of the segments in which it operates. The machines and equipment that the Group uses to produce its products are complex, have many parts and may be run on a continuous basis. The Group must perform routine maintenance on its equipment and will have to periodically replace a variety of parts. Some of the Group's production facilities are highly technical and require specialised maintenance and inspections to ensure they remain operational.

In addition, the Group's facilities require periodic shutdowns to perform major maintenance. These scheduled shutdowns of facilities result in decreased sales and increased costs in the periods in which a shutdown occurs and could result in unexpected operational disruptions in future periods as a result of changes to equipment and operational and mechanical processes made during the shutdown period. Any prolonged disruption in operations at any of the Group's facilities could cause significant lost production, which would have a material adverse effect on its business, financial condition, results of operations and cash flows.

The Group's ability to shift production or sourcing to other facilities during such maintenance is limited at such facilities. If a production facility was shut down temporarily, the Group would likely suffer production delays and, to the extent that facility was used for the production of input material for its downstream products, the Group could incur additional costs in sourcing alternative supplies, either of which could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's business is subject to the risks generally associated with investments in overseas assets and its global operations.

The Group has invested in a number of key assets overseas and carries on business globally. The Group has business presences across international markets including North America, Europe, Africa, Southeast Asia and the Middle East with customers in more than 100 countries worldwide. For the year ended 31 December 2019, the Group generated a revenue of RMB25.4 billion overseas. As a result, the Group's business is and will continue to be subject to the risks generally associated with international operations and investments, including:

- restrictions resulting from, or changes in, local regulation, trade policies, taxation laws, business and investment permit approval requirements, foreign exchange controls, import or export controls, regime on foreign investments in securities of foreign incorporated companies and rules on the repatriation of profits;
- political or economic instability, uncertainty or turmoil;
- trade barriers and changes in tariffs;
- difficulties associated with staffing and managing international operations;
- litigious consumers and competitors;
- underdeveloped infrastructure in certain countries leading to supply chain disruptions, unexpected delays in production processes and other operational difficulties;
- limited protection for intellectual property rights in certain countries;
- earthquakes, typhoons, floods, tornados, tsunamis or other natural disasters;
- terrorist attacks and other incidents;

- epidemics, pandemics, and outbreak of contagious diseases; and
- international currency fluctuations.

Any or all of these risks, individually or in the aggregate, may adversely affect the Group's business, financial condition and results of operations.

In addition, the Group is actively rebranding its high-performance materials and intermediates segment through internal consolidation and opportunistic overseas expansion. Such expansion may place a significant strain on the Group's management, operational and financial resources. There can be no assurance that the Group's existing or future management, operational and financial systems, procedures and controls will be adequate to support their future operations, or that the Group will be able to recruit, retain and motivate their personnel or to establish or develop business relationships beneficial to its future operations. For example, to the extent that the Group is not able to maintain its business relationships with its existing customers which have moved part or all of their operations overseas, or the Group is no longer able to supply its products to these customers in a cost efficient manner in order to compete with local suppliers, the Group's results of operations could be adversely affected. Failure of the Group to manage overseas growth effectively could have a material adverse effect on its businesses, results of operations and financial condition.

The Group may not be able to effectively hedge against the risk of price fluctuations for some of Group's products

The prices of all the products that the Group trades fluctuate. Under such circumstances, the Group is fully exposed to price risks until the Group has sold the products that the Group has purchased or has bought products that the Group has contracted to sell. If the price of products the Group sells is lower than the price at which the Group procured them, the Group's business, results of operations and financial position may be adversely affected.

The Guarantor is a key part of Sinochem Group's business and its businesses are centrally managed by Sinochem Group.

Sinochem Group indirectly holds a 55.76 per cent equity interest in the Guarantor through Sinochem Corporation as of 31 December 2019. The Guarantor is a key part of Sinochem Group's business and provides a platform for the Sinochem Group's fine chemical and natural rubber operations. As such, the Guarantor's businesses are centrally managed by Sinochem Group. A majority of its senior management is also senior management of Sinochem Group and constitutes a significant piece of the Sinochem Group's business and strategies. However, the day-to-day operations and development of the Guarantor's business are independently and fully run by the Guarantor, and Sinochem Group is only directly involved in key business matters that require approval from the shareholders or the board of directors, as the case may be. Sinochem Group also provides a number of administrative, personnel, risk management and other support to the Guarantor. Furthermore, there are a number of intragroup agreements/arrangements between the Guarantor and Sinochem Group to facilitate the Guarantor's business operations and control of its related parties.

The Group's operational success is dependent on its ability to keep pace with technological innovations.

The Group manufactures and sells products that require advanced technologies, therefore, technological superiority is an important element of the Group's competitiveness. During H1 2020, the Group has successfully obtained 286 authorised patents, including 104 for high performance materials and intermediates, 152 for polymer additives, 15 for new energy, 3 for medical and pharmaceutical health. The rate of technological innovation required in the Group's various businesses, however, means that the Group has incurred and will continue to incur substantial research and development ("**R&D**") costs, undertake long-term capital investments and planning based on product predictions in order to respond adquately to technological developments and advancements. While the Group makes efforts to monitor and advance technological innovation, if the Group is unable to introduce new products or services in a timely manner to keep pace with and to stay at the forefront of technological innovation, its operating results may be adversely affected. Moreover, in areas of advanced technology, product life cycles tend to be short, and market trends may be difficult to predict. If product life cycles turn out to be shorter than expected or if the Group's products do not generate the level of demand that it has expected, the Group's ability to recover its investments may be significantly affected.

The Group operates in regulated industries both in the PRC and internationally.

The Group, through its subsidiaries, operates primarily in the rubber and chemical sectors, all of which are regulated and some of which are highly regulated by the PRC government. The Group's businesses are also significantly affected by government policies and regulations. PRC government policies, such as taxes, tariffs, duties, subsidies, import and export restrictions can influence industry profitability. Future PRC government policies may adversely affect the supply and demand for, and prices of, the Group's products and restrict its ability to do business in its existing and target markets, which could have a material adverse effect on its business, financial position and results of operations.

In addition, the Group derives a significant portion of its revenues from its international activities, and its financial condition and results of operations are expected to be increasingly affected by international political, economic and operating conditions in or affecting countries where it operates, transacts business or has interests. In particular, Against the backdrop of the trade conflict between the United States and the PRC, which has brought uncertainty to the global markets and impacted business and financial market sentiments, the United States government has also taken actions beyond tariffs. For example, the United States Department of Defense released an list of 11 Chinese companies (including the Guarantor's controlling shareholder, Sinochem Group) under the National Defense Authorization Act for Fiscal Year 1999 on 28 August 2020, claiming that the companies are Communist Chinese military companies. The list was based on the United States government's intelligence and determined that the companies therein are controlled by the Chinese military. The list is not an export control lists (i.e. Entity List) or an economic sanctions list (i.e. SDN List) with effective restrictive measures. The Guarantor's payment and collection of funds is conducted as usual. As of the date of this Offering Circular, the list has not had any material impact on the Group or the Group's business.

To the best of its knowledge, the Group is not itself the target of or in violation of any sanctions regime, although its transactions with entities located in certain countries which are the subject of sanctions could result in adverse consequences to the Group under existing or future trade or investment sanctions promulgated by various governments around the world. The effect on the Group of the foregoing would depend on the future development of sanctions regimes, but could in extreme circumstances, affect the market for the Securities or impair the Group's ability to gain access to the U.S. capital markets.

The Group conducts country risk assessments and in–country risk management to ensure that it understands the legal and regulatory operating environment and the political and economic consequences of operating in a particular country. The Group cannot ensure, however, that local legal, regulatory, political or economic changes in the countries in which it operates will not have a material adverse effect on its business, financial condition or results of operations.

Compliance with environmental requirements may be very costly, and the Group may be exposed to liability as a result of its handling of hazardous materials and commodities.

The Group's operations are affected by extensive and changing environmental protection laws and other regulations, compliance with which may entail significant expenses for any of its segments. Additional laws and regulations may be adopted, which could limit the Group's ability to do business and have a material adverse effect on its business, financial condition and results of operations.

The Group's operations may discharge pollutants into the environment and also involve the handling and use of hazardous materials, particularly in its natural rubber and high-performance materials and intermediates segments. The Group is subject to environmental protection and workplace safety laws and regulations in the countries and local areas where it operates, including those governing the labelling, use, transportation, storage, discharge and disposal of hazardous materials. These laws and regulations require the Group to implement procedures for the handling of hazardous materials and for operating in hazardous conditions, and they impose liability for the clean–up of any environmental contamination and the remedy of any workplace safety violations. Fines are imposed for violations of environmental laws, regulations or decrees and sometimes allow the relevant government or local authority to terminate any operation that fails to comply with orders requiring cessation or cure of activities causing environmental damage. There can also be no assurance that the Group is at all times in compliance with all relevant environmental laws, regulations and decrees, or that any such non-compliance would result in any adverse effect on its business, financial condition or results of operations.

The Group has implemented measures to control pollution and hazardous conditions caused by its operations and to date, has not encountered any major environmental problems. However, environmental laws and regulations are subject to change at any time. Such changes may result in significant increases in regulatory compliance costs, including insurance costs, as well as incurrence of capital expenditures for remedial actions. Changes in environmental requirements and significant adverse environmental events or accidents resulting from those hazardous substances may nevertheless have a material adverse effect on the Group's business, financial position and results of operations.

The Group requires various licences, certificates and permits to conduct its business.

The Group is required to obtain and maintain certain licences, certificates and permits from the relevant governmental authorities to conduct its business. However, the interpretation, application or enforcement of certain laws and regulations relating to licensing requirements in certain countries may be unclear, and there could be uncertainty regarding the application and enforcement of various laws and regulations. As a result, there is no certainty that the Group has obtained all the necessary licences and permits to conduct its business. If the laws and regulations are interpreted in such a manner which would deem the Group to be in breach of any of the licensing requirements and it is not able to carry out its operations as a result thereof, this could have a material adverse effect on its business, financial condition, results of operations and prospects. See "*Risk Factors – Risks relating to the Issuer – The Issuer Group's operations are subject to different legal systems where the application of various laws and regulations may be uncertain*." for more details.

The Group believes that it has obtained all material licences, certificates and permits for the production and sale of its products. However, there can be no assurance that the Group will be able to renew such licences, certificates and permits upon their expiration. In addition, eligibility criteria for these licences, certificates and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. If there are new laws or regulations, or changes in the interpretation of any existing laws or regulations, its compliance costs may increase and it may be more expensive for the Group to continue the operation of any part of its business, which could have a material adverse effect on its financial condition and results of operations.

In addition, the Group's licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued. Failure to comply with such conditions could result in the revocation or non-renewal of the relevant licence or permit. As such, the Group has to constantly monitor and ensure its compliance with such conditions. Should there be any failure to comply with such conditions resulting in the revocation or non-renewal of any of the Group's licences and permits, the Group may not be able to carry out its operations. In such event, its business, financial condition, results of operations and prospects may also be materially and adversely affected.

There may also be defects in the land use rights or title of some of the Group's companies in respect of their land and properties. Such non-compliance could expose the Group to fines or other punitive actions, which may in turn have an adverse effect on its business, financial conditions or results of operations.

The Group is subject to extensive taxation, which is subject to changes in regulation or enforcement over time.

The Group is subject to different tax regimes and extensive tariffs or taxes in the countries where it operates. Although the Group believes it is compliant with its tax obligations and has accrued appropriate reserves, the relevant tax authority may challenge the Group's tax computations or change the relevant tax laws, regulations, treaties, and exemptions or interpretations in a manner that could be adverse to the Group's overall business, financial condition and results of operations. Changes to or introduction of tax laws, changes in the interpretation or application of tax laws and revocation or amendment of tax treaties or tax incentives may also adversely affect the Group's profitability.

The Group may be involved in legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may be involved in disputes with various parties, including partners, contractors, suppliers, employees (including labour dispute, work stoppage, slow down or other conflicts) and customers. Such disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management attention. In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Group to administrative proceedings and unfavourable decrees that result in pecuniary liabilities and cause delays or otherwise affect the Group's business, financial position and results of operations. See "*Description of the Group – Legal Proceedings*".

The Group may not be able to effectively hire or retain the personnel required to operate its businesses.

The Group's success largely depends on its ability to attract and retain highly skilled employees, including research scientists and other technical personnel with advanced knowledge and skills in each of the Group's segments. The Group also requires large numbers of talented management personnel with the ability to oversee a business that spans numerous product categories and business sectors. The Group's continued success will depend on its ability to retain key management staff, and to attract and train new officers or managers. If members of the Group's senior management team are unable or unwilling to continue in their present positions, the Group may not be able to hire satisfactory replacements in a timely manner and its business may be adversely affected.

Competition to hire highly skilled personnel is intense, and competition to retain such personnel is also increasing. There can be no assurance that the Group can successfully and consistently meet its personnel recruitment and retention goals. Further, the Group's ability to meet its labour needs, including its ability to find qualified personnel to fill positions that become vacant at the same time as controlling its personnel costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified people in the work force in the regions in which the Group's operations are located, unemployment levels within those regions, prevailing salary rates, changing demographics, health and other insurance costs and changes in employment legislation. If the Group is unable to locate, attract or retain suitable personnel, or if costs relating to locating, recruiting and retaining suitable employees were to increase significantly, the Group's business, results of operations and financial condition may be materially and adversely affected.

Third parties may claim that the Group has infringed their proprietary rights and may prevent it from manufacturing and selling some of its products.

The manufacture, use and sale of new products that are the subject of conflicting patent rights have been the subject of substantial litigation in the industries in which the Group operates. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. The Group may be required to defend against charges that it violated patents or proprietary rights of third parties. Litigation may be costly and time-consuming and could divert the attention of management and technical personnel. In addition, if the Group infringes the rights of others, it could lose the right to develop or manufacture products or could be required to pay monetary damages or royalties to license proprietary rights from third parties, or even suspend production and marketing of the challenged products.

If the Group fails to obtain a licence where one is required, it could be forced to suspend the production and marketing of the challenged products. Although the parties to patent and intellectual property disputes have often settled their disputes through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include ongoing royalties. Furthermore, the Group cannot be certain that the necessary licences would be available on acceptable terms. As a result, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licences could prevent the Group from manufacturing and selling its products, which could harm its business, financial condition, results of operations and cash flows.

The Group may not be able to legally protect and make full use of its intellectual property rights and licences.

The Group relies in part on its intellectual property rights and licences in the operations of its businesses. In particular, the Group relies on patents, trade secrets and trademarks for many of the products within its high-performance materials and intermediates segments. However, there can be no assurance that its patents, trade secrets and trademarks will be sufficient to protect the Group's intellectual property. In the event that the Group does not validly own or possess all of its intellectual property under PRC law, there can be no assurance that such events will result in any adverse effect to its business, financial condition and results of operations. The Group's trade secrets may also be vulnerable to disclosure or misappropriation by employees, contractors or other parties. Moreover, it is uncertain whether the Group's pending patent, trademark or other applications for its intellectual property will be granted on a timely basis or at all, and obtaining patent and other protections for intellectual property for which the Group has not yet filed applications or which the Group may develop in the future may be a long and expensive process.

The Group also licenses technology from third parties, and there can be no assurance that it will be able to renew such licences on the same terms or at all. The protection afforded by the Group's intellectual property rights and licences may also be undercut or made irrelevant by rapid technological advances in the industries in which it operates. The Group's inability to legally protect and make full use of the intellectual property necessary to conduct its operations could harm the Group's business, financial condition and results of operations.

The Group may be exposed to risks arising from any failures or disruptions in its risk management, operational, data processing, financial accounting, computer information and/or other internal systems.

The Group's success and operations depends on efficient and effective risk management systems, operational systems, data processing systems, financial accounting systems and computer information systems to provide accurate and timely information to monitor and fine-tune production specifications, as well as to process a substantial number of complex transactions involving different markets, countries and currencies. To prevent the failure of such systems, the Group continuously monitors, maintains and updates the systems. However, there can be no assurance that there will not be any disruptions to its such systems and, in such event, that the production process will not be adversely affected. Despite the implementation of safety measures, the Group's systems are vulnerable to damage caused by computer viruses, natural disasters, unauthorised access and similar disruptions. Any system failure, accident or security breach could result in disruption to the Group's operations.

Further, the Group's systems may not detect illegal, unauthorised or fraudulent activities by the Group's employees. In particular, while the Group maintains strict internal controls restricting the dissemination and sharing of confidential information within the Group, the Group remains subject to the risk of such information being improperly used by the Group's employees or other personnel for insider dealing or other wrongful purposes, which may in turn lead to abnormal trading patterns or fluctuations in the Guarantor's share price which could adversely affect the Group's business and/or operations (including but not limited to the Yangnong Reorganisation).

To the extent any disruption or security breach results in a loss of or damage to its data, such disruption or breach could harm the Group's business and damage the Group's reputation. In addition, the Group may be required to incur significant costs to protect against the damage caused by future disruptions or system failures.

The Group enters into interested person transactions

The Group may from time to time enter into and has ongoing contractual arrangements with interested persons. Such transactions are entered into on normal commercial terms and in accordance with the laws and regulations of the regulatory authorities in the jurisdiction to which the parties to such transactions are subject. Transactions with interested persons may give rise to conflicts of interest, which could lead to transactions being entered into and decisions made which are based on factors other than commercial factors. The Issuer reports all transactions with interested persons to its audit committee.

The Group's operations are subject to disruptions in transportation and logistics infrastructure

The Group's businesses depend on freight and transportation services provided in part by external service providers for delivery of its products to its customers across many different geographic locations. Disruption of the port and/or transportation services in these geographic locations to and from the port arising from factors such as unfavourable weather conditions, labour unrest, significant downtime arising from major and unexpected repairs, or other events could impair the Group's ability to supply its products to its customers on time. Failure to or delay in supply of the Group's products to its customers may result in contractual claims against the Group and any repeated delay or failure to supply its products to its customers may in the long-term hinder customers' confidence, and materially and adversely affect the demand for its products and its business, financial condition, results of operations and prospects.

The occurrence of any acts of God, war and terrorist attacks and any adverse political developments may adversely and materially affect the business, results of operations and financial position of the Group.

Acts of God, such as natural disasters, are beyond the control of the Group. These may materially and adversely affect the economy, infrastructure and livelihood of the local population. The Group's business, results of operations and financial position may be adversely affected should such acts of God occur.

Further, there is no assurance that any war, terrorist attack or other hostilities in any part of the world, potential, threatened or otherwise, will not directly or indirectly, have an adverse effect on the Group's business, results of operations and financial position.

A certain portion of the Group's development projects and assets is located in countries which have suffered and continue to suffer from political instability and a certain proportion of its revenue is derived from its operations in these countries. Accordingly, the Group's business, results of operations and financial position are subject to political developments in these countries.

RISKS RELATING TO THE ISSUER

Prices of commodities in general, including natural rubber, are susceptible to price fluctuations.

Prices of commodities in general, including natural rubber, have been volatile. The price of natural rubber is affected by a number of factors including but not limited to the following:

(a) supply and demand for natural rubber — An increase in the supply of natural rubber or a decrease in world consumption levels of natural rubber could result in an oversupply which could in turn result in a decrease in its market prices;

(b) prices of crude oil, energy and oil-based chemicals — Crude oil prices may affect the prices of natural rubber and other input materials such as oil-based chemicals used in rubber processing. In addition, the price of synthetic rubber usually moves along with crude oil prices, and the price fluctuations of synthetic rubber affects the pricing and demand for natural rubber;

(c) currency movements — As natural rubber is traded mainly in U.S.$, any fluctuations in the natural rubber exporting currencies against U.S.$ may result in corresponding fluctuations in natural rubber prices in the relevant exporting countries;

(d) speculation — As natural rubber is traded on organised exchanges and over-the-counter, it is susceptible to price speculation in addition to local and global economic factors; and

(e) government intervention — The governments of natural rubber producing countries may from time to time introduce policies to support the natural rubber industry in their respective countries.

Other unpredictable factors which affect the price of natural rubber include economic growth rates, foreign and domestic interest rates, trade policies and widespread health crises such as the COVID-19 pandemic. The COVID-19 pandemic has seen prices for rubber fall significantly due to compressed margins, compounded by lower factory utilisation. Prices for natural rubber, indicated by the first position of SICOM TSR20 futures, decreased from U.S.$1,447 per MT on 1 January 2020 to U.S.$1,093 per MT on 30 June 2020. Natural rubber price volatility and/or extreme high or low prices could materially and adversely affect the Issuer Group's business, financial condition, results of operations and prospects.

The volume of products that the Issuer Group trades is affected by supply and demand conditions which may be beyond the Issuer Group's control.

The Issuer Group's profitability is primarily driven by the volume of products transacted as the Issuer Group's profit margins at each stage of the Issuer Group's supply chain services are relatively fixed. Under volatile or uncertain market conditions, or when there is depressed demand or oversupply, the volume of physical goods being traded or to be traded may be reduced for long periods. As such, the Issuer Group may not be able to sell its products or be forced to sell them at reduced prices which will result in its profit margins being further reduced. The inability to sell the Issuer Group's products will prolong the Issuer Group's exposure to price risks. It may also cause severe cash flow problems, especially when the tenures for sale and purchase of the Issuer Group's products as agreed with the Issuer Group's bankers are exceeded. This may lead to banks recalling or refusing to extend the loans of the Issuer Group. As a result, the business, results of operations and financial position of the Issuer Group may be adversely affected. Weather conditions have historically caused volatility in the natural rubber industry and consequently affect the Issuer Group's operating results. This can adversely affect the supply and pricing of natural rubber products that the Issuer Group sells and negatively affect the creditworthiness of its customers and suppliers.

The Issuer Group's major customers account for a substantial portion of its revenue.

The Issuer Group relies on sales to the Issuer Group's major customers for a substantial portion of its revenue. There is no assurance that the Issuer Group will be able to retain its major customers or that the volume of orders from them will remain at current levels. Any material cancellation, reduction in orders and/or claims for whatever reasons by any of the major customers could materially and adversely affect the Issuer Group's business, financial condition, results of operations and prospects.

Sales of the Issuer Group's products are for use in the manufacture of vehicle tyre and other industrial and commercial goods which exposes the Issuer Group to downturns in these industries.

The Issuer Group distributes a range of natural rubber products (including Technically Specified Rubber ("**TSR**"), ribbed smoked sheets and latex), to an international customer base through its global distribution network of warehouses and sales offices in the E.U., the PRC, Southeast Asia and the U.S. If the level of activity in the downstream industries which the Issuer Group distributes natural rubber products to declines, the demand for natural rubber may decrease and the Issuer Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, the COVID-19 pandemic has led to many countries implementing strict control and prevention measures, which have in caused significant disruptions in global economic activity. This may have a long-lasting impact on the Issuer Group's business, which thrives on global mobility and transportation. In particular, the natural rubber industry has suffered a steep decline in its pricing benchmark due to the COVID-19 pandemic, and the Issuer Group has also seen a shift in mobility patterns: a decline in personal driven miles due to travel and lockdown restrictions, but a surge in commercial delivery miles in line with the growth of e-commerce. There can be no assurance that the natural rubber industry will be able to recover from the impacts of the COVID-19 pandemic and the Issuer Group's business, financial condition, results of operations, performance and prospects may be materially and adversely affected.

The Issuer Group runs a capital intensive business and its operations could be materially and adversely affected if it fails to maintain sufficient levels of working capital.

The Issuer Group expends a significant amount of cash in its operations, principally on the purchase of raw materials as well as upkeep and maintenance of its plantations. In addition to maintaining cash reserves, the Issuer Group also relies upon its working capital facilities to provide sufficient funding to purchase the volume of raw materials required in its operations. Furthermore, in times where market prices for natural rubber are higher, working capital requirements will increase accordingly. If the Issuer Group is unable to continue to access sufficient working capital at reasonable rates, its business, financial condition, results of operations and prospects may be materially and adversely affected.

The Issuer Group's factories are subject to its customers' stringent approval processes and its products are subject to strict quality requirements.

The Issuer Group's customers require their natural rubber suppliers to undertake a rigorous qualification and/or certification programme to ensure that their output meets the standards required. These qualification processes involve a range of tests, including on-site inspections. There is no assurance that the Issuer Group will be able to maintain its approval status and its approval status may be suspended or revoked at any time. A suspension or revocation of its approval status by any customer could materially and adversely affect its business, financial condition, results of operations and prospects.

The Issuer Group's customers also enforce strict quality requirements in relation to the Issuer Group's products. Any perceived or actual variations in quality can result in claims from the Issuer Group's customers which can materially and adversely affect its business, financial condition, results of operations and prospects.

The Issuer Group's operations are subject to different legal systems where the application of various laws and regulations may be uncertain.

The Issuer Group's business is geographically diversified with operations spanning Cameroon, Cote d'Ivoire, Germany, Indonesia, Malaysia, Netherlands, the PRC, Singapore, Thailand, Turkey, the United Kingdom and the U.S.; the application of laws and regulations in certain countries may be uncertain.

For example, in developing countries such as Cameroon, Cote d'Ivoire, Indonesia, Malaysia and Thailand, legal and regulatory regimes may be less certain than other markets and may be subject to unforeseen changes. At times, the interpretation or application of laws and regulations may be unclear, and the content of applicable laws and regulations may not be immediately available to the public. Under such circumstances, consultation with the relevant authorities in these countries may be necessary to obtain a better understanding or clarification of applicable laws and regulations.

Additionally, civil law countries such as Cote d'Ivoire, Indonesia, the PRC and Thailand have legal systems based on written statutes and as such, decided legal cases do not constitute binding precedents. The administration of laws and regulations by courts and government agencies may be subject to considerable discretion. In addition, because relatively few disputes relating to commercial matters and modern financial transactions and instruments are brought before the courts in Cote d'Ivoire, Indonesia, the PRC and Thailand, such courts do not necessarily have the experience of courts in other jurisdictions. There is no certainty as to how long it will take for proceedings in these courts to be concluded, and the outcome of proceedings in these courts may be more uncertain than that of similar proceedings in other jurisdictions. Accordingly, the Issuer Group may not be able to obtain timely and equitable enforcement of its legal rights.

Consequently, the uncertainty regarding the application and enforcement of various laws and regulations applicable to the Issuer Group's global operations in the countries the Issuer Group operates in, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Changes in government policies, laws and regulations, including those relating to rubber exports and direct and indirect taxation, could materially and adversely affect the Issuer Group's operations and profitability.

The Issuer Group is affected by government policies and regulations relating to the rubber industry in Cameroon, Cote d'Ivoire, Germany, Indonesia, Malaysia, Netherlands, the PRC, Singapore, Thailand, Turkey, the United Kingdom and the U.S., as well as in the various countries to which the Issuer Group exports its products. The Issuer Group's results of operations and financial condition have been, and will continue to be, affected by the government policies, laws and regulations governing the export of the products in these countries and any changes in the policies, laws and regulations of these countries could have an adverse impact on its profitability. Any government action to restrict or reduce the allowed export volume would adversely impact the Issuer Group's ability to grow its business.

Agricultural production and trade flows are also significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry (such as taxes, tariffs, duties, subsidies and import and export restrictions on natural rubber products) can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. In the past, rising commodity prices and concerns about food security have prompted governments in several countries to introduce export bans on key agricultural commodities. There is no assurance that such export bans may not become more prevalent whether across countries or products. Future government policies may adversely affect the supply of or demand for and prices of the Issuer Group's products, restrict the Issuer Group's ability to do business in the Issuer Group's existing and target markets and could cause the Issuer Group's financial results to suffer.

In addition, the Issuer Group is subject to income taxation in Cameroon, Cote d'Ivoire, Germany, Indonesia, Malaysia, Netherlands, the PRC, Singapore, Thailand, Turkey, the United Kingdom and the U.S. Changes to or introduction of tax laws, changes in the interpretation or application of tax laws as they relate to the Issuer Group and revocation or amendment of tax treaties or tax incentives may adversely affect the Issuer Group's profitability. For example, as a recipient of the Global Trader Programme status awarded by Enterprise Singapore, certain entities within the Issuer Group are, amongst other things, entitled to concessionary corporate tax rates which are subject to certain conditions. This concession was granted to Hevea Global Pte. Ltd. ("**HG**") from 1 July 2016 for a period of 4 years and 6 months (currently under renewal process) and New Continent Enterprises (Private) Limited ("**NCE**") from 1 January 2019 for a period of 5 years. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10 per cent. Should this concessionary tax rate be revised, revoked or not be renewed upon expiry, the Issuer Group will be subject to the normal corporate tax rate, which as at the date of this Offering Circular is 17 per cent., which may materially and adversely affect its business, financial condition, results of operations and prospects.

The Issuer Group's business may be affected by substitutes for natural rubber.

Synthetic rubber is a substitute for natural rubber in some applications. Moreover, as synthetic rubber is produced mainly from petroleum and petrochemical products, a sustained drop in world oil prices or the discovery of new production methods or compounds may result in the development of viable new synthetics as substitutes for natural rubber. Such development could have a material adverse effect on the Issuer Group's business, financial condition, results of operations and prospects.

The Issuer Group may be affected by adverse weather conditions and/or diseases which could lead to price fluctuations and an increase in the Issuer Group's operating costs.

The Issuer Group's ability to harvest field latex from its own rubber plantations in the future, as well as the availability of raw materials for natural rubber products from suppliers, may be adversely affected by unfavourable weather conditions such as drought, floods, prolonged periods of rainfall, storms etc. and/ or diseases which has infected the Issuer Group's rubber plantations in the future and the rubber plantations from which suppliers purchase the raw materials. Such events, especially if continued for a prolonged period, could affect the overall yield of such raw materials and consequently lead to price fluctuations. Any substantial decrease in the supply of, and increase in the cost of, raw materials could increase the Issuer Group's operating costs, affect the Issuer Group's production output and consequently have a material adverse effect on the Issuer Group's business, financial condition, results of operations and prospects.

The Issuer Group is subject to volatility in shipping and logistics costs.

As most of the Issuer Group's shipments are made using third-party land and sea transport providers, the Issuer Group is subject to fluctuations in the prices of shipping and logistics costs, which may in turn have an impact on the Issuer Group's results of operations. Shipping and logistics costs for commodities are usually market-driven and are highly cyclical. Shipping rates fluctuate in response to the level of demand for vessels and the availability of vessels to satisfy that demand. The level of demand is influenced by many factors, including general economic conditions, global trading volumes and port usage. Shipping rates are the most variable element of expense in relation to a particular shipment and are relevant to the Issuer Group's results to the extent that they will affect the pricing and profit margin of the services provided by the Issuer Group.

Changes in shipping rates affect the shipping industry as a whole and the Issuer Group normally mitigates the effect by passing on a proportion of such changes to its customers. However, it may not always be possible for the Issuer Group to immediately offset a contract of affreightment with a corresponding charter party or sufficiently hedge against all changes in shipping costs. During certain periods, depending on market conditions, prevailing rates may be subject to change and should rates increase, the business, results of operations and financial position of the Issuer Group may be adversely affected even if such rates increases have a positive effect on the profitability and financial results of the chartering division of the Issuer Group. In addition, other factors such as port congestion, increases in fuel costs and piracy could materially adversely affect the ability of the Issuer Group to carry on its operations in a timely or cost-effective manner.

The value of the Issuer Group's physical products may deteriorate across various stages of its supply chain.

The value of the products the Issuer Group delivers may differ from the Issuer Group's assessment for the following principal reasons:

(a) *Quality deterioration*

The Issuer Group's products are subject to quality deterioration during storage and transit. Each of the Issuer Group's products has different physical characteristics and requires different kinds of storage, handling and transportation. For example, some products are sensitive to the external environment and their quality may deteriorate considerably during storage. The realisable value of the Issuer Group's products falls with quality deterioration through bad or inadequate quality management.

(b) *Weight loss*

Weight loss constitutes a major operational risk. All the Issuer Group's products tend to lose some weight or volume due to natural causes. Pilferage and theft also contribute to weight loss during storage or transit. The Issuer Group's financial performance will be adversely affected if there are weight or volume losses to products which are not otherwise assumed and factored into the pricing of such products.

(c) *Variation in yield*

Some of the Issuer Group's products undergo processing operations, which affect their input and/or output ratio and their value. Such processing output is estimated at the time of buying the various products. Actual output may, however, deviate from the estimate.

Should any of the above occur, the Issuer Group's business, results of operations and financial position may be adversely affected.

The Issuer's holding company and substantial shareholders may change.

There is no assurance that the Issuer's substantial shareholders will not sell all or part of their stake in the Issuer. There is no guarantee that any change in controlling ownership arising from such sale (if any) will not adversely affect the business operations and performance of the Issuer Group.

RISKS RELATING TO THE FINANCIAL INFORMATION

The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation.

The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation, and there is no pro forma financial information in this Offering Circular that takes into consideration the potential impact of the Yangnong Reorganisation given that the completion of the Yangnong Reorganisation remains subject to the execution of definitive documentation and uncertainty around completion of the conditions precedent. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*".

After the Yangnong Reorganisation is completed, Yangnong Chemical will no longer be a consolidated subsidiary of the Guarantor and the Guarantor will hold an increased stake in Yangnong Group, and accordingly, the Guarantor's consolidated financial statements following the Yangnong Reorganisation could be significantly different as compared to its historical consolidated financial statements. The Group's historical financial information presented in this Offering Circular is not indicative of what the Group's results of operations, financial position and cash flows would have been had such historical financial information included the impacts of the Yangnong Reorganisation. Accordingly, the historical financial information presented in this Offering Circular is not necessarily indicative of the Group's future results of operations, financial position and cash flows (including the Group's future results of operations, financial position and cash flows following completion of the Yangnong Reorganisation), and investors may have difficulty assessing its prospects based on such financial information in this Offering Circular should the Yangnong Reorganisation be completed. Investors should further exercise caution when assessing the potential impact of the Yangnong Reorganisation on the Guarantor consolidated financial information based on the historical agrochemical segment information and the Guarantor's Audited Financial Statements included in this Offering Circular, which should not be seen as providing the same quality of information as pro forma financial information prepared by the Guarantor and reviewed by its independent auditors.

For more information on the other risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all*".

The Issuer published and may continue to publish periodical financial information in Singapore. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Issuer may from time to time publish its semi-annual and annual financial information in Singapore. The semi-annual financial information published by the Group in Singapore is normally derived from the Group's management accounts which may not be audited or reviewed by independent auditors. As such, this financial information published in Singapore should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Issuer is not responsible to Holders of the Securities for the unaudited and unreviewed financial information from time to time published in Singapore and therefore Investors should not place any reliance on any such financial information.

The Guarantor published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Guarantor from time to time issues corporate bonds and short-term commercial paper in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds and short-term commercial paper. After the Securities are issued, the Guarantor is obligated by the terms of the Securities, among others, to provide Holders of the Securities with its unaudited and unreviewed periodical financial statements. The periodical financial information published by the Group in the PRC is normally derived from the Group's management accounts which may not be audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Guarantor is not responsible to Holders of the Securities for the unaudited and unreviewed financial information from time to time published in the PRC and therefore Investors should not place any reliance on any such financial information.

The Group's historical financial information may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between years due to changes in its portfolio or changes in accounting standards.

The Group's historical consolidated financial information must be evaluated in light of the impact of the changes in its portfolio that have occurred in the years covered in the financial statements, as well as due to changes in accounting standards. There can be no assurance that such historical financial information was or will be indicative of what the Group's results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year to year basis. In particular:

- Since 1 January 2019, the Guarantor started adopting the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24—Hedge Accounting and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments revised by the MoF in 2017 (hereinafter referred to as the "**New Standards of Financial Instruments**"). In view of the New Standards of Financial Instruments, the Guarantor's consolidated financial information as of and for the year ended 31 December 2017 and 2018 may not be directly comparable to the Guarantor's consolidated financial information after 1 January 2019, including the Guarantor's consolidated financial information as of and for the years ended 31 December 2019. Investors must therefore exercise caution when making comparisons between any financial figures after 1 January 2019, including the Guarantor's consolidated financial statements as of and for the years ended 31 December 2019, and the Guarantor's consolidated financial information prior to 1 January 2019 and when evaluating the Group's financial condition and results of operations.

- Since 1 January 2020, the Guarantor started adopting the Accounting Standards for Enterprises No. 14 – Revenue revised by the MoF. As such, there can be no assurance that historical financial information before 1 January 2020, including the Guarantor's consolidated financial information as of and for the years ended 31 December 2017, 2018 and 2019 will be indicative of the Group's results of operations, financial condition or cash flow will be in the future or that financial information is comparable on a year to year basis.

The Group establishes, as well as acquires and disposes of equity interests in, joint venture and portfolio companies from time to time in accordance with the Group's business objectives. Year-to-year comparisons of the Guarantor's historical operating results must be evaluated in light of the impact of such transactions. See also "*Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*". **The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation, and there is no pro forma financial information in this Offering Circular that takes into consideration the potential impact of the Yangnong Reorganisation given that the completion of the Yangnong Reorganisation remains subject to the execution of definitive documentation and uncertainty around completion of the conditions precedent. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*".**

In addition, the consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2020.

RISKS RELATING TO THE PRC

Changes in China's economic, political and social conditions as well as governmental policies could affect the financial condition and results of operations of the Guarantor and the Group.

Most of the Group's businesses, assets and operations are located in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. China's economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures to emphasise the utilisation of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, the Group may not continue to benefit from all, or any, of these measures. In addition, the Group cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial condition and results of operations.

China has been one of the world's fastest growing economies as measured by GDP in recent years. However, China may not be able to sustain such a growth rate. In order to maintain the sustainable growth of the economy, the PRC government from time to time implements various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of or in anticipation of changes in China's economic conditions. In an effort to stimulate the growth of the Chinese economy, the PRC government has implemented and may continue to implement various monetary and other economic measures to expand investments in infrastructural projects, increase liquidity in the credit markets and encourage employment. However, there is no assurance that such monetary and economic measures will succeed. If the Chinese economy experiences a slowdown or even a downturn, the Group may experience a delay or reduction in, or cancellation of, projects available to them and demand for the services and products they provide in their various business segments may grow at a lower-than-expected rate or otherwise decrease. Furthermore, the Group cannot guarantee that it is able to make timely adjustments to its business and operational strategies so as to capture and benefit from the potential business opportunities presented to them as a result of the changes in the economic and other policies of the PRC government.

Also, the PRC government will continue to make adjustments to its economic policy objectives and measures in the future, which may include or result in a significant reduction in its budget for investments in infrastructure and other projects. This could have an adverse effect on the business and operations of the Group. Moreover, unfavourable financing and other economic conditions for the industries that the Group serve could negatively impact its customers and its customers' ability or willingness to fund capital expenditures in the future or pay for past services.

The Guarantor and the Group are exposed to foreign currency fluctuations and interest rate risks.

The Group conduct most of its operations in the PRC and their functional currency is the Renminbi. A substantial portion of their revenues, capital expenditures and cost of sales were denominated in Renminbi. Nevertheless, the Group conducts part of its business overseas and the total foreign currency liabilities of the Group was RMB11.82 billion as at 31 December 2019. The Group's acquisitions of assets and purchases of raw materials from outside of the PRC are generally denominated in currencies other than Renminbi, and, as a result, the Group is exposed to foreign exchange policies and risks with regard to these purchases. The Group's foreign exchange-denominated assets and liabilities are expected to significantly increase as they further expand their overseas businesses to acquire more assets or purchase more raw materials and manufacturing equipment from outside of the PRC. In particular, the Group will be required to make interest payments and other payments in foreign currencies. Any future exchange rate volatility relating to the Renminbi or any significant revaluation of the Renminbi may materially and adversely affect the Group's cash flows, revenue, earnings and financial position, and the value of any dividends payable to the Group by its PRC subsidiaries. The Guarantor and the Group are therefore subject to significant risks associated with foreign currency fluctuations. In addition, the Group's financing costs and, as a result, its business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of the Group's borrowings are linked to benchmark lending rates published by the People's Bank of China's ("**PBOC**"), which may raise lending rates in the future.

The Group is exposed to foreign exchange policies and risks arising from various currency positions. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. In particular, changes in the value of foreign currencies could increase the Renminbi costs for, or reduce the Renminbi revenues from, the foreign operations of the Guarantor and the Group, or affect the prices of their exported products and the prices of their imported equipment and materials. Any increased costs or reduced revenues as a result of foreign currency fluctuations could adversely affect the profits and margins of the Guarantor and the Group. The fluctuation of foreign exchange rates also affects the value of the monetary and other assets and liabilities denominated in foreign currencies of the Guarantor and the Group, primarily relating to the Group's international purchases and sales and denominated in U.S., H.K., Australian and European dollars. Generally, an appreciation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange loss for assets denominated in U.S. dollars and other foreign currencies, and a foreign exchange gain for liabilities denominated in U.S. dollars and other foreign currencies. Conversely, a devaluation of the Renminbi against the U.S. dollar and other relevant foreign currencies could result in a foreign exchange gain for assets denominated in U.S. dollars and other foreign currencies and a foreign exchange loss for liabilities denominated in U.S. dollars and other foreign currencies.

The value of the Renminbi is subject to changes in China's governmental policies and to international economic and political developments. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day. The People's Bank of China surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. Since 2016, the exchange rate of Renminbi against the U.S. dollar experienced further fluctuation. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. In August 2019, the People's Bank of China on 5 August 2019 set the RMB's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant appreciation of the Renminbi against these currencies may lead to a decline in the revenues of the overseas operations of the Guarantor and the Group. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars, Hong Kong dollars, Australian dollars or European dollars of the net assets, earnings and any declared dividends of the Guarantor and the Group. Management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arise. However, very limited hedging options are available in China to reduce their exposure to exchange rate fluctuations and, the availability and effectiveness of these hedges may be limited. Thus, the Group may not be able to adequately hedge their exposure or at all.

The PRC government's control of foreign currency conversion may limit the foreign exchange transactions of the Group.

Currently, the Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Guarantor and the Group will have sufficient foreign exchange to meet their foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Guarantor and the Group do not require advance approval from the State Administration of Foreign Exchange of the PRC

("**SAFE**"), but they are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Guarantor and the Group, however, must be approved, registered or filed in advance by or with the SAFE, its local branch or banks. If they fail to obtain or complete such approval, registration or filing to convert Renminbi into any foreign exchange for any purposes, their capital expenditure plans, and even their business, operating results and financial condition, may be materially adversely affected. The PRC government may also at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents the Guarantor and the Group from obtaining sufficient foreign currency to satisfy their foreign currency demands, they may not be able to pay dividends in foreign currencies to the Holders.

The operations of the Group may be affected by inflation and deflation within the PRC.

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates has been caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign governmental policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition or results of operations. Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

The PRC legal system is continuously evolving and has uncertainties, and the legal protections available to the Holders may be limited.

As the Guarantor and most companies in the Group are incorporated under PRC law and most of their businesses are conducted in China, their operations are principally governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited number of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, the Guarantor and the Group may not be aware of their violation of these policies and rules until some time after the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection the Guarantor and the Group enjoy than in more developed legal systems. These uncertainties may impede the ability of the Guarantor and the Group to enforce the contracts they have entered into and could materially and adversely affect their business and results of operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Most members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Singapore, Hong Kong, the United States, the United Kingdom and other developed countries or regions.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Guarantor and the Group or their directors, supervisors or senior executive officers residing in China.

The PRC legal framework is substantially different from other jurisdictions with respect to certain areas. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Guarantor and the Group are subject to are also relatively undeveloped and untested.

China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or impossible.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect the Group's business and results of operations.

On 28 December 2012, the PRC government enacted the Labour Contract Law, which became effective on 1 July 2013. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts. The employer must also pay compensation to employees if the employer terminates an unlimited term labour contract unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例) which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要 (2013-2020年)), which became effective on 2 February 2013, regulations on paid annual leave of employees shall have been implemented on a general basis by 2020. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

RISKS RELATING TO THE SECURITIES AND THE GUARANTEE OF THE SECURITIES

The Securities and the Guarantee of the Securities are unsecured obligations.

As the Securities and the Guarantee of the Securities are unsecured obligations, their repayment may be compromised if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or, as the case may be, the Guarantor's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Securities.

The Securities are perpetual securities and investors have no right to require redemption.

The Securities are perpetual and have no maturity date. The Issuer is under no obligation to redeem the Securities at any time and the Securities can only be disposed of by sale. Holders who wish to sell their Securities may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Securities.

Holders may not receive Distribution payments if the Issuer elects to defer Distribution payments under the Terms and Conditions of the Securities.

The Issuer may, at its sole discretion and subject to certain conditions, elect to defer any scheduled Distribution on the Securities for any period of time. The Issuer is not subject to any limits as to the number of times Distributions can be deferred pursuant to the Terms and Conditions of the Securities, subject to compliance with certain restrictions and notwithstanding any increase in the Distribution Rate which may be provided for under the Terms and Conditions of the Securities.

Although, following a deferral, Arrears of Distributions are cumulative, subject to the Terms and Conditions of the Securities, the Issuer may defer their payment for an indefinite period of time by delivering the relevant deferral notices to the Holders. Any such deferral of Distribution shall not constitute a default for any purpose. Each of the Issuer, the Guarantor and their respective subsidiaries is subject to certain restrictions in relation to the payment of discretionary dividends on its Junior Securities and its Parity Securities, the discretionary redemption and repurchase of its Parity Securities or Junior Securities until any outstanding Arrears of Distribution and Additional Distribution Amount are satisfied or save in certain specified situations as further described in the Terms and Conditions of the Securities. Such restrictions on discretionary payments act as the main deterrent against deferral of Distribution on the Securities.

Neither the Issuer, the Guarantor nor any of their respective subsidiaries has a consistent track record of making dividend payments. As such, the effectiveness of such restrictions as a deterrent against deferral of Distribution is limited and uncertain. Any deferral of Distribution will likely have an adverse effect on the market price of the Securities. In addition, as a result of the Distribution deferral provision of the Securities, the market price of the Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer Group's or the Group's financial condition.

The Securities may be redeemed at the Issuer's option.

The Securities are redeemable at the option of the Issuer on and including 18 October 2025 (being the date falling one month prior to the First Call Date) up to (and including) the First Call Date and on each Distribution Payment Date after the First Call Date at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Step-Up Event. The Securities may also be redeemed at the option of the Issuer if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

The rate of distribution will be reset on an applicable Reset Date which may affect the market value of the Securities.

The Securities will have an Initial Distribution Rate from the Issue Date (inclusive) to the First Call Date (not inclusive). Thereafter, the Distribution Rate of the Securities will be reset to a rate of distribution expressed as a percentage per annum equal to the sum of (a) the initial spread of 3.345 per cent., (b) the Treasury Rate (as defined in the Terms and Conditions of the Securities), and (c) a margin of 3.00 per cent. per annum. The reset Distribution Rate will be more than the Initial Distribution Rate but the applicable reset Distribution Rate will ultimately be dependent on the applicable Treasury Rate at the time of reset.

Changes in accounting standards may impact the Issuer Group's or Group's financial condition or the characterisation of the Securities.

The Ministry of Finance of the PRC has issued and may in the future issue more new and revised standards and interpretations. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new PRC GAAP will not have a significant impact on the Issuer Group's or Group's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to any interpretation of, SFRS(I) which is adopted by the Issuer or PRC GAAP may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "**equity**" of the Issuer or (as the case may be) the Guarantor, and will give the Issuer the right to elect to redeem the Securities.

There are limited remedies for non-payment under the Securities.

Non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Issuer and the Guarantor fail to make the payment when due. The only remedy against the Issuer and the Guarantor available to the Trustee or (where the Trustee has failed to proceed against the Issuer and the Guarantor as provided in the Terms and Conditions of the Securities) any Holder for recovery of amounts in respect of the Securities following the occurrence of a payment default after any sum becomes due in respect of the Securities will be instituting winding-up proceedings and/or proving and/or claiming in winding-up proceedings in respect of any of the Issuer's and the Guarantor's payment obligations arising from the Securities and the Guarantee of the Securities.

The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event.

The Securities confer Holders with limited rights upon the occurrence of a Step-Up Event. The Issuer may, at any time, on giving irrevocable notice to the Trustee, the Agents and Holders, redeem in whole, but not in part of the Securities if any of such events occur. The Issuer is, however, not obliged to redeem the Securities upon the occurrence of any of such events under the Securities. If the Issuer elects not to redeem the Securities upon the occurrence of such events, the Distribution Rate will increase by a certain percentage per annum pursuant to Condition 4(e) (*Distribution – Increase in Distribution Rate following occurrence of certain events*) of the Terms and Conditions of the Securities.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

If the Guarantor fails to submit the Deed of Guarantee for registration with SAFE or complete the SAFE registration in connection with the Guarantee of the Securities within the time period prescribed by SAFE, there may be hurdles for cross-border payment under the Guarantee of the Securities.

Under the Guarantee of the Securities, the Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Securities. The obligations of the Guarantor will be contained in the Deed of Guarantee.

The Guarantor is required by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (《跨境擔保外匯管理規定》) to register the Guarantee of the Securities and will register the Deed of Guarantee with the Shanghai Branch of SAFE within 15 PRC Business Days after the date of execution of the Deed of Guarantee. Although the non-registration does not render the Guarantee of the Securities ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor. The Guarantor intends to use its best endeavours to complete the registration of the Deed of Guarantee as soon as practicable and in any event within 90 PRC Business Days after the Issue Date. There is no assurance that the Guarantor will be able to complete the registration of the Deed of Guarantee with SAFE within the prescribed timeframe or at all. If the registration of the Guarantee of the Securities is not completed in accordance with the aforesaid provisions, the Guarantor may not be able to go through the procedures of purchase of foreign currency and remittance to perform its obligations under the Guarantee of the Securities and SAFE may impose a fine or other penalties on the Guarantor. If the Guarantor fails to complete the SAFE registration, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Securities) as domestic banks would require evidence of SAFE registration in connection with the Guarantee of the Securities in order to effect such remittance, although this does not affect the validity of the Guarantee of the Securities itself. In addition, there is no guarantee that the Issuer will have sufficient funds to redeem the Securities in time, or on acceptable terms, or at all, if the Issuer intends to redeem the Securities if the Guarantor fails to complete the registration with the Shanghai Branch of SAFE.

Interpretation of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Guarantee of the Securities in the PRC. In addition, the administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Guarantee of the Securities with SAFE can be completed by the Guarantor or that such registration will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the enforceability of the Guarantee of the Securities in the PRC.

If the Guarantor fails to complete the post-issuance report to the NDRC in connection with the Securities, NDRC may impose penalties or other administrative procedures on the Guarantor.

On 14 September 2015, the NDRC promulgated the NDRC Circular pursuant to which if a PRC enterprise or an offshore branch or enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a tenor of more than one year, such PRC enterprise must, in advance of issuing such bonds, file certain prescribed documents with the NDRC and obtain the Enterprise Foreign Debt Filing Certificate (企業發行外債備案登記證明) from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC will decide whether to accept a submission within five working days upon receipt of the submission and is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the bonds to the NDRC within ten business days upon the completion of the bond issue.

The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Securities. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular.

On 18 December 2015, the NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the "**Guideline**"), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that companies, underwriters, law firms and other intermediary institutions that fail to comply with registration requirements and commit to maliciously report foreign debt percentage and provide fake information might be put on the blacklist of dishonest persons and sanctioned by the PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that the government will take.

On 12 June 2017, the NDRC provided in its Risk Reminder for the Issuance by Enterprises of Foreign Debt (企業境外發行債券風險提示) that it will consider to add non-compliance enterprises into a national adverse credit list and joint punishment list. In June 2018, the NDRC has also expressed to the public that it was going to implement a three-step punishment system to the non-compliance enterprises, that is, to talk with the enterprises for their first time of non-compliance, officially give a warning for the second time, and suspend the registration for any following issuance for the third time.

The Guarantor has completed the registration with the NDRC and obtained a registration certificate on 7 September 2020 in respect of the issuance of Securities. There is no assurance that the NDRC will not issue further implementation rules or notices that may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose if not in compliance with such registration or post-issuance report required by the NDRC Circular. If the Guarantor does not report the post-issuance information with respect to the Securities within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Guarantor or the Issuer that may have a material adverse impact to its business, financial condition or results of operations.

There are exceptions to the restrictive operating covenants relating to the Securities.

The Terms and Conditions of the Securities will contain various covenants intended to benefit the Holders that limit the ability of the Issuer or the Guarantor to, among other things, create Security Interest (as defined in the Terms and Conditions of the Securities) upon the whole or any part of the present or future undertaking, assets or revenues (including uncalled capital) of the Issuer, the Guarantor or certain subsidiary of the Guarantor to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness (as defined in the Terms and Conditions of the Securities) outside the PRC, save for, in the case of the Issuer or any of its Principal Subsidiaries (as defined in the Terms and Conditions of the Securities) only, (i) any Security Interest created over any asset existing on the Issue Date and any Security Interest to be created over such asset in connection with the extension or refinancing of the original credit facilities secured by such asset, provided that, in each case, the amount secured by any such security may not be increased except with the prior consent of the Noteholders by way of an Extraordinary Resolution; or (ii) any Security Interest over any assets (or related documents of title) acquired (including acquisition by way of acquisition of the shares and/or interest in the company or entity owning (whether directly or indirectly) such assets) and/or developed by it for the sole purpose of financing the acquisition or development of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets and, in each case, securing a principal amount not exceeding the cost of that acquisition and/or development and/or any improvements thereto (including any construction, repair or alteration) or thereon.

The Securities may not be a suitable investment for all investors.

The Securities are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Securities unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of such Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities;

- understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Changes in interest rates may have an adverse effect on the price of the Securities.

The Holders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Securities, resulting in a capital loss for the Holders. However, the Holders may reinvest the Distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Securities may rise. The Holders may enjoy a capital gain but Distribution payments received may be reinvested at lower prevailing interest rates.

Investment in the Securities is subject to exchange rate risks.

Investment in the Securities is subject to exchange rate risks. The value of the U.S. dollar against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of Distribution and principal with respect to the Securities will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Renminbi or other foreign currencies, the value of a Holder's investment in Renminbi or other applicable foreign currency terms will decline.

Securities which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denomination of the Securities will be U.S.$200,000 each and in integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Securities may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$1,000. In such a case, a Holder (as the case may be) who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 will not receive a definitive certificate in respect of such holding of Securities (should definitive certificates be printed) and would need to purchase a principal amount of Securities such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Holders should be aware that with aggregate principal amounts that are not an integral multiple of U.S.$1,000 may be illiquid and difficult to trade.

The Issuer and the Guarantor will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

The Issuer and the Guarantor will be subject to reporting obligations in respect of the Securities to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Securities are accustomed to.

The Issuer Group and Group may raise other capital in the future.

The Issuer Group or the Group may, from time to time, and without prior consultation with the Holder and in accordance with the Trust Deed, create and issue further Securities (see "*Terms and Conditions of the Securities – Further Issues*") or otherwise raise additional capital through such means and in such manner as the Issuer Group or the Group may consider necessary. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a Winding-Up of the Issuer or may increase the likelihood of a deferral of Distributions under the Securities. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Securities. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Securities and/or the ability of Holders to sell their Securities.

The Securities and the Guarantee of the Securities will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's and the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.

The Securities and the Guarantee of the Securities will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's and the Guarantor's existing and future subsidiaries, other than the Issuer, whether or not secured. The Securities will not be guaranteed by any of the Issuer's and the Guarantor's subsidiaries, and the Issuer and the Guarantor may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer or the Guarantor. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer and the Guarantor is subject to various restrictions under applicable law. Each of the Issuer's and the Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Securities or Guarantee of the Securities or make any funds available therefore, whether by dividends, loans or other payments.

The Issuer's and the Guarantor's right to receive assets of any of the Issuer's and the Guarantor's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer or the Guarantor are creditors of that subsidiary). Consequently, the Securities and the Guarantee of the Securities will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's and the Guarantor's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer or the Guarantor may in the future acquire or establish.

The Securities and the Guarantee of the Securities are the Issuer's and the Guarantor's unsecured obligations, respectively, and will (i) rank equally in right of payment with all the Issuer's and the Guarantor's other present and future unsecured indebtedness; (ii) be effectively subordinated to all of the Issuer's and the Guarantor's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Guarantor's present and future subordinated obligations. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Guarantor's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Securities, these assets will be available to pay obligations on the Securities only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Holders ratably with all of the Issuer's or the Guarantor's other unsecured creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Securities then outstanding would remain unpaid.

The Issuer's obligations under the Securities and the Guarantor's obligations under the Guarantee of the Securities are subordinated.

The Issuer's obligations under the Securities constitute its direct, unsecured and subordinated obligations. Subject to applicable law in the event of the Winding-Up of the Issuer, the rights and claims of the Holders in respect of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Issuer, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Issuer, other than the claims of Holders of Parity Securities of the Issuer.

The Guarantor's obligations under the Guarantee of the Securities constitute its direct, unsecured and subordinated obligations. Subject to applicable law in the event of the Winding-Up of the Guarantor, the rights and claims of the Holders in respect of the Guarantee of the Securities shall rank ahead of those persons whose claims are in respect of any Junior Securities of the Guarantor, but shall be subordinated in right of payment to the claims of all other present and future senior creditors of the Guarantor, other than the claims of Holders of Parity Securities of the Guarantor.

In the event of a shortfall of funds on a Winding-Up of the Issuer or the Guarantor, there is a real risk that an investor in the Securities will lose all or some of its investment and will not receive a full return of the principal amount of the Securities or any unpaid Distributions, Arrears of Distribution or Additional Distribution Amounts.

The insolvency laws of Singapore, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Holders are familiar.

As the Issuer is incorporated under the laws of Singapore, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve Singapore insolvency laws. Similarly, as the Guarantor is incorporated under the laws of the PRC, any insolvency proceeding relating to the Guarantor, even if brought in other jurisdiction, would likely involve the PRC insolvency laws. The procedural and substantive provisions of the laws of Singapore or the PRC may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Holders are familiar.

The Securities will be represented by a Global Certificate and Holders of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing Systems.

The Securities will be represented by beneficial interests in a Global Certificate. The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive individual certificates. The Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Securities are represented by the Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Securities by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the Clearing System to receive payments under the Securities. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in a Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities of the relevant series. Instead, such Holders will be permitted to act only to the extent that they are enabled by the Clearing System to appoint appropriate proxies.

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

As a holding company, the Guarantor depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations, including its obligations under the Securities and the Guarantee of the Securities. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies, applicable laws and restrictions contained in the debt instruments of such companies. The Guarantor cannot assure that its subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments on the Securities. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Securities and the Guarantee of the Securities.

Due to uncertainties in the interpretation of certain provisions of the new VAT regime, the issuance of the Securities may be treated as provision of loans within the PRC that is subject to VAT, and Issuer or the Guarantor may be required to withhold VAT and local levies from the payment of interest income to Holders who are located outside of the PRC.

On 23 March 2016, the PRC Ministry of Finance and the PRC State Administration of Taxation jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (Cai Shui [2016] No. 36) (《關 全面推開營業稅改徵增值稅試點的通知》(RM [2016] 36 號)) ("**Circular 36**") which confirms that business tax will be completely replaced by value added tax ("**VAT**") from 1 May 2016. With effect from 1 May 2016, and further amended on 11 July 2017 and 20 March 2019, the income derived from the provision of financial services which previously attracted business tax are entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon.

It is not clear from the interpretation of Circular 36, if the provision of loans to the Issuer or the Guarantor could be considered as financial services provided within the PRC, which thus could be subject to VAT. Furthermore, there is no assurance that the Issuer will not be treated as PRC tax residents. PRC tax authorities could take the view that the Holders of the Securities are providing loans within the PRC because the Issuer is treated as PRC tax residents or because the Guarantor is located in PRC. In which case, the issuance of the Securities could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the PRC tax authorities take the view that the Holders of the Securities are providing loans within the PRC, then the Holders of the Securities could be regarded as providing financial services within PRC and consequently, the Holders of the Securities shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Securities. In addition, the Holders of the Securities shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent. Given that the Issuer or the Guarantor pays interest income to Holders who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Holders who are located outside of the PRC.

Where a holder of the Securities who is an entity or individual located outside of the PRC resells the Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located within the PRC.

The above disclosure under Circular 36 may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

There is no assurance that the Issuer will not be treated as a PRC tax resident enterprise by the PRC tax authorities in the future. Pursuant to the EIT Law, Individual Income Tax Law of the PRC and the VAT reform detailed above, the Issuer or the Guarantor may need to withhold EIT or individual income tax, (should such tax apply) from the payments of interest in respect of the Securities for any non-PRC-resident Holder and the Issuer or the Guarantor may need to withhold or VAT (should such tax apply) from the payments of interest in respect of the Securities for any Holders located outside of the PRC.

For more information, see "*Terms and Conditions of the Securities – Condition 7 (Taxation)*". No PRC stamp duty will be imposed on non-PRC Holders either upon issuance of the Securities or upon a subsequent transfer of Securities to the extent that the register of Holders of the Securities is maintained outside the PRC and the issuance and the sale of the Securities is made outside of the PRC.

Singapore taxation risk.

It is not clear whether the Securities will be regarded as "debt securities" by the Inland Revenue Authority of Singapore (the "**IRAS**") for the purposes of the Income Tax Act, Chapter 134 of Singapore (the "**ITA**"), whether Distributions made under the Securities will be regarded as interest payable on indebtedness and whether the tax concessions and exemptions available for qualifying debt securities under the qualifying debt securities scheme (as set out in "*Taxation – Singapore*") would apply to the Securities.

If the Securities are regarded as "debt securities" for the purposes of the ITA, the Securities are intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section entitled "*Taxation – Singapore*". However, there is no assurance that the Securities will continue to enjoy the tax exemptions or concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

If the Securities are not regarded as "debt securities" for the purposes of the ITA, Distributions made under the Securities are not regarded as interest payable on indebtedness or Holders thereof are not eligible for the tax concessions or exemptions under the qualifying debt securities scheme, the tax treatment to Holders may differ.

Investors and Holders of the Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Securities.

The Securities are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer or the Guarantor as to whether or not payments on the Securities may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions of the Securities, the Issuer and the Guarantor are required to gross up payments on account of any such withholding taxes or deductions (whether by way of EIT, business tax, VAT or otherwise), the Issuer also has the right to redeem the Securities at any time in the event (i) it (or Guarantor, if a demand was made under the Guarantee of the Securities) has or will become obliged to pay additional tax amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction (only where such tax or withholding is in excess of the applicable rate on 11 November 2020) or any political subdivision or any authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 November 2020 and (ii) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it.

The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements, or the Securities, there could be a default under the terms of these agreements, or the Securities, which could cause repayment of the Issuer's or (as the case may be) the Guarantor's debt to be accelerated.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Securities, or if the Issuer or the Guarantor is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or (as the case may be) the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the Issuer's or the Guarantor's debt agreements, including the Securities, contain cross-default provisions. As a result, the default by the Issuer or (as the case may be) the Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Securities. If any of these events occur, there can be no assurance that the Issuer's or (as the case may be) the Guarantor's assets and cash flows would be sufficient to repay in full all of the Issuer's or (as the case may be) the Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or (as the case may be) the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or (as the case may be) the Guarantor.

An active trading market for the Securities may not develop.

The Securities are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGXST. None of the Managers is obligated to make a market in the Securities, and if the Managers do so they may discontinue such market-making activity at any time without notice. Further, the Securities may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the Holders of the Securities will only be able to resell the Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. In addition, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the Holders of the Securities will only be able to resell the Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The ratings of the Securities may be downgraded or withdrawn.

The Securities are expected to be rated Baa2 by Moody's. The rating represents the opinions of the rating agency and its assessment of the ability of the Issuer to perform its obligations under the Securities and credit risks in determining the likelihood that payments will be made when due under the Securities. A rating is not a recommendation to buy, sell or hold the Securities and may be subject to suspension, reduction or withdrawn at any time. Neither the Issuer nor the Guarantor is obligated to inform Holders of the Securities if a rating is lowered or withdrawn. Any adverse change in an applicable credit rating could adversely affect the trading price for the Securities.

The liquidity and price of the Securities following the offering may be volatile.

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the Issuer's and the Guarantor's revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There is no assurance that these developments will not occur in the future.

Under the Enterprise Income Tax Law, the Issuer may be classified as a "resident enterprise" of the PRC. Such classification could result in unfavourable tax consequences to the Issuer and its non-PRC Holders.

The Issuer is incorporated under the laws of Singapore. Under the Enterprise Income Tax Law (the "**EIT Law**") of the PRC, an enterprise established outside the PRC with a "*de facto* management body" within the PRC is deemed a "**resident enterprise**", meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income". The implementing rules of the EIT Law define "*de facto* management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. A circular issued by the State Administration of Taxation on 22 April 2009 ("**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto* management body" located within the PRC if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management frequently reside within the PRC. On 1 September 2011, the State Administration of Taxation promulgated the Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group ("**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group". Circular 45 identifies and defines two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in the PRC based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The Issuer and the Guarantor believe that the Issuer is currently not a "resident enterprise", and as confirmed by the Issuer and the Guarantor, as at the date of this Offering Circular, neither the Issuer nor the Guarantor has been notified or informed by the PRC tax authorities that the Issuer is considered as a "resident enterprise" for the purpose of the EIT Law. However, neither the Issuer nor the Guarantor can assure Holders that the Issuer will not be deemed a "resident enterprise" under the EIT Law and other applicable implementation regulations and, therefore, be subject to enterprise income tax at a rate of 25 per cent. on its global income in the future.

If the Issuer is not considered to be a "resident enterprise" for EIT Law purposes, the payment of interest on the Securities to the overseas Holders will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10 per cent. is normally applicable to PRC-source income derived by non-PRC resident enterprises or individuals, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in the PRC. If the Issuer is deemed a PRC resident enterprise for tax purposes, interest paid to non-PRC resident Holders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10 per cent. for enterprise Holders and 20 per cent. for individual Holders (or a lower treaty rate, if any).

Any gains realised on the transfer of the Securities by such Holders may also be subject to PRC income tax at a rate of 10 per cent. for enterprise Holders or 20 per cent. for individual Holders, if such gains are regarded as PRC-sourced. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Holders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Securities.

If a Holder, being a non-PRC resident enterprise or non-PRC resident individual, is required to pay any PRC income tax on capital gains on the transfer of the Securities, the value of the relevant Holder's investment in the Securities may be materially and adversely affected.

The Trustee may request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, the giving of notice to the Issuer and the Guarantor pursuant to Condition 8 (*Non-payment*) of the Terms and Conditions of the Securities and taking enforcement steps pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Securities, the Trustee may, at its sole discretion, request the Holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Holders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Securities and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Holders of the Securities to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Securities and the Trust Deed by the Trustee or less than all of the Holders of the Securities, and decisions may be made on behalf of all Holders of the Securities that may be adverse to the interests of individual Holders of the Securities.

The Terms and Conditions of the Securities contain provisions for calling meetings of the Holders of the Securities to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including those Holders who did not attend and vote at the relevant meeting and those Holders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of Holders of the Securities may be adverse to the interests of individual Holders of the Securities.

The Terms and Conditions of the Securities also provide that the Trustee may, without the consent of the Holders of the Securities, agree to any modification of the Trust Deed, the Terms and Conditions of the Securities and/or the Deed of Guarantee which in the opinion of the Trustee will not be materially prejudicial to the interests of the Holders of the Securities and to any modification of the Trust Deed, the Terms and Conditions of the Securities and/or the Deed of Guarantee which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders of the Securities, authorise or waive any proposed breach or breach of the Securities, the Trust Deed or the Deed of Guarantee (other than a proposed breach, or a breach relating to the subject to certain reserved matters) if, in the opinion of the Trustee, the interests of the Holders of the Securities will not be materially prejudiced thereby.

Investors shall be aware of the effect of change of law.

The "*Terms and Conditions of the Securities*" relating to subordination are governed by PRC law and Singapore law, while any other "*Terms and Conditions of the Securities*" are based on English law in effect. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law, PRC law and/or English law, or administrative practices after the date of this Offering Circular and any such change could materially adversely impact the value of any Securities affected by it.

TERMS AND CONDITIONS OF THE SECURITIES

The following is the text of the Terms and Conditions of the Securities which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates (as defined below) issued in respect of the Securities.

The U.S.$200,000,000 3.80 per cent. guaranteed perpetual securities (the "**Securities**", which expression includes any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Halcyon Agri Corporation Limited (the "**Issuer**") was authorised by a resolution of the board of directors of the Issuer passed on 6 November 2020. The Securities are guaranteed by Sinochem International Corporation (中化国际 (控股) 股份有限公司) (the "**Guarantor**") pursuant to a deed of guarantee dated 18 November 2020 as amended or supplemented from time to time (the "**Deed of Guarantee**"). The giving of the Guarantee and the entry into the Deed of Guarantee was authorised by a resolution of the board of directors of the Guarantor on 27 August 2020. The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 18 November 2020 (as amended or supplemented from time to time, the "**Trust Deed**") entered into by the Issuer, the Guarantor and DB International Trust (Singapore) Limited as trustee (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) and are the subject of an agency agreement dated 18 November 2020 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Deutsche Bank AG, acting through its branch in Singapore as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Securities), as the transfer agent named therein (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), the principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Securities), the other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agent, the Calculation Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them.

Certain provisions of these Conditions are summaries of the Deed of Guarantee, the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Deed of Guarantee, the Trust Deed and the Agency Agreement applicable to them. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours (being between 9:00 a.m. to 3:00 p.m.) upon prior written request and satisfactory proof of holding at the principal office for the time being of the Trustee, being at the date hereof One Raffles Quay, #16-00 South Tower, Singapore 048583 and at the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent.

1. Form, Denomination, Status and Guarantee

(a) *Form and denomination*: The Securities are in registered form in the denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (each, an "**Authorised Denomination**").

(b) *Status of the Securities*: The Securities constitute direct, unconditional, subordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and *pari passu* with any Parity Securities of the Issuer. The rights and claims of the Holders (as defined in Condition 2(a) (*Register, Title and Transfers – Register*)) in respect of the Securities are subordinated as provided in this Condition 1.

(c) *Status of the Guarantee of the Securities*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed on a subordinated basis the due and punctual payment in full of all sums expressed to be from time to time payable by the Issuer under the Trust Deed and in respect of the Securities (the "**Guarantee of the Securities**"). The

Guarantee of the Securities constitutes a direct, unconditional, subordinated and unsecured obligation of the Guarantor which shall at all times rank at least *pari passu* with any Parity Securities of the Guarantor. The rights and claims of the Holders in respect of the Guarantee of the Securities are subordinated as provided in this Condition 1.

(d) *Ranking of claims in respect of the Securities*: Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Issuer, the rights of the Holders in respect of the Securities to payment of principal and Distribution on the Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with any Parity Securities of the Issuer and in priority to any Junior Securities of the Issuer.

(e) *Ranking of claims in respect of the Guarantee of the Securities*: Subject to the insolvency laws of the PRC and other applicable laws, in the event of the winding-up of the Guarantor, the rights of the Holders in respect of the Guarantee of the Securities are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Guarantor but at least *pari passu* with any Parity Securities of the Guarantor and in priority to any Junior Securities of the Guarantor.

(f) *Set-off – Securities*: Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(g) *Set-off – Guarantee of the Securities*: Subject to applicable law, no Holder may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities, and each Holder shall, by virtue of his holding of any Securities, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Guarantor in respect of, or arising under or in connection with the Guarantee of the Securities is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Guarantor (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Guarantor) and, until such time as payment is made, shall hold such amount in trust for the Guarantor (or the liquidator or, as appropriate, administrator of the Guarantor) and accordingly any such discharge shall be deemed not to have taken place.

*Upon issue, the Securities will be evidenced by a global Certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") and will be exchangeable for individual Certificates only in the circumstances set out therein.*

2. Register, Title and Transfers

(a) *Register*: The Registrar will maintain a register (the "**Register**") in respect of the Securities in Singapore in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Holder**" shall be construed accordingly. A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) Title: The Holder of each Security shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) Transfers: Subject to Conditions 2(f) and 2(g) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor. No transfer of title to a Security will be valid unless and until entered on the Register.

Transfers of interests in the Securities evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(d) *Registration and delivery of Certificates*: Within seven business days of the surrender of a Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured mail to the address specified for the purpose by such relevant Holder.

(e) *No charge*: The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity and/or security and/or pre-funding as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*: Holders may not require transfers to be registered:

(i) during the period of 15 days ending on the due date for any payment of principal in respect of the Securities; or

(ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(e) (*Record date*)).

(g) *Regulations concerning transfers and registration*: All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Holder who requests in writing a copy of such regulations and provides satisfactory proof of holding.

3. Negative Pledge and Other Covenants

(a) *Negative Pledge:* So long as any Security remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor shall, and the Issuer and the Guarantor shall procure that none of their respective Principal Subsidiaries (other than any Listed Subsidiary and a Subsidiary of a Listed Subsidiary) will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Securities equally and rateably therewith or (b) providing such other security for the Securities as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Holders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Holders, save for, in the case of the Issuer or any of its Principal Subsidiaries only:

(i) any Security Interest created over any asset existing on the Issue Date and any Security Interest to be created over such asset in connection with the extension or refinancing of the original credit facilities secured by such asset, provided that, in each case, the amount secured by any such security may not be increased except with the prior consent of the Noteholders by way of an Extraordinary Resolution; or

(ii) any Security Interest over any assets (or related documents of title) acquired (including acquisition by way of acquisition of the shares and/or interest in the company or entity owning (whether directly or indirectly) such assets) and/or developed by it for the sole purpose of financing the acquisition or development of such assets and any substitute Security Interest created on those assets in connection with the refinancing (together with interest, fees and other charges attributable to such refinancing) of the indebtedness secured on those assets and, in each case, securing a principal amount not exceeding the cost of that acquisition and/or development and/or any improvements thereto (including any construction, repair or alteration) or thereon.

(b) *Undertakings in relation to the Guarantee of the Securities*: The Guarantor shall, and the Issuer shall procure the Guarantor to:

(i) file or cause to be filed an application to register the Deed of Guarantee with the Shanghai Branch of SAFE within 15 PRC Business Days of the execution of the Deed of Guarantee, in accordance with the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境担保外汇管理规定) and its Guidelines for Implementing the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境担保外汇管理操作指引) promulgated by SAFE on 12 May 2014 which became effective on 1 June 2014 (the "**Cross-border Security Registration**");

(ii) use its best endeavours to complete the Cross-border Security Registration on or prior to the Registration Deadline and obtain the SAFE registration certificate and any other document (if applicable) issued by SAFE evidencing the completion of the Cross-border Security Registration;

(iii) provided that the Cross-border Security Registration has been completed on or prior to the Registration Deadline, deliver to the Trustee, on or prior to the Registration Deadline, the documents required to satisfy the Registration Condition; and

(iv) comply with all applicable PRC laws and regulations in relation to the Guarantee of the Securities (including, without limitation to, any change, performance or discharge of the Guarantee of the Securities).

In addition, the Issuer shall give notice to the Holders in accordance with Condition 15 (*Notices*) confirming the satisfaction of the Registration Condition within 10 PRC Business Days after the documents comprising the Registration Condition are delivered to the Trustee.

(c) *Notification to NDRC:* The Guarantor shall, and the Issuer shall procure the Guarantor to:

(i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the provisions of (a) the Notice of the National Development and Reform Commission on Promoting the Reform of the Administration of the Registration of Foreign Debt of Enterprises (Fa Gai Wai Zi [2015] No. 2044) (国家发展改革委关于推进企业发行外债备案登记制管理改革的通知(发改外资[2015] 2044 号)) issued by the NDRC and which came into effect on 14 September 2015, (b) the Registration Certificate of Enterprise Foreign Debt (企业借用外债备案登记证明) (the "**NDRC Quota Certificate**) and (c) the Letter on Modification of Method, Borrower and Quota of Foreign Debt (关于同意调整外债借用方式、主体和额度的函) issued by the NDRC on 17 April 2020 and 7 September 2020, respectively, and other applicable implementation rules or policies thereof as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**");

(ii) complete the NDRC Post-issue Filing and obtain such document(s) evidencing due filing with the NDRC within the prescribed timeframe and comply with all applicable PRC laws and regulations in connection with the Securities; and

(iii) within 10 PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate signed by any Authorised Signatory of the Guarantor confirming the completion of the NDRC Post-issue Filing (together with the document(s) filed with the NDRC and the document(s) (if any) evidencing due filing with the NDRC) and give notice to the Noteholders in accordance with Condition 15 (*Notices*) of the same.

The Trustee shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation, or other documents in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Holders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to Holders or any other person for not doing so.

(d) *Financial Statements:*

(i) So long as any Note remains outstanding, the Issuer shall send to the Trustee:

(A) as soon as available and in any event within 180 days after the end of each of its financial years (beginning with the current one), a copy of the Issuer Audited Financial Reports prepared and presented in accordance with SFRS(I); and

(B) as soon as available and in any event within 120 days after the end of the first six months of each of its financial years (beginning with the current one), a copy of its interim unaudited and unreviewed consolidated accounts as at the end of and for that six month period;

(ii) So long as any Note remains outstanding, the Guarantor shall send to the Trustee:

(A) as soon as practicable after their date of publication and in any event not more than 180 calendar days after the end of each Relevant Period, two copies of the Guarantor Audited Financial Reports (audited by an internationally or nationally recognised firm of independent accountants) prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (1) an internationally or nationally recognised firm of independent accountants or (2) a professional translation service provider, together with a certificate signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

(B) as soon as practicable after their date of publication and in any event not more than 120 calendar days after the end of each Relevant Period, two copies of the Guarantor Unaudited Financial Reports prepared and presented in accordance with PRC Accounting Standards, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (1) an internationally or nationally recognised firm of independent accountants or (2) a professional translation service provider, together with a certificate signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

(e) *Rating Maintenance:* So long as any Security remains outstanding, save with the approval of an Extraordinary Resolution of Holders, each of the Issuer and the Guarantor shall maintain a rating on the Securities by a Rating Agency.

4. Distribution

(a) *Distribution*: Subject to Condition 4(d) (*Distribution Deferral*) and Condition 4(e) (*Increase in Distribution Rate following occurrence of certain events*), the Securities confer a right to receive distribution (each a "**Distribution**") from, and including, the Issue Date at the Distribution Rate in accordance with this Condition 4(a). Subject to Condition 4(d) (*Distribution Deferral*) and Condition 4(e) (*Increase in Distribution Rate following occurrence of certain events*), Distribution shall be payable on the Securities semi-annually in arrear on 18 May and 18 November of each year (each, a "**Distribution Payment Date**"), commencing on 18 May 2021.

If any Distribution is required to be calculated in respect of a period of less than a full half-year, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each.

(b) *Rate of Distribution*: Subject to any increase pursuant to Condition 4(e) (*Increase in Distribution Rate following occurrence of certain events*), the rate of distribution ("**Distribution Rate**") applicable to the Securities shall be:

(i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, 18 November 2025 (the "**First Call Date**"), the Initial Distribution Rate; and

(ii) in respect of the period (A) from, and including, the First Call Date to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

(c) *Distribution Accrual*: Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from, and including, the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused, in which event Distribution shall continue to accrue as provided in the Trust Deed. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Security are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).

(d) *Distribution Deferral*:

(i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice (an "**Optional Deferral Notice**") to the Holders (in accordance with Condition 15 (*Notices*)), the

Trustee and the Principal Paying Agent in writing not more than 10 business days nor less than five business days prior to the relevant Distribution Payment Date unless a Compulsory Distribution Payment Event has occurred (an "**Optional Deferral Event**").

(ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) (*Optional Deferral*).

(iii) *Requirements as to Notice*: Each Optional Deferral Notice delivered to the Trustee, the Principal Paying Agent and the Holders shall be accompanied by a certificate substantially in the form set out in the Trust Deed signed by two Authorised Signatories of the Issuer confirming that no Compulsory Distribution Payment Event has occurred. The Trustee and the Principal Paying Agent shall be entitled, without being liable to the Holders or any other Person, to conclusively rely on such certificate as sufficient evidence of the occurrence of an Optional Deferral Event in which event it shall be conclusive and binding on the Holders.

(iv) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition 4(d) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) (*Optional Deferral*)) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this Condition 4(d) except that Condition 4(d)(v) (*Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

Each amount of Arrears of Distribution shall accrue distribution as if it constituted the principal of the Securities at the prevailing Distribution Rate and the amount of such distribution (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be calculated by applying the applicable Distribution Rate to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of Condition 4(a). The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added (for the purpose of calculating the Additional Distribution Amount accruing thereafter) to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(v) *Restrictions in the case of Deferral*:

(A) The Issuer undertakes that, unless on any Distribution Payment Date payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities, any Arrears of Distribution and any Additional Distribution Amount) is made in full:

(1) it shall not declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, on any Parity Securities or Junior Securities of the Issuer (except in relation to the Parity Securities of the Issuer on a *pro-rata* basis); or

(2) it shall not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Issuer (except in relation to the Parity Securities of the Issuer, on a *pro-rata* basis),

in each case, unless and until (x) the Issuer or the Guarantor has satisfied in full, all outstanding Arrears of Distribution and Additional Distribution Amount or (y) the Issuer is otherwise permitted to do so by an Extraordinary Resolution of the Holders.

(B) The Guarantor undertakes that, unless on any Distribution Payment Date payment of all Distribution payments scheduled to be made on such date (including any Distribution accrued but unpaid on the Securities, any Arrears of Distribution and any Additional Distribution Amount) is made in full:

(1) it shall not declare or pay any discretionary dividends or distributions or make any other discretionary payment, and will procure that no discretionary dividend, distribution or other discretionary payment is made, on any Parity Securities or Junior Securities of the Guarantor (except in relation to the Parity Securities of the Guarantor, on a *pro-rata* basis); or

(2) it shall not, at its discretion redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any Parity Securities or Junior Securities of the Guarantor (except in relation to the Parity Securities of the Guarantor, on a *pro-rata* basis),

in each case, unless and until (x) the Issuer or the Guarantor has satisfied in full, all outstanding Arrears of Distribution and Additional Distribution Amount or (y) the Guarantor is otherwise permitted to do so by an Extraordinary Resolution of the Holders.

(vi) *Satisfaction of Arrears of Distribution by payment*: The Issuer:

(A) may satisfy any Arrears of Distribution and Additional Distribution Amount (in whole or in part) at any time by giving notice of such election to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not more than 10 nor less than five business days prior to the proposed payment date specified in such notice (which notice shall be irrevocable and shall oblige the Issuer to pay the relevant Arrears of Distribution and all Additional Distribution Amounts, on the payment date specified in such notice); and

(B) in any event shall satisfy any outstanding Arrears of Distribution and Additional Distribution Amount (in whole but not in part) on the earliest of:

(1) the date of redemption of the Securities in accordance with the redemption events set out in Condition 5 (*Redemption and Purchase*);

(2) the next Distribution Payment Date following the occurrence of a breach of Condition 4(d)(v)(A) (*Restrictions in the case of Deferral - Issuer*) or the occurrence of a Compulsory Distribution Payment Event; and

(3) a Winding-Up of the Issuer or the Guarantor.

Any partial payment of outstanding Arrears of Distribution and any Additional Distribution Amount by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro-rata* basis.

(vii) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 4(d) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer under the Securities or the Guarantor under the Guarantee of the Securities or for any other purpose.

(e) *Increase in Distribution Rate following occurrence of certain events:*

(i) *Increase in Distribution Rate*: Upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, **provided that** the maximum aggregate increase in the Distribution Rate pursuant to this Condition 4(e) shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 4(e) is separate from and in addition to any increase in the Distribution Rate pursuant to Condition 4(b)(ii).

Any increase in the Distribution Rate pursuant to this Condition 4(e) shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 14th day following the occurrence of the relevant Step-Up Event.

(ii) *Decrease in Distribution Rate:* If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event **provided that** the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 4(e) shall be 3.00 per cent. per annum.

5. Redemption and Purchase

(a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 8 (*Non-payment*)), only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5.

(b) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) on and including 18 October 2025 (being the date falling one month prior to the First Call Date) up to (and including) the First Call Date or on any Distribution Payment Date after the First Call Date (each, a "**Call Date**"). On expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this Condition 5(b) at their principal amount together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

(c) *Redemption for tax reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at their principal amount, together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if:

(i) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:

(A) the Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**") and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(B) any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or

(ii) immediately before giving such notice, the Issuer satisfies the Trustee that:

(A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) or increase the payment of such Additional Amounts, in each case, as a result of any change in, or amendment to, the laws, regulations, rulings or other administrative pronouncements promulgated thereunder of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements (including a holding by a court of competent jurisdiction), which change or amendment is made public or becomes effective on or after 11 November 2020; and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) the Guarantor has or (if a demand was made under the Guarantee of the Securities) would become obliged to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Securities, or increase the payment of such Additional Amounts, in each case, as the case may be as a result of any change in, or amendment to, the laws, regulations, rulings or other administrative pronouncements promulgated thereunder of any Relevant Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements (including a holding by a court of competent jurisdiction), which change or amendment is made public or becomes effective on or after 11 November 2020 and such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Securities were then due or (as the case may be) a demand under the Guarantee of the Securities were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 5(c), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) in the case of a notice of redemption pursuant to Condition 5(c)(i) above, a copy of the ruling from the Comptroller of Income Tax in Singapore (or other relevant authority) to such effect as stated in Condition 5(c)(i);

(B) in the case of a notice of redemption pursuant to Condition 5(c)(ii) above, (i) a certificate signed by two Authorised Signatories of the Issuer stating that the circumstances referred to in Condition 5(c)(ii)(A) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by an Authorised Signatory of the Guarantor stating that the circumstances referred to in Condition 5(c)(ii)(B) above prevail and setting out details of such circumstances and (ii) an opinion, addressed to the Trustee, of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled, without being liable to Holders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(c), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c).

(d) *Redemption for accounting reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at:

(i) 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before the First Call Date; or

(ii) their principal amount, together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after the First Call Date,

if, immediately before giving such notice, the Issuer notifies the Trustee that as a result of any changes or amendments to, or a change or amendment to any official interpretation of, SFRS(I) (in the case of the Issuer) or PRC GAAP (in the case of the Guarantor) or any other generally accepted accounting standards that may be adopted for the purposes of preparing the Issuer's or the Guarantor's consolidated financial statements (the "**Relevant Accounting Standards**"), the Securities in whole or in part must not or must no longer be recorded as "**equity**" of the Issuer or the Guarantor pursuant to the Relevant Accounting Standards.

Prior to the publication of any notice of redemption pursuant to this Condition 5(d), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate, signed by two Authorised Signatories of the Issuer or (as the case may be) an Authorised Signatory of the Guarantor stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion, addressed to the Trustee, of the independent auditors of the Issuer or (as the case may be) the independent auditors of the Guarantor stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to, or change or amendment to the relevant official interpretation of, the Relevant Accounting Standards is due to take effect,

provided, however that no notice of redemption may be given under this Condition 5(d) earlier than 90 days prior to the date on which the relevant change or amendment, or change or amendment to the relevant interpretation of, to the Relevant Accounting Standards is due to take effect in relation to the Issuer or (as the case may be) the Guarantor.

Upon the expiry of any such notice period as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(d) **provided that** such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as "**equity**" of the Issuer or (as the case maybe) the Guarantor pursuant to the Relevant Accounting Standards.

The Trustee shall be entitled, without being liable to the Holders or any other Person, to conclusively rely on such certificate and opinion and to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) of this Condition 5(d), in which event it shall be conclusive and binding on the Holders.

(e) *Redemption for Change of Control*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at 101 per cent. of their principal amount together with Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if a Change of Control Triggering Event occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by an Authorised Signatory of the Guarantor stating that the circumstances referred to above in this Condition 5(e) prevail and setting out the details of such circumstances.

The Trustee shall be entitled, without being liable to Holders or any other Person, to conclusively rely on such certificate without investigation and accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice period as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(e).

(f) *Redemption for a Breach of Covenant Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of a Breach of Covenant Event.

Upon the expiry of any such notice period as is referred to in this Condition 5(f), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(f).

(g) *Redemption for an Indebtedness Default Event*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not more than 60 nor less than 30 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) upon the occurrence of an Indebtedness Default Event.

Upon the expiry of any such notice period as is referred to in this Condition 5(g), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(g).

(h) *Redemption for Tax Deductibility Event:* the Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if:

(i) any amendment to, or change in, the laws (or any rules, regulations, rulings or other administrative pronouncements promulgated or practice related thereto or thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is made public, enacted, promulgated, issued or becomes effective on or after the Issue Date;

(ii) any amendment to, or change in, an application or official interpretation of any such laws, rules, regulations, rulings or other administrative pronouncements promulgated or practice related thereto by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is made public, enacted, promulgated, issued or becomes effective on or after the Issue Date; or

(iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws, rules, regulations or practice related thereto that differs from the previously generally accepted position,

any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer is no longer, or would in the period immediately following that Distribution Payment Date no longer be, regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA; or

(iv) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA,

each, a "**Tax Deductibility Event**".

Prior to the publication of any notice of redemption pursuant to this Condition 5(h), the Issuer shall deliver or procure that there is delivered to the Trustee:

(A) a certificate signed by two Authorised Signatories of the Issuer stating that the circumstances referred to in Conditions 5(h)(i), 5(h)(ii), 5(h)(iii) or 5(h)(iv) above prevail and setting out the details of such circumstances; and

(B) in the case of a notice of redemption pursuant to Condition 5(h)(i), 5(h)(ii) or 5(h)(iii) above, an opinion, addressed to the Trustee, of independent legal advisers of recognised standing to that the circumstances referred above prevail and the date on which the relevant change, amendment, interpretation or pronouncement has taken place or is due to take effect or in the case of a notice of redemption pursuant to Condition 5(h)(iv) above, a copy of the ruling from the Comptroller of Income Tax in Singapore (or other relevant authority) to such effect as stated in Condition 5(h)(iv).

The Trustee shall be entitled, without being liable to Holders or any other Person, to conclusively rely on such certificate and opinion without investigation and to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out above, in which event they shall be conclusive and binding on the Holders.

Upon the expiry of any such notice period as is referred to in this Condition 5(h), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(h).

(i) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)) and to the Trustee and the Principal Paying Agent in writing at their principal amount (together with any Distribution accrued to the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

Upon the expiry of any such notice period as is referred to in this Condition 5(i), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(i).

(j) *No other redemption*: The Issuer shall not be entitled to redeem the Securities otherwise than as provided in Conditions 5(b) to 5(i) above.

(k) *Purchase*: The Issuer, the Guarantor or any of their Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.

(l) *Cancellation*: All Securities so redeemed or purchased by the Issuer, the Guarantor or any of its Subsidiaries may be cancelled and if so cancelled may not be reissued or resold.

(m) *No duty to monitor*: The Trustee shall not be obliged to take any steps to ascertain whether a Step-Up Event or an Accounting Event has occurred or to monitor the occurrence of any Step-Up Event or Accounting Event, and shall not be liable to the Holders or any other person for not doing so.

(n) *Calculations*: Neither the Trustee nor any of the Agents, apart from the Calculation Agent, shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Holders or any other person for not doing so.

6. Payments

(a) *Principal*: Payments of principal shall be made by wire transfer to a U.S. dollar account maintained by the payee with, a bank that processes payments in U.S. dollars and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the Specified Office of any Paying Agent.

(b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made by wire transfer to a U.S. dollar account maintained by the payee with, a bank that processes payments in U.S. dollars and (i) (in the case of Distribution payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 6(d), "**business day**" means any day on which banks are open for general business (including dealings in foreign currencies) in New York City, London, Singapore and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**").

*While the Securities are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive, except 25 December and 1 January).*

(f) *Partial payment*: If a Paying Agent makes a partial payment in respect of any Securities, the Issuer shall procure that the amount and date of such payment are noted in the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

7. Taxation

All payments of principal, premium (if applicable) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, the Trust Deed and under the Deed of Guarantee by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (collectively, "**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law.

Where such withholding or deduction is made by the Guarantor by or within the PRC up to the rate applicable on 11 November 2020 (the "**Applicable Rate**"), the Issuer or the Guarantor, as the case may be, will pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

If the Issuer or the Guarantor is required to make (i) such deduction or withholding by or within the PRC, in excess of the Applicable Rate or (ii) any deduction or withholding by or within Singapore, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Holders of such amounts after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts shall be payable in respect of any Security:

(a) held by a Holder which is liable to such Taxes in respect of such Security by reason of its having some connection with the Relevant Jurisdiction by which such Taxes have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security or where the withholding or deduction could be avoided by the Holder making a declaration of non-residence, declaration of identity or other similar claim for exemption to the appropriate authority; or

(b) where (in the case of a payment of principal or Distribution on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

In these Conditions, "**Relevant Date**" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

Any reference in these Conditions to principal or Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any additional amounts in respect of such principal or Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than Singapore or the PRC, references in these Conditions to Singapore or the PRC shall be construed as references to Singapore or (as the case may be) the PRC and/or such other jurisdiction.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, Holders or any other person to pay such tax, duty, charges, withholding or other payment.

8. Non-payment

(a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8 (*Non-payment*), the right to institute proceedings for Winding-Up of the Issuer or the Guarantor is limited to circumstances where payment has become due. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d) (*Distribution Deferral*).

(b) *Proceedings for Winding-Up*: If (i) there is a Winding-Up of the Issuer or the Guarantor or (ii) the Issuer or the Guarantor shall not make payment in respect of the Securities or the Guarantee of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer or the Guarantor shall be deemed to be in default under the Trust Deed, the Guarantee of the Securities and the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Entitlement of Trustee*), institute proceedings for the Winding-Up of the Issuer and/or the Guarantor and/or prove in the Winding-Up of the Issuer and/or the Guarantor and/or claim in the liquidation of the Issuer and/or the Guarantor for such payment.

(c) *Enforcement*: Without prejudice to Condition 8(b) (*Proceedings for Winding-Up*) but subject to the provisions of Condition 8(d) (*Entitlement of Trustee*), the Trustee may at its discretion and without notice to the Issuer or the Guarantor institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer and/or the Guarantor under Trust Deed, the Guarantee of the Securities or the Securities (other than any payment obligation of the Issuer and/or the Guarantor under or arising from the Securities, the Guarantee of the Securities or the Trust Deed, including, without limitation, payment of any principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations) and in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. The rights and remedies of the Trustee and the Holders under the Securities and the Trust Deed are cumulative and not exclusive of any rights or remedies provided by law.

(d) *Entitlement of Trustee*: The Trustee shall not be obliged to take any of the actions referred to in Condition 8(b) (*Proceedings for Winding-Up*), Condition 8(c) (E*nforcement*) above against the Issuer or the Guarantor to enforce the terms of the Trust Deed, the Guarantee of the Securities or the Securities unless (a) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. in principal amount of the Securities then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded in accordance with the Trust Deed or the Securities.

(e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the Winding-Up of the Issuer or the Guarantor or claim in the liquidation of the Issuer or the Guarantor or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Guarantor as those which the Trustee is entitled to exercise as set out in this Condition 8 (*Non-payment*).

(f) *Extent of Holders' remedy*: No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 8 (*Non-payment*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities, the Guarantee of the Securities or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of their respective other obligations under or in respect of the Securities or the Trust Deed.

9. Prescription

Claims for payment in respect of the Securities shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar and the Transfer Agent having its Specified Office in Singapore, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar and the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured to its satisfaction and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Holders. In addition, the Trustee, the Agents and their respective directors and officers are entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without being accountable for the same (including) any profit therefrom) to the Holders or any person.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or certification or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction or certification, to seek directions or clarification from the Holders by way of Extraordinary Resolution, and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including but not limited to legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Holders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction where the Trustee is seeking such direction from the Holders or in the event that the instructions sought are not provided by the Holders.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Holders as a class and will not be responsible for any consequence for individual Holders of Securities as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee may act on the advice, opinion or report of or any information obtained from any lawyer, valuer, accountant, auditor, surveyor, banker, broker, auctioneer, or other expert (whether obtained by the Issuer, the Guarantor, the Trustee or otherwise, whether or not addressed to the Trustee, and whether or not the advice, opinion, report or information, or any engagement letter or other related document, contains a monetary or other limit on liability or limits the scope and/or basis of such advice, opinion, report or information). The Trustee will not be responsible to anyone for any liability occasioned by so acting. The Trustee shall further be entitled to conclusively and without liability rely on any information, advice, opinions, certificates (including any compliance certificates) and other evidence as it shall require to be delivered in accordance with these

Conditions and/or the Trust Deed without further investigation or monitoring duty and accept such information, advice, opinions and certificates as sufficient evidence of the satisfaction and contents of the circumstances referred to within.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar principal paying agent and additional or successor paying agents, calculation agents and transfer agents; provided, however, that the Issuer and the Guarantor shall at all times maintain (a) a principal paying agent and a registrar, and (b) a paying agent and a transfer agent.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

Each Holder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Holder shall not rely on the Trustee in respect thereof.

12. Meetings of Holders; Modification and Waiver

(a) *Meetings of Holders*: The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions, the Deed of Guarantee or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing one more than half of the aggregate principal amount of the outstanding *Securities* or, at any adjourned meeting, two or more persons being or representing Holders whatever the principal amount of the Securities held or represented; provided, however, that certain proposals (including any proposal (i) to change any date fixed for payment of principal or Distribution in respect of the Securities, (ii) to reduce the amount of principal or Distribution payable on any date in respect of the Securities, (iii) to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of payments under the Securities, (iv) to effect the exchange, conversion or substitution of the Securities for other obligations or securities, (v) to amend Condition 3 (*Negative Pledge and Other Covenants*), (vi) to cancel or amend the terms of the Guarantee of the Securities otherwise than in accordance with Condition 12(b) (*Modification and waiver*) or (vii) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**")), may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one-quarter of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the Securities outstanding and who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders or by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the Holders. A resolution passed in writing will be binding on all Holders whether or not they participated in such written resolution.

(b) *Modification and waiver*: The Trustee may, without the consent of the Holders, agree to any modification of these Conditions, the Deed of Guarantee or the Trust Deed (in each case, other than in respect of a Reserved Matter) or the Agency Agreement which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Holders and to any modification of the Securities, the Deed of Guarantee, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or of any of the provisions of the Deed of Guarantee, Trust Deed or the Agency Agreement (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

Any such authorisation, waiver or modification shall be binding on the Holders and shall be notified to the Holders as soon as practicable thereafter.

13. Enforcement

The Trustee may at any time, at its absolute discretion and without notice, institute such actions, steps or proceedings as it thinks fit to enforce its rights under the Deed of Guarantee, the Trust Deed and the Agency Agreement and in respect of the Securities, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or prefunded and/or provided with security to its satisfaction.

No Holder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

14. Further Issues

Subject to compliance with Condition 3(b) (*Undertakings in relation to the Guarantee of the Securities*), the Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further Securities having the same terms and conditions as the Securities in all respects (except for the Issue Date, the issue price, the first payment of Distribution and the timing for reporting to the NDRC and filing with SAFE) so as to form a single series with the Securities. Any further securities forming a single series with the outstanding Securities shall be constituted by, and be guaranteed by the Guarantor pursuant to, a deed supplemental to the Trust Deed.

15. Notices

Notices to the Holders will be sent to them at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

So long as the Global Certificate is held on behalf of Euroclear and Clearstream any notice to the holders of the Securities shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

16. Currency Indemnity

If any sum due from the Issuer or the Guarantor in respect of the Securities or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer or the Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer and the Guarantor shall indemnify the Trustee and each Holder, on the written demand of the Trustee or such Holder addressed to the Issuer and the Guarantor and delivered to the Issuer and the Guarantor against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Holder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantor and shall give rise to a separate and independent cause of action.

17. Governing Law and Jurisdiction

(a) *Governing law*: The Securities, the Trust Deed, the Deed of Guarantee, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith, are governed by English law, except that the subordination provisions applicable to (i) the Issuer set out in Condition 1(b) (*Form, Denomination, Status and Guarantee – Status of the Securities*), Condition 1(d) (*Form, Denomination, Status and Guarantee – Ranking of claims in respect of the Securities*), Condition 1(f) (*Form, Denomination, Status and Guarantee – Set-off – Securities*) and clause 5 (*Subordination*) of the Trust Deed shall be governed by, and construed in accordance with, the laws of Singapore and (ii) the Guarantor set out in Condition 1(c) *(Form, Denomination, Status and Guarantee; Status of the Guarantee of the Securities*), Condition 1(e) (*Form, Denomination, Status and Guarantee – Ranking of claims in respect of the Guarantee of the Securities*), Condition 1(g) (*Form, Denomination, Status and Guarantee – Set-off – Guarantee of the Securities*) and clause 2.2 and clause 2.3 of the Deed of Guarantee shall be governed by, and construed in accordance with, PRC law.

(b) *Jurisdiction*: Each of the Issuer and the Guarantor has in the Trust Deed and the Deed of Guarantee (i) agreed for the benefit of the Holders that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in Hong Kong to accept service of any process on its behalf; (iv) consented to the enforcement of any judgment; and (iv) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

(c) *Waiver of Immunity*: To the extent that each of the Issuer and the Guarantor may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), each of the Issuer and the Guarantor agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

18. Definitions

In these Conditions:

"**Accounting Event**" means the occurrence of any changes or amendments to, or a change or amendment to any interpretation of, PRC GAAP (in the case of the Guarantor), SFRS(I) (in the case of the Issuer) or any other generally accepted accounting standards that may be adopted for the purposes of preparing the Issuer's or (as the case may be) the Guarantor's consolidated financial statements resulting in the Securities not being accounted as "equity" of the Issuer or (as the case may be) the Guarantor, as described in Condition 5(d) (*Redemption for accounting reasons*);

"**Additional Amounts**" has the meaning ascribed to it in Condition 7 (*Taxation*);

"**Additional Distribution Amount**" has the meaning ascribed to it in Condition 4(d)(iv) (*Cumulative Deferral*);

"**Arrears of Distribution**" has the meaning ascribed to it in Condition 4(d)(iv) (*Cumulative Deferral*);

"**Authorised Signatory**" means any director of the Issuer or the Guarantor (as the case may be) or any other person who has been notified by the Issuer or the Guarantor in writing to the Trustee as being duly authorised to sign documents and do other acts and things on behalf of the Issuer or the Guarantor (as the case may be);

"**Breach of Covenant Event**" means the occurrence of (a) a Covenant Breach and (b) the Trustee, acting on the instructions of the Holders holding 25 per cent. or more in aggregate principal amount of the Securities outstanding, giving notice in writing to the Issuer that the Distribution Rate will be adjusted in accordance with Condition 4(e) (*Increase in Distribution Rate following the occurrence of certain events*) unless the Securities are redeemed in accordance with Condition 5(f) (*Redemption for Breach of Covenant Event*), provided that the Trustee shall not and shall not be obliged to take any such action unless it has been indemnified and/or secured and/or pre-funded to its satisfaction;

"**business day**" means: (a) in respect of Condition 2 (*Register, Title and Transfers*), a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office; (b) in respect of Condition 4 (*Distribution*), any day, excluding a Saturday and a Sunday, on which banks are open for general business (including dealings in foreign currencies) in Singapore, Hong Kong and New York City; and (c) in respect of Condition 6 (*Payments*), a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in Singapore, Hong Kong and New York City and on which banks and foreign exchange markets are open for general business in the place in which the Specified Office of the Principal Paying Agent is located and, in the case of presentation of a Certificate, in the place in which the Certificate is presented and where payment is to be made by transfer to an account maintained with a bank that processes payments in U.S. dollars, on which foreign exchange transactions may be carried on in US dollars in New York City;

"**Call Date**" has the meaning ascribed to it in Condition 5(b) (*Redemption at the option of the Issuer*);

"**Change of Control**" means the occurrence of one or more of the following events:

(a) Controlling Person(s), directly or indirectly, ceases to Control the Guarantor; or

(b) Controlling Person(s), directly or indirectly, ceases to Control the Issuer;

No Change of Control will be deemed to have occurred unless and until the above-mentioned events have been consummated;

"**Change of Control Triggering Event**" means a Change of Control, *provided that*, in the event that the Guarantor is, on the Rating Date, rated Investment Grade by one or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline;

"**Comparable Treasury Issue**" means the US Treasury security selected by the Issuer and notified to the Calculation Agent as having a maturity of five years that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of five years;

"**Comparable Treasury Price**" means, with respect to any redemption date:

(a) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third Business Day preceding such redemption date, as set forth in the daily statistical release (of any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or

(b) if such release (or any successor release) is not published or does not contain such prices on such Business Day, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations;

"**Compulsory Distribution Payment Event**" means that, during the six-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred:

(a) a discretionary dividend, discretionary distribution or other discretionary payment has been declared or paid by the Issuer on or in respect of any of the Parity Securities or Junior Securities of the Issuer (except in relation to the Parity Securities of the Issuer on a *pro-rata* basis); or

(b) the Issuer has at its discretion redeemed, repurchased, cancelled, bought-back or otherwise acquired for any consideration any of Parity Securities or Junior Securities of the Issuer (except in relation to the Parity Securities of the Issuer, on *a pro-rata* basis);

"**Control**" means:

(a) in respect of the Guarantor:

    (i) the Controlling Person(s), directly or indirectly or in combination (through Subsidiaries or otherwise), own(s), acquire(s) or control(s) more than 50 per cent. of the voting rights of the issued share capital of the Guarantor;

    (ii) a majority of the members of the Guarantor's Board of Directors or other equivalent or successor governing body are nominated by the Controlling Person(s); or

    (iii) the Controlling Person(s) possess(es) the ability or power to direct the management policies of the Guarantor;

(b) in respect of the Issuer:

    (i) the Controlling Person(s), directly or indirectly or in combination (through Subsidiaries or otherwise), own(s), acquire(s) or control(s) more than 50 per cent. of the voting rights of the issued share capital of the Issuer;

    (ii) the Controlling Person(s) possess(es) the right to appoint and/or remove all or the majority of the members of the Issuer's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

"**Controlling Person(s)**" means Sinochem Group, SASAC or any Person(s) controlled by the central government of the PRC;

"**Covenant Breach**" means a non-compliance and/or non-performance by the Issuer or the Guarantor of any one or more of its obligations and covenants set out in Condition 3 (*Negative Pledge and Other Covenants*) or Condition 4(d)(v) (*Restrictions in the case of Deferral*) or the failure to meet the Registration Conditions on or before the Registration Deadline;

"**Distribution**" has the meaning ascribed to it in Condition 4(a) (*Distribution*) and includes Arrears of Distribution and Additional Distribution Amount (if any) whether or not so specified in these Conditions;

"**Distribution Payment Date**" has the meaning ascribed to it in Condition 4(a) (*Distribution*);

"**Distribution Rate**" has the meaning ascribed to it in Condition 4(b) (*Rate of Distribution*);

"**First Call Date**" has the meaning ascribed to it in Condition 4(b)(i);

"**Guarantee**" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

(a) any obligation to purchase such indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(c) any indemnity against the consequences of a default in the payment of such indebtedness; and

(d) any other agreement to be responsible for such indebtedness;

"**Guarantee of the Securities**" has the meaning ascribed to it in Condition 1(c) (*Status of the Guarantee of the Securities*);

"**Guarantor Audited Financial Reports**" means the annual audited consolidated statement of balance sheet, income statement, statement of cash flows of the Guarantor Group and statements of changes in owners' equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Group**" means the Guarantor and its Subsidiaries, taken as a whole;

"**Guarantor Unaudited Financial Reports**" means the interim unaudited and unreviewed consolidated balance sheet, income statement, statement of cash flows of the Guarantor Group and statements of changes in owners' equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports, if any) and notes attached to or intended to be read with any of them, if any;

"**Holder**" has the meaning ascribed to it in Condition 2(a) (*Register*);

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC;

"**Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of: (i) amounts raised by acceptance under any acceptance credit facility; (ii) amounts raised under any note purchase facility; (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases; (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

an “**Indebtedness Default Event**” means the Issuer, the Guarantor or any of the Guarantor's Principal Subsidiaries defaults under any Indebtedness of the Issuer, the Guarantor or any of the Guarantor’s Principal Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor’s Principal Subsidiaries), as the case may be, whether such Indebtedness or guarantee now exists, or is created after the date of the Trust Deed, which default results in the acceleration of such Indebtedness prior to its maturity, and the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness the maturity of which has been so accelerated, equals, or exceeds the higher of U.S.$35 million (or its equivalent in other currencies) and 2.5 per cent. of the Guarantor’s Tangible Assets;

“**Initial Distribution Rate**” means 3.80 per cent. per annum;

“**Investment Grade**” means:

(a) in relation to the Guarantor, a long term foreign currency issuer credit rating of “AAA”, “AA”, “A” or “BBB”, as modified by a “+” or “–” indication, or an equivalent long term foreign currency issuer credit rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; an issuer rating of “Aaa”, “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent issuer rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns; a long term foreign currency issuer credit rating of “BBB–” or better by Fitch, or any of its successors or assigns; or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s, or Fitch or any combination thereof, as the case may be; or

(b) in relation to the Securities, a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or any of its successors or assigns; or a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “—” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P, Moody’s or Fitch or any combination thereof, as the case may be.

“**Issue Date**” means 18 November 2020;

“**Issuer Audited Financial Reports**” means the annual audited consolidated statement of financial position, income statement, statement of comprehensive income and cash flow statement of the Issuer and its Subsidiaries, taken as a whole, and statements of changes in equity of the Issuer together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“**ITA**” means the Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time;

“**Junior Securities**” means, in relation to the Issuer or the Guarantor, as the case may be, its ordinary shares and any class of its share capital and any other instruments or securities (including without limitation any preference shares, preferred units or subordinated perpetual securities) issued, entered into or Guaranteed by the Issuer or the Guarantor, as the case may be, that ranks, or is expressed to rank, by its terms or by operation of law, junior to the obligations of the Issuer under the Securities or the obligations of the Guarantor under the Guarantee of the Securities, as the case may be;

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Guarantor, the ordinary voting shares of which are at such time listed or dealt in or traded on a recognised stock exchange;

“**Macau**” means the Macau Special Administrative Region of the PRC;

"**Maximum Distribution Rate**" means

(a) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, the First Call Date, the Initial Distribution Rate plus 3.00 per cent. per annum; and

(b) in respect of the period (A) from, and including the First Call Date, to, but excluding, the Reset Date falling immediately after the First Call Date, and (B) from, and including, each Reset Date falling after the First Call Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 3.00 per cent. per annum;

"**NDRC**" means the National Development and Reform Commission of the PRC or its counterparts;

"**Optional Deferral Event**" has the meaning ascribed to it in Condition 4(d) (*Distribution Deferral*);

"**Optional Deferral Notice**" has the meaning ascribed to it in Condition 4(d) (*Distribution Deferral*);

"**Parity Securities**" means (a) in respect of the Issuer, any instrument or security issued, entered into or Guaranteed by the Issuer, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Securities; and (b) in respect of the Guarantor, any instrument or security issued, entered into or Guaranteed by the Guarantor, which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Guarantee of the Securities;

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal entity;

"**PRC**" means the People's Republic of China, which, for the purpose of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**PRC Accounting Standards**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing;

"**PRC GAAP**" means the Basic Standard and 38 Specific Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter;

"**Principal Subsidiary**" means, with respect to the Issuer or the Guarantor, any Subsidiary (as the case may be):

(a) whose gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer or the Guarantor (as the case may be), as shown by its latest respective audited statement of comprehensive income are (i) individually at least 15 per cent. or (ii) together with those of other relevant Subsidiaries each otherwise not being a Principal Subsidiary but in relation to which an event set out in these Conditions has occurred, at least 15 per cent. of the consolidated gross revenues as shown by the latest respective published audited consolidated statement of comprehensive income of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries; r

(b) whose profits before taxation and exceptional items ("**pre-tax profit**") (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer or the Guarantor (as the case may be), as shown by its latest respective audited statement of comprehensive income, are (i) individually at least 15 per cent. or (ii) together with those of other relevant Subsidiaries each otherwise not being a Principal Subsidiary but in relation to which an event set out in these Conditions has occurred, at least 15 per cent. of the consolidated pre-tax profit as shown by the latest respective published audited consolidated statement of comprehensive income of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

(c) whose gross assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) attributable to the Issuer or the Guarantor (as the case may be), as shown by its latest respective audited balance sheet, are (i) individually at least 15 per cent. or (ii) together with those of other relevant Subsidiaries each otherwise not being a Principal Subsidiary but in relation to which an event set out in these Conditions has occurred, at least 15 per cent. of the consolidated gross assets as shown by the latest respective published audited consolidated balance sheet of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries, including the investment of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer or the Guarantor (as the case may be) and of associated companies and after adjustment for minority interests, **provided that**, in relation to paragraphs (a), (b) and (c) above:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) relate, the reference to the then latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries for the purposes of the calculation above shall, until the respective consolidated audited accounts of the Issuer or the Guarantor (as the case may be) for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer or the Guarantor (as the case may be) and their respective consolidated Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if, at any relevant time in relation to the Issuer, the Guarantor (as the case may be) or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, gross revenues, pre-tax profit or gross assets of the Issuer or the Guarantor (as the case may be) and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer or the Guarantor (as the case may be) for the purposes of preparing a certificate thereon to the Holders;

(iii) if, at any relevant time in relation to any Subsidiary, no accounts are audited, its gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer or the Guarantor (as the case may be) for the purposes of preparing a certificate thereon to the Holders; and

(iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer or the Guarantor (as the case may be), then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer or the Guarantor (as the case may be); or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer or the Guarantor (as the case may be) prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above.

A certificate prepared by two Authorised Signatories of the Issuer or an Authorised Signatory of the Guarantor (as the case may be) certifying that, in his/her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. The certificate would, if requested by holders of, individually or in the aggregate, not less than 10 per cent. of the Securities outstanding, be accompanied by a report by an internationally or a nationally recognised firm of independent accountants of good repute addressed to the directors of the Issuer or the Guarantor (as the case may be) as to proper extraction of the figures used by the Issuer or the Guarantor (as the case may be) in determining the Principal Subsidiaries of the Issuer or the Guarantor (as the case may be) and mathematical accuracy of the calculation;

"**Proceedings**" has the meaning ascribed to it in Condition 17(b) (*Jurisdiction*);

"**Rating Agency**" means (i) S&P Global Ratings Inc., and its successors ("**S&P**"); (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); and (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("**Fitch**"); or if one or more of S&P, Moody's or Fitch or shall not make a rating of the Guarantor publicly available, a United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention of any relevant Person or Persons to effect a Change of Control;

"**Rating Decline**" means, in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention of any relevant Person or Persons to effect a Change of Control (which period shall be extended (by no more than an additional three months after the consummation of the Change of Control) so long as the rating of the Guarantor or the Securities is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(a) in the event the Guarantor or the Securities (x) is on the Rating Date (A) rated by three Rating Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by at least two of such Rating Agencies;

(b) in the event the Guarantor or the Securities (x) is on the Rating Date (A) rated by two but not more Rating Agencies and (B) rated Investment Grade by each such Rating Agency, and (y) ceases to be rated Investment Grade by both such Rating Agencies; or

(c) in the event the Guarantor or the Securities (x) is on the Rating Date (A) rated by only one Rating Agency and (B) rated Investment Grade by such Rating Agency, and (y) ceases to be rated Investment Grade by such Rating Agency;

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. government securities dealer in New York City, selected by the Issuer or the Guarantor in good faith;

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third business day preceding such redemption date;

"**Register**" has the meaning ascribed to it in Condition 2(a) (*Register*);

"**Registration Condition**" means the receipt by the Trustee of: (i) a certificate signed by an Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration and (ii) a certified true copy of the relevant SAFE registration certificate or any other document (if applicable) issued by SAFE evidencing the completion of the Cross-Border Security Registration;

"**Registration Deadline**" means the day falling 120 PRC Business Days after the Issue Date;

"**Relevant Accounting Standards**" has the meaning ascribed to it in Condition 5(d) (*Redemption for accounting reasons*);

"**Relevant Date**" means whichever is the later of (i) the date on which such payment in question first becomes due and (ii) if the full amount payable has not been received by the Principal Paying Agent in accordance with the terms of the Agency Agreement on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, any bond, note, debenture, debenture stock, loan stock, bond or note certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) offered or issued to investors outside the PRC;

"**Relevant Jurisdiction**" means Singapore or the PRC or such other taxing jurisdiction the Issuer or the Guarantor becomes subject to at any time;

"**Relevant Period**" means (a) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being 31 December of that financial year) and (b) in relation to the Guarantor Unaudited Financial Reports, each period of (i) three months ending on the last day of the Guarantor's first quarter financial year (being 31 March of that financial year), (ii) six months ending on the last day of the Guarantor's first half financial year (being 30 June of that financial year) and (iii) nine months ending on the last day of the Guarantor's third quarter financial year (being 30 September of that financial year);

"**Relevant Reset Distribution Rate**" means a rate of interest expressed as a percentage per annum equal to the sum of (a) the initial spread of 3.345 per cent., (b) the Treasury Rate and (c) a margin of 3.00 per cent. per annum;

"**Reset Date**" means the First Call Date and each day falling every five calendar years after the First Call Date;

"**SAFE**" means the State Administration of Foreign Exchange;

"**SASAC**" means the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**SEHK**" means The Stock Exchange of Hong Kong Limited;

"**SFRS(I)**" means the Singapore Financial Reporting Standards (International) issued by the Singapore Accounting Standards Council, as amended from time to time;

"**Singapore**" means the Republic of Singapore;

"**Sinochem Group**" means Sinochem Group, a PRC wholly state-owned enterprise under the supervision of SASAC, and the ultimate parent of the Issuer;

"**Step-Up Event**" means the occurrence of any of a Change of Control Triggering Event, a Breach of Covenant Event and/or an Indebtedness Default Event;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

(a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of the issued share capital, contract or the power to appoint or remove a majority of the members of the governing body of the second Person or otherwise; or

(b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Tangible Assets**" means, as of the last day of each 12 month period ending on 30 June or 31 December in each year, the consolidated total assets of the Guarantor, as determined from the consolidated financial statements for that relevant period, less (i) intangible assets, (ii) development expenditure and (iii) goodwill;

"**Treasury Rate**" means the rate notified by the Calculation Agent to the Issuer, the Guarantor, the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 15 (*Notices*)) in per cent. per annum equal to the yield, under the heading that represents the average for the week immediately prior to two business days prior to each Reset Date for calculating the Relevant Reset Distribution Rate under Condition 4(b)(ii), appearing in the most recently published statistical release designated "H. 15 (519)" (weblink: http://www.federalreserve.gov/releases/h15/current/default.htm) or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System (https://www.federalreserve.gov/releases/h15/) and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "**Treasury constant maturities**" for the maturity corresponding to the Comparable Treasury Issue. If such release (or any successor release) is not published during the week preceding the relevant date referred to above does not contain such yields, "**Treasury Rate**" means the rate in per cent. per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the applicable Reset Date under Condition 4(b) (*Rate of Distribution*); and

"**Winding-Up**" means a final and court order or effective resolution for the bankruptcy, winding-up, liquidation, receivership or similar proceedings in respect of the Issuer or the Guarantor (as applicable).

THE GLOBAL CERTIFICATE

The Securities will be represented by a Global Certificate that will be registered in the name of DB Nominees (Hong Kong) Limited as nominee of, and deposited with, the common depositary for Euroclear and Clearstream.

The Global Certificate will become exchangeable in whole, but not in part, for Individual Certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 8 (*Non-payment*) of the Terms and Conditions of the Securities occurs.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificate will contain provisions that modify the Conditions as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Payments on business day: In the case of all payments made in respect of the Global Certificate "**business day**" means any day which is a day on which commercial banks are open for business (including dealings in foreign currencies) in the city in which the Registrar has its Specified Office.

Payment Record Date: Each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which this Global Certificate is being held is open for business.

Notices: Notwithstanding Condition 15 (*Notices*) of the Terms and Conditions of the Securities, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Securities represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The gross proceeds of the issue of the Securities will be U.S.$200,000,000. After deduction of the expenses incurred in connection with the issue of the Securities, the net proceeds from this offering is intended to be used for operating cash flows and other fixed commitments of the Issuer Group, including refinancing of its existing indebtedness.

EXCHANGE RATES

CHINA

The PBOC sets and publishes daily a central parity exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 20 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate. On 16 April 2012, the band was expanded to 1.0 per cent. Such floating band was further enlarged from 1.0 per cent. to 2.0 per cent., effective from 17 March 2014, as announced by the PBOC on 15 March 2014. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organization of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PRC government may in the future make further adjustments to the exchange rate system. In January and February 2016, the Renminbi experienced further fluctuations in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may make further adjustments to the exchange rate system in the future.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

	Noon Buying Rate[1]			
	Period End	**Average[2]**	**High**	**Low**
	(RMB per U.S.$)			
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020				
January	6.9161	6.9184	6.9749	6.8589
February	6.9906	6.9967	7.0286	6.9650
March	7.0808	7.0205	7.1099	6.9244
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	1.7681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744

	Noon Buying Rate[1]			
	Period End	Average[2]	High	Low
	(RMB per U.S.$)			
August	6.8474	6.9270	6.9799	6.8474
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503

Notes:

(1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

SINGAPORE

The following table sets forth information concerning exchange rates between the Singapore dollars and the U.S. dollar for the periods presented:

	Noon Buying Rate[1]			
	Period End	Average[2]	High	Low
	(S$ per U.S.$)			
2014	1.3244	1.2702	1.3244	1.2376
2015	1.4166	1.3783	1.4337	1.3171
2016	1.4465	1.3824	1.4522	1.3366
2017	1.3363	1.3732	1.4498	1.3363
2018	1.3623	1.3490	1.3845	1.3037
2019	1.3446	1.3629	1.3906	1.3446
2020				
January	1.3647	1.3517	1.3647	1.3461
February	1.3944	1.3897	1.4005	1.3689
March	1.4215	1.4171	1.4605	1.3786
April	1.4095	1.4228	1.4408	1.4095
May	1.4135	1.4178	1.4274	1.4114
June	1.3942	1.3935	1.4075	1.3840
July	1.3728	1.3865	1.3947	1.3728
August	1.3600	1.3689	1.3764	1.3582
September	1.3654	1.3660	1.3786	1.3572
October	1.3654	1.3597	1.3680	1.3529

Notes:

(1) Exchange rates between Singapore dollars and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

CAPITALISATION OF THE ISSUER

The following table sets forth the Issuer's consolidated capitalisation and indebtedness as at 31 December 2019 on an actual basis and as adjusted to give effect to the issue of the Securities before deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Securities. The following table should be read in conjunction with the Issuer's audited consolidated financial statements and the notes thereto appearing elsewhere in this Offering Circular.

	As of 31 December 2019	
	Actual	**Adjusted**
	U.S.$'000	
Current Borrowings:		
Derivative financial instruments	507	507
Other payables	257,991	257,991
Loan payables	347,047	347,047
Provision for taxation	552	552
Lease liabilities	1,021	1,021
	607,118	607,118
Non-Current Borrowings:		
Loan payables	342,454	342,454
Deferred tax liabilities	71	71
Lease liabilities	1,823	1,823
	344,348	344,348
Total debt	951,466	951,466
Equity:		
Share capital	603,874	603,874
Total Securities to be issued	-	200,000
Capital reserve	-	-
Other reserves	(1,310)	(1,310)
Accumlated (losses)/profit	(904)	(904)
Equity attributable to Shareholders of the Issuer	601,660	801,660
Non-controlling interests	-	-
Total capitalisation	1,553,126	1,753,126

Save as indicated above, there has been no other material change in the capitalisation and indebtedness of the Issuer since 31 December 2019.

CAPITALISATION OF THE GUARANTOR

The following table sets forth the Guarantor's consolidated capitalisation and indebtedness as at 31 December 2019 and as adjusted to give effect to the issue of the Securities before deduction of the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Securities. The following table should be read in conjunction with the Guarantor's audited consolidated financial statements and the notes thereto appearing elsewhere in this Offering Circular.

	As of 31 December 2019	
	Actual	**Adjusted**
	(RMB)	
Current Borrowings:		
Short-term borrowings	6,174,617,244.32	6,174,617,244.32
Notes payable	2,240,567,735.94	2,240,567,735.94
Non-current liabilities due within one year	443,511,405.53	443,511,405.53
	8,858,696,385.79	8,858,696,385.79
Non-Current Borrowings:		
Long-term borrowings	4,606,282,155.88	4,606,282,155.88
Bonds payable	4,579,029,260.53	4,579,029,260.53
	9,185,311,416.41	9,185,311,416.41
Total debt	18,044,007,802.20	18,044,007,802.20
Equity:		
Share capital	2,707,916,472.00	2,707,916,472.00
Total Securities to be issued	-	1,392,360,000.00
Other equity instruments	1,297,352,452.83	1,297,352,452.83
Capital reserve	3,677,062,285.25	3,677,062,285.25
Other comprehensive income	(644,146,043.72)	(644,146,043.07)
Special reserve	94,389,587.07	94,389,587.07
Surplus reserve	971,602,863.58	971,602,863.58
Retained profits	5,020,787,303.49	5,020,787,303.49
Total equity attributable to shareholders of the Guarantor	13,124,964,920.50	14,517,324,920.50
Minority interests	12,149,873,846.52	12,149,873,846.52
Total capitalisation	43,318,846,569.22	44,711,206,569.22

Save as indicated above, there has been no other material change in the capitalisation and indebtedness of the Guarantor since 31 December 2019.

Sinochem Group

Sinochem Group is a PRC SOE under the supervision of the SASAC. Founded in 1950 and headquartered in Beijing, China, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, chemicals and agricultural products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas, agricultural and chemical businesses, and has also further diversified its businesses into real estate and financial services, transforming itself from a trading company into a multi-industry market-oriented conglomerate.

Sinochem Group is one of China's key SOEs, which has been rated as Grade-A Enterprise in the performance assessment conducted by SASAC for 15 years and has been named in the "Fortune Global 500" 30 times and ranked 109th in 2020. In 2014, Sinochem Group was also ranked first in the "trading industry list" for two consecutive years of "World's Most Admired Companies 2013" published by Fortune. Since 2004, the brand "SINOCHEM" has ranked among the top 10 of "China's 500 Most Valuable Brands" selected by the World Brand Lab for 17 consecutive years and become one of China's top ten brands, ranking 7th with a brand value of RMB356.8 billion in 2020.

Sinochem Group has five core business lines: energy, chemicals, agriculture, real estate and financial services.

Energy

Sinochem Group's energy business consists primarily of (i) exploration and production, (ii) oil trading, (iii) oil refining (iv) storage and logistics, which are operated by Sinochem Group, (v) oil products marketing, (vi) petrochemicals marketing, (vii) industrial park development, which is led by Quanzhou Petrochemical to integrate and build the Fujian Qianhui Petrochemical Industrial Zone and (viii) energy technology, which Sinochem Group is committed to develop by applying internet technology such as cloud computing, big data, block chains, artificial intelligence and internet of things to its business models.

Chemicals

Sinochem Group has operated its chemical business since its establishment. It consists primarily of fluorine chemicals, intermediates and new material, agrochemical, polymer additive, natural rubber, petrochemical feedstock marketing, pharmaceuticals and health businesses. Sinochem Group has formed a complete industrial value chain in its fluorine chemicals business covering resource development (fluorspar and hydrofluoric acid), research and development, production and marketing. Through its subsidiary Sinochem Lantian Co., Ltd. ("**Sinochem Lantian**"), a leading enterprise in R&D and production of fluorine chemicals, Sinochem Group is China's leading fluorine chemicals company providing a wide range of products including ozone-depleting substance substitutes, fluoropolymers and fluorinated fine chemicals.

Sinochem Group has been operating a rubber business for over six decades. It has evolved from an import agent to an industrialised producer and China's leading natural rubber provider and distributor as measured by volume of natural rubber supplied in 2020, with integrated international operations ranging from rubber planting, processing and marketing to logistics. It has natural rubber plantations in Africa, and factories in Southeast Asia, Africa, Hainan and Yunnan provinces of China, and has deep strategic cooperation with well-known tyre brands including Michelin Corporation ("**Michelin**"), Bridgestone Corporation ("**Bridgestone**"), Continental AG ("**Continental**") and Goodyear Tire and Rubber Company ("**Goodyear**").

In 2020, Sinochem Group boasts 69,000 hectares of natural rubber planting area, 38 natural rubber processing plants, and a processing capacity of 1.6 million tonnes, reflecting its position as a leading enterprise in terms of processing capacities. It supplies a worldwide customer base with a broad range of natural rubber products for use in making vehicle tyres and other industrial and commercial goods.

Sinochem Group is one of China's largest comprehensive distributors and service providers in the business area of chemicals trading and distribution and has established stable and long-term cooperative relationships with multinational conglomerates, including Exxon Mobil and BASF. Sinochem Group's chemical business also conducts research and development, manufacturing and distribution of pharmaceutical and health products, pursuing advanced technologies and high-end markets. Sinochem Group is a leading market player in the trading of dyes and pigments.

Agriculture

Sinochem Group's agricultural business consists primarily of its fertiliser, seeds and agrochemical businesses. Sinochem Group's agrochemical business engages in research and development, production, sales and marketing of agrochemicals in China. In the last few years, the agrochemical business has acquired full or partial interests several of China's and Southeast Asia's leading agrochemical businesses, and has acquired exclusive distribution rights of Monsanto's "**Roundup**" brand of products in China. Sinochem Group's seed business engages in research and development, production, processing, distribution and marketing and sales of seeds in China. Sinochem Group operates its seed business through China National Seed Group Corporation, which it acquired in 2007.

Sinochem Group's agricultural business operates with Sinochem Agriculture Holdings ("**Sinochem Agriculture**") as its entity, aiming to achieve the mission of "Technology for Better Agriculture", and establishing a modern agricultural technological platform of Modern Agriculture Platform ("**MAP**"). Sinochem Agriculture's MAP strategy encourages "moderate scale of land", employs modern technologies to "do better farming", takes modern agriculture planting technologies and smart agriculture as its measures, and provides online and offline comprehensive solutions throughout the whole production process.

Real Estate

Sinochem Group's real estate business comprises property development and hospitality, which are conducted through China Jinmao Holdings Group Limited ("**China Jinmao**") and Jinmao (China) Hotel Investments & Management Ltd. ("**Jinmao**"), respectively. China Jinmao and Jinmao are both Hong Kong Stock Exchange-listed companies. In operating its real estate business, Sinochem Group sticks to the principle of building high-end and high-quality properties, adopts a "Double-wheel and double-wing" strategy with quality at its core, concentrates on urban operation model of "two driving forces and two upgrades", with the aim of becoming China's leading urban operator.

Financial Services

Sinochem Group's financial services business portfolio consists primarily of trust businesses, financial leasing, finance company, life insurance, industrial funds, new industry incubation, business factoring, comprehensive business services, securities investment fund and financial futures, amongst others. Sinochem Group conducts financial leasing business through International Far East Horizon Limited ("**Far East Horizon**"). Far East Horizon's business consists of six segments, comprising healthcare, printing, shipping, construction, industrial equipment and education. Far East Horizon was listed on the Hong Kong Stock Exchange in March 2011.

Sinochem Group operates its trust business through China Foreign Economy & Trade Trust Co., Ltd., which has four major business lines: banking trust, equity investment trust, private equity financing and other trust products and services, including family trusts, asset securitization, securities investment trusts, private placement, real estate trusts, infrastructure trusts, consumer finance trusts, business trusts and private equity investment. It has been authorised by the CBRC to conduct equity investment business using its own assets.

Sinochem Group has invested in two fund management companies, Lion Fund Management Co., Ltd. and Baoying Fund Management Co., Ltd. Sinochem Group established a Sino-foreign life insurance joint venture, Manulife-Sinochem Life Insurance Co., Ltd. ("**Manulife-Sinochem**"), with Manulife Financial Corporation in November 1996, which has opened branches in many cities in China, including Beijing, Shanghai and Chongqing.

Sinochem Finance Co., Ltd. was incorporated in June 2008 as a financial company under the direct supervision of the CBRC. In 2009, it started its business of third-party payment, foreign exchange services and its financial services include settlement, financing, financial intermediary, assets management, financial management and risk management.

History

Established in 1950 as the first state-owned import and export enterprise specialising in foreign trade business, Sinochem Group today is a key SOE under the supervision of the SASAC of the State Council. The predecessor of Sinochem Group, China Import Company, began as a chemical business. It merged with North China Trading Company in 1951 to form China Import & Export Company, which was subsequently renamed China National Chemicals Import and Export Corporation ("**CNCIEC**") in the 1960s.

In 1951, CNCIEC imported a large number of commodities to China, including rubber, chemical fertiliser and agricultural membrane. After its establishment, CNCIEC opened import channels for international oil and chemicals and developed into a trading company specialising in oil and chemicals.

In 1973, CNCIEC exported the first shipment of crude oil to Japan, and later to Brazil, Singapore and the United States, which opened an export channel for China's crude oil to overseas countries.

In the 1980s, CNCIEC began its involvement in real estate development, when it commenced its first joint development project in Shanghai, the Haiyi Villa and Haiyi Garden. In the late 1980s, CNCIEC was approved by the State Council as a pilot company for international operations.

In 1993, CNCIEC began its fertiliser business as the only enterprise authorised in the PRC to engage in the import and export of fertiliser products at that time.

In 1994, CNCIEC was selected by the State Council as the first company to conduct comprehensive trading business. Also in 1994, the Guarantor commenced operations in Hong Kong to serve as an offshore holding company for Sinochem Group to execute its overseas business strategy.

In 1998, CNCIEC, as the primary promoter, set up Sinochem International Corporation to engage in the chemical business. Sinochem International Corporation was listed on the Shanghai Stock Exchange ("**SSE**") in 2000.

In 1998, after reform in the fertiliser industry, CNCIEC became one of the two enterprises in the PRC authorised by the government to engage in the import of fertiliser products at that time and was granted the right to engage in domestic trading and sales of fertiliser products in the PRC.

In 2000, CNCIEC became a key SOE under the direct control of the State Council. It obtained its first oil field in 2002 through the Guarantor's acquisition of Atlantis Holding Norway AS, a subsidiary of Petroleum Geo-Services ASA. This acquisition was a milestone marking CNCIEC's expansion into the upstream oil business.

In 2003, CNCIEC was renamed Sinochem Group.

In 2007, Sinochem Group's restructuring with China National Seed Group Co., Ltd. was approved by the State Council. China National Seed Group Co., Ltd. became a wholly-owned subsidiary of Sinochem Group.

In December 2008, Sinochem Group received formal approval from the State Council and the SASAC for its plan to restructure into a joint stock limited company.

In June 2009, Sinochem Corporation was incorporated as a PRC joint stock company and its capital stock is jointly owned by Sinochem Group (98 per cent.) and COSCO Group (2 per cent.), another PRC SOE. In August 2009, Sinochem Group bought the United Kingdom-based oil company Emerald Energy plc.

Sinochem Group is currently one of the PRC's largest state-owned conglomerates, with core businesses including energy, agriculture, chemicals, real estate and financial services. It currently has more than 300 subsidiaries and branches in and outside China.

In 2020, Sinochem Group planned a strategic reorganisation with ChemChina, pursuant to which a transfer of shares in eight agricultural companies owned by it to ChemChina was completed (see "*Description of the Group – Recent Developments – Strategic Reorganisation with ChemChina*" for more details on the reorganisation).

The Guarantor

Originating as a production and warehousing business of rubber, plastic and chemical products, the Guarantor was established in Beijing on 14 December 1998.

The Guarantor is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. It provides a platform for the Group's fine chemical and natural rubber operations.

In December 1999, the Guarantor launched an initial public offering of its shares on the SSE before listing in March 2000.

In 2004, the Guarantor was incorporated into SSE 180 Index.

In 2005, the Guarantor was selected as one of the first sample stocks in Shanghai Shenzhen CSI 300 Index and named as the Top 20 China Listed Companies with Comprehensive Competitiveness.

In 2020, the board of directors of the Guarantor provided its in-principle approval for the Yangnong Reorganisation, pursuant to which the Guarantor entered into the Framework Agreement with Syngenta and Yangnong Group. As of the date of the Framework Agreement, the formal scheme relating to the Yangnong Reorganisation remains subject to approvals from (without limitation) the relevant state-owned asset supervisory and administration authorities and anti-monopoly regulators, and the board of directors and shareholders of each of the Guarantor, Syngenta and Yangnong Group. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical". For more information on the risks relating to the Yangnong Reorganisation, see "Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

See "*Description of the Group*" for more details on the Guarantor.

Strategic transformation, core business development & management improvement

The Guarantor has a clear "Entry and Exit" strategy focusing on optimising its business portfolio, establishing an innovative specialty chemical enterprise, improve profitability and optimising shareholder returns. It merged with Hainan Anlian Rubber Development Co. Ltd., Xishuangbana Sinochem Rubber Limited Company and Euroma Rubber Industries Sdn. Bhd ("**Euroma Rubber**") to enter into the rubber processing market and started the integrated rubber operation in China. It formed Shanghai Sinochem-Stolt Shipping Co. Ltd. jointly with Stolt-Nielsen Limited to proactively expand into the international operation and shipping markets. It bought out the domestic operation rights for 4 types of amide herbicide products from Monsanto Company ("**Monsanto**"), an American multinational agrochemical and agricultural biotechnology corporation.

With its foundation in China, the Guarantor formulated an overseas expansion strategy to develop its core business both locally and internationally. It achieved a significant breakthrough in its acquisition of resources in both China and overseas. The Guarantor acquired a 51 per cent. stake in GMG Global Limited ("**GMG**") to expand into the rubber planting sector. It merged with Teck Bee Hang Co., Ltd. in Thailand ("**TBH**"), making significant achievements in overseas processing technology and capacity. It also obtained the concession as sole operator for Monsanto's amide products in Southeast Asia. It established a wholly-owned subsidiary in Southeast Asia to build a complete network channel.

Acceleration towards a world-class organisation

In recent years, the Guarantor had a successful industrial transformation from a wholesale retailer to a chemical producer as confirmed by the 2013 Industry Classification of Listed Companies issued by China Securities Regulatory Commission. In particular, the Guarantor's capital structure was optimised by the private placement of shares in November 2013, raising RMB3.74 billion, which resulted in an increase in the Sinochem Group's share interest to 54.65 per cent. in the Guarantor. As of 31 December 2019, Sinochem Group indirectly holds a 55.76 per cent equity interest in the Guarantor through Sinochem Corporation.

The Guarantor's strategic breakthrough in its core businesses is exemplified by the following transactions: it merged with Sennics Co., Ltd. ("**Sennics**"), a globally leading supplier of polymer additives, and acquired a 60.98 per cent. stake in the company in order to enhance sales synergies between rubber chemicals and natural rubber and its position in the global polymer additives market. It also merged with Yangnong Group and acquired a 40.53 per cent. stake in the company. With the advanced technologies in fine chemicals and chemical intermediates, the merger with Yangnong Group is a significant strategic step in entering the agrochemical and high-performance materials and intermediates markets in order to pursue growth and to position itself as a global diversified chemical and materials company. The acquisition of 54.99 per cent. stake in Halcyon Agri Corporation Limited ("**HAC**") in 2016, a natural rubber chain supplier has also provided the Group access to a significant rubber land bank in Africa and Southeast Asia as well as a global sales network of major tyre manufacturers, including Michelin, Bridgestone, Continental and Goodyear. It also recently acquired the Sinochem Companies, Huai-an Junsheng and ELIX Polymers in 2017, 2018 and 2019, respectively, which provided important enhancements to its various business segments and supported its determination to become the world's leading innovative fine chemical company with new energy, new materials and biological industries as its core industries.

The Sinochem Group transferred its entire agrochemical assets to the Guarantor, making it the subject of agrochemical business integration. The Guarantor also signed a strategic cooperation Memorandum of Understanding with Belgium's Solvay S.A. to strengthen the cooperation regarding high-performance materials and intermediates and particularly green chemicals. The Guarantor had also exited from various businesses, including Sinochem Xingzhong and Sinochem International Logistics in 2017 and Nantong Jiangshan Agochemical & Chemicals in 2018, in order to better focus its resources on developing specific sectors with competitive advantages.

DESCRIPTION OF THE ISSUER GROUP

HISTORY AND BACKGROUND

Introduction and History

The Issuer is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the SGX-ST. The Issuer's registered office and corporate headquarters is located at 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922.

The Issuer Group is a global natural rubber supply chain manager, with current competencies in each part of the supply chain including plantations, processing and distribution. The Issuer Group is the owner of one of the world's largest commercial plantations and its factories are located in most major rubber producing regions, namely Indonesia, Malaysia, the PRC, Thailand and Africa. The Issuer Group creates value for its customers by connecting and bringing together businesses across the entire natural rubber value chain.

It currently owns 38 natural rubber processing factories in Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand with an annual production capacity of approximately 1.6 million tonnes. It produces natural rubber under its proprietary HEVEA*PRO* brand, distributes its products and a range of other natural rubber grades (including latex) to an international customer base through its network of warehouses and sales offices in the Southeast Asia, the PRC, the U.S. and the EU. Headquartered in Singapore, the Issuer Group's workforce consists of approximately 15,000 employees in over 100 locations.

Since the founding of the Issuer in 2010, it has grown rapidly by acquiring and integrating several well-established businesses and factories in the industry, establishing the Issuer Group as a leading vertically-integrated natural rubber supply chain manager with unrivalled scale, scope and reach globally.

Recent Corporate Activity

From 2018, the Issuer Group's business was further expanded with the following acquisitions and/or joint venture:

(a) *Acquisition of RCMA Group's Polymer Business*

On 21 November 2017, the Issuer announced it had entered into an agreement with RCMA Group to acquire the assets and entities of its Polymer Division for up to U.S.$33.8 million. The acquisition provided the Issuer Group the opportunity to capitalise on some of the world's oldest trading names in natural rubber, latex and synthetic rubber, including the Wurfbain, Corrie MacColl, and Alan L Grant distribution franchises, some of the world's oldest and most established rubber trading names in their respective home markets, thereby enhancing the Issuer Group's market position. Following the acquisition, the Issuer Group became one of the world's largest distribution hubs for liquid latex and specialty tyre rubber and it allowed the Issuer Group to gain an immediate foothold in the synthetic rubber market while concurrently strengthening the Issuer Group's European and American distribution assets. The acquisition was completed in January 2018, and together with the Issuer Group's plantation and distribution business in the E.U, be known as Corrie MacColl Group.

(b) *PT. Pulau Bintan Djaya*

On 8 December 2017, the Issuer announced that its 99.99 per cent. owned subsidiary, PT. Hok Tong ("**Hok Tong**") had entered into a conditional share sale & purchase agreement with Global Key Holdings Limited and Lydia Yuliaty Tandi for the acquisition of 80 per cent. of the share capital of PT. Pulau Bintan Djaya ("**PBD**"), which owns a natural rubber processing factory located in Bintan Timur, Indonesia (the "**PBD Acquisition**"). The PBD Acquisition was completed in February 2018, and PBD became its wholly-owned subsidiary in January 2020.

(c) *PT. Sumber Djantin and PT. Sumber Alam*

On 15 January 2018, the Issuer announced that a conditional sale and purchase agreement has been entered into between Hok Tong and (a) Mr Liauw Chiang Sioe; and (b) Mr Sjahrir Iskandar for the sale and purchase of 100 per cent. equity interest in PT. Sumber Djantin and PT. Sumber Alam, which collectively held four (4) rubber factory processing factories in Indonesia (the "**Sumber Acquisition**"). The Sumber Acquisition was completed in April 2018.

(d) *HeveaConnect Pte. Ltd.*

On 17 December 2018, the Issuer announced that its indirect wholly-owned subsidiary, HeveaConnect Pte. Ltd. ("**HeveaConnect**"), had issued 27,470 new ordinary shares (representing 9.9 per cent. of the issued and paid-up share capital of HeveaConnect) to DBS Bank Ltd. for U.S.$1,000,000 on 14 December 2018. On 7 March 2019, the Issuer further announced that HeveaConnect had entered into a share subscription agreement with ITOCHU Corporation for 66,807 shares in HeveaConnect, representing 19 per cent. of the issued and paid-up capital of HeveaConnect for U.S.$2,200,000.

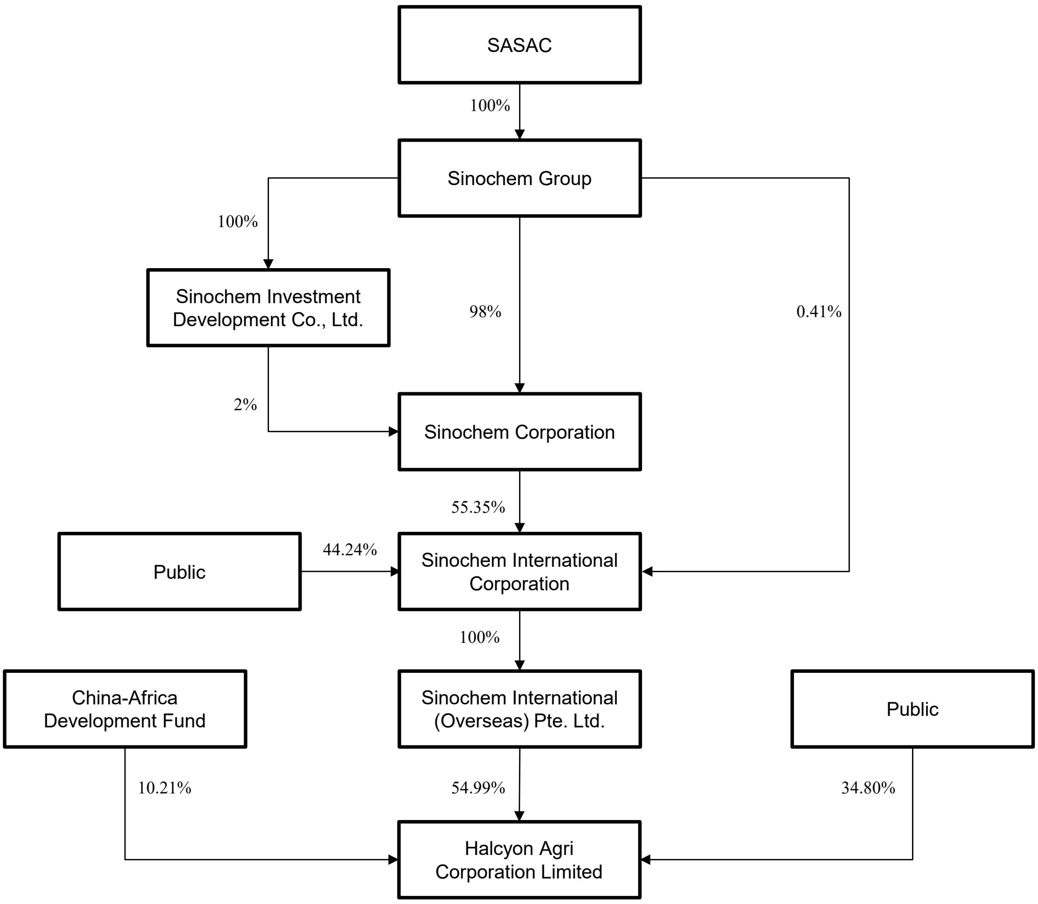
CORPORATE STRUCTURE

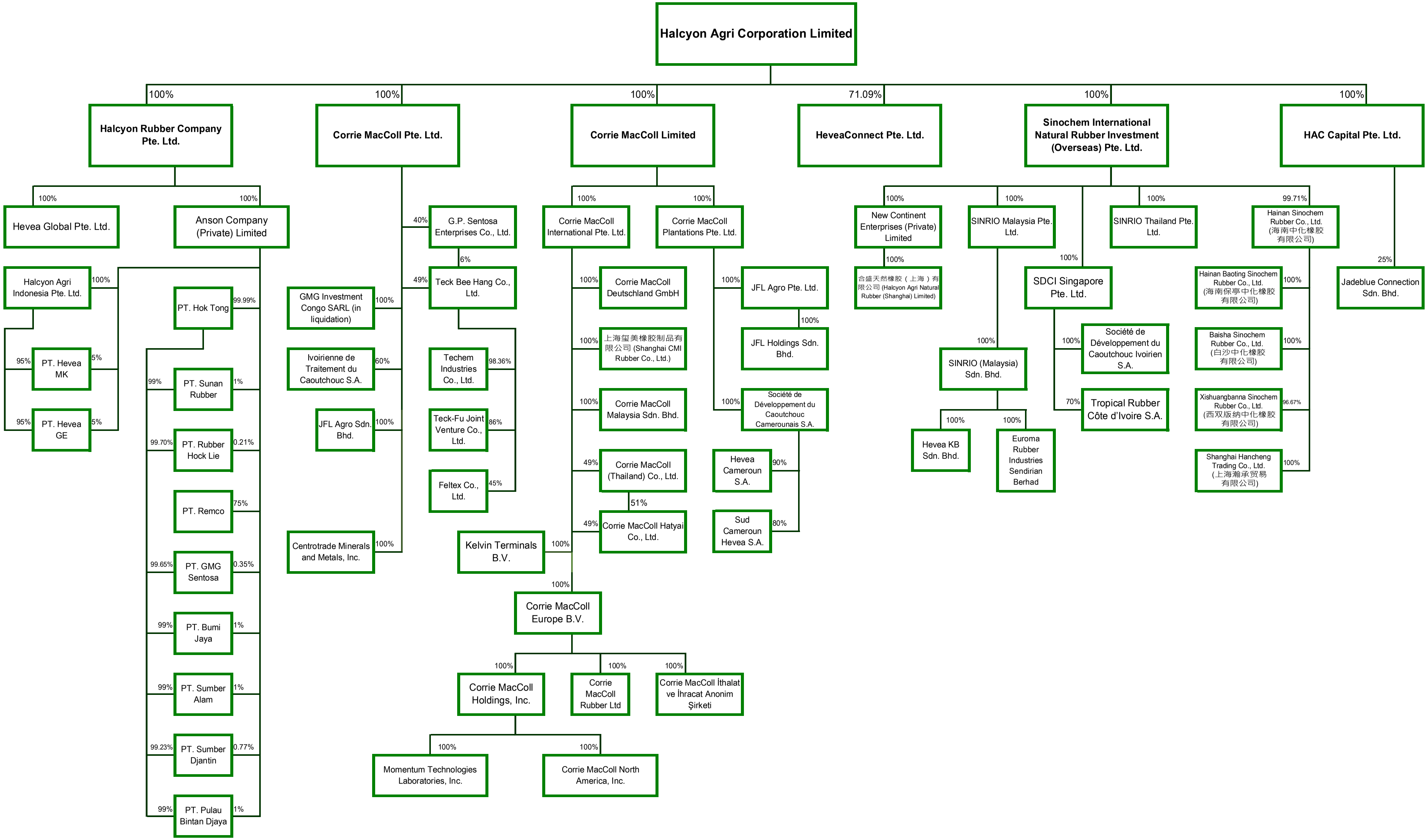
Subsidiary of Sinochem Group

The Issuer is 54.99 per cent. owned by Sinochem International (Overseas) Pte. Ltd, a company incorporated and domiciled in Singapore. The penultimate holding company is the Guarantor, which is 55.76 per cent. indirectly owned by Sinochem Group, a state-owned enterprise of the PRC.

Issuer Corporate Structure

The following diagrams illustrate the corporate structure and shareholding of the Issuer Group as of 31 December 2019:





(No individuals hold 10% or more in Halcyon Agri Corporation Limited)

BUSINESS OVERVIEW

Overview

The Issuer Group is a global natural rubber supply chain manager, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber and latex. The Issuer Group is headquartered in Singapore (where its risk management, merchandising and central corporate operations are domiciled) with key operating assets strategically located in major natural rubber production regions and key locations worldwide.

In the upstream/plantations segment, the Issuer Group owns approximately 122,000 hectares of land across Africa and Malaysia, with a total plantable land bank of 69,000 hectares. Approximately 53 per cent. of these cultivatable lands have been planted with rubber trees and 3 per cent. planted with oil palm.

In the midstream/processing segment, the Issuer Group operates 38 rubber processing factories located in the following major natural rubber producing areas: Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand, with a total annual production capacity of approximately 1.6 million tonnes. In the downstream/distribution segment, the Issuer Group's distribution network is extensive, comprising sales offices and logistic assets in over 100 locations, spanning Southeast Asia, the PRC, the U.S. and the EU.

As of 31 December 2019, the Issuer Group had a global market share of natural rubber (including tyre and non-tyre) and natural rubber (tyre only) of 9 per cent. and 11 per cent., respectively. The Issuer Group's sales volume for the year ended 31 December 2019 is 1.3 million tonnes.

The Issuer Group has strategic assets positioned along One Belt One Road countries and is poised to benefit from China's continued investment in infrastructure. The Issuer Group's production capacity located in China is 160,000 tonnes, which represents 20 per cent. of China's domestic production, while its production capacity located in One Belt One Road countries is approximately 1.5 million tonnes (excluding Cameroon and Cote d'Ivoire which may export their rubber into China through intermediary countries).

On the back of increased customer emphasis on sustainability and corporate social responsibility, the ability to control the supply chain from the rubber tree through to processing, combined with the Issuer Group's entrenched global distribution network and strong commitment to sustainability, allows it to be the preferred supply chain partner of the customers, by providing a premium product offering with features that aligns with the customers' own sustainability and corporate social responsibility requirements.

The Issuer Group has made significant strides in its sustainability efforts over the years. Some of the key initiatives include:

(a) Launching of BOUNCE, the world's first sustainability movement anchored by the United Nations Sustainability Development Goals;

(b) Committing to achieve zero deforestation in all its plantations and implement an integrated landscape management approach in consultation with key environmental and social civil society organisations;

(c) Launching Sustainable Natural Rubber Supply Chain Policy;

(d) Piloting of the Cameroon Outgrower Programme;

(e) Collaborating and partnering with the global non-governmental organisations to strengthen sustainable rubber reproduction and actively engage with the local communicates to create sustainable ecosystems; and

(f) Forming of a 25,000 hectares community forest within its concession as one of its efforts to protect ecosystem.

The Issuer Group has been recognised by third-party for its relentless efforts to build the movement for sustainable rubber industry. Some of the highlights include:

(a) Being ranked as the second most transparent natural rubber company in Zoological Society of London's SPOTT assessment;

(b) Being awarded a gold rating by EcoVadis;

(c) Forging strong partnership with global and local non-governmental organisations, to work together toward common goals; and

(d) Securing of the first green loan for natural rubber players from Deustche Bank.

Main operating businesses

Following the complete integration of Corrie MacColl Limited in 2018 under the Issuer's ownership, the Issuer has streamlined its operating structure into two main operating businesses each held by flagship entities, Halcyon Rubber Company Pte. Ltd. ("**HRC Group**") and Corrie MacColl Limited ("**Corrie MacColl Group**"), as well as a digital suite of rubber related investments and projects including HeveaConnect, a digital marketplace for sustainably processed natural rubber. The Issuer supplies natural rubber for tyre products such as passenger cars, light commercial vehicles, trucks and buses and mining and natural resources, as well as non-tyre products such as gloves, condoms, personal protective equipment and industrial products.

HRC Group

HRC Group is the exclusive merchandising arm of tyre-grade rubber for the Issuer and specialises in the supply chain for tyre applications. The HRC Group was formed in 2019 from the consolidation of the Issuer's global tyre majors and PRC tyre majors processing and supply platforms, as the Issuer anticipated a convergence in the quality and sustainability requirements for natural rubber from its customers. This business segment includes the Issuer's 36 processing factories in Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand, and distribution business in Singapore and the PRC, where the customers are predominantly top-tier global tyre makers. The business model of this division is to purchase raw material from smallholder farmers, processing it to HEVEA*PRO* standards, and merchandising the final product to the global tyre industry.

Corrie MacColl Group

The Corrie MacColl Group is dedicated to servicing the global non-tyre and speciality-tyre markets. This business segment is responsible for sustainable rubber planting and has a leading distribution network of specialty polymers for industrial and non-tyre applications. The Corrie MacColl Group supplies natural and synthetic rubber as well as selected rubber chemicals and ancillary products.

The Corrie MacColl Group consists of two units: Corrie MacColl Plantations ("**CMCP**"), which owns the plantations in Cameroon and Malaysia as well as two processing factories located in Cameroon, and Corrie MacColl International ("**CMCI**"), the distribution and fulfilment platform. CMCI usually manages the distribution of the various products all the way to the customers, providing a full suite of logistics and technical services, including storage and lab testing services. The business model includes buy-and-sell of third-party products with a profit, thus supporting the financial cost of developing the Issuer's plantation assets.

Digital suite of related investments and projects

The Issuer employs a suite of digital products and initiatives to promote and enhance sustainability in the rubber industry. In 2018, the Issuer launched HeveaConnect, a digital marketplace to merchandise its industry-approved HEVEA*PRO*-grade of responsibly produced rubber. HeveaConnect aims to be the industry-preferred marketplace for sustainably and responsibly produced natural rubber products, which will allow for better price differentiation vis-à-vis otherwise generic products. Backed by DBS Bank Ltd. and ITOCHU Corporation, the platform allows for bilateral negotiations and trades between natural rubber producers and consumers for physical rubber that caters to the consumers' needs, at the same time promoting greater price transparency in the natural rubber market and moving away from traditional futures-based reference price fixing. Since the platform went live in April 2019, a total of approximately 80,000 mT (with contract value of U.S.$120 million) has been traded through the platform in 2019. The Issuer has also set up the Halcyon Data Centre, which is hosted on Mindsphere by Siemens and connects key factory infrastructure to the digital world. The Halcyon Data Centre utilises internet of things devices to reduce manual tracking of operating data, facilitate data transmission and enhance transparency and traceability of its products along the supply chain. The Issuer is also in the process of rolling out a cloud-based data tool across its Indonesian processing platform, which captures operational data, to facilitate the streamlining of operations, the optimisation of production efficiency, and to improve production transparency and data transmission along the supply chain.

Debt Profile

For the years ended 31 December 2017, 2018 and 2019, the Issuer Group had total loan payables of U.S.$610.5 million, U.S.$912.0 million and U.S.$1,123.7 million, respectively, which comprised of working capital loans and term loans. The breakdown of the Issuer Group's outstanding total loan payables as of 31 December 2019 can be analysed as follows:

(a) U.S.$23.6 million in unsecured term loans due 2026 which is repayable on monthly instalments;

(b) U.S.$297.6 million in unsecured term loans due 2021 which is repayable on bullet repayment;

(c) U.S.$68.5 million in unsecured term loans due 2027 which is repayable on semi-annual instalments;

(d) U.S.$19.3 million in secured term loans due 2026 which is repayable on quarterly instalments;

(e) U.S.$67.6 million in secured term loans due 2021 which is repayable on bullet repayment repayment *(loan tenure has subsequently extended to 2024)*;

(f) U.S.$74.5 million in unsecured term loans due 2021 which is repayable on quarterly instalments; and

(g) U.S.$572.6 million in working capital loans of which U.S.$205.1 million of working capital loans are secured.

Certain term loans and working capital loans of the Issuer Group are secured by a charge over certain of its inventories, property, plant and equipment, cash and bank balances and trade receivables. The Issuer Group is also in the process of re-negotiating the terms of its financing arrangements (including, inter alia, financing tenor, interest rates and security packages). Part of the proceeds from this offering may be used to service term loan instalments when it comes due.

OPERATIONS OVERVIEW

Origination

Through its various subsidiaries, the Issuer Group currently owns and manages more than 38,000 hectares of cultivated plantations lands located across Africa and Malaysia, with an additional plantable land bank of approximately 31,000 hectares to be further developed and planted. The existing planted areas are largely immature and have been planted with premium clones. The yields generated from the existing plantation assets on the cultivable land, including approximately 1,800 hectares of oil palm, will be utilised as one of the sources of cash flow to subsidise the funding of the planting costs. The Issuer Group expects yields to ramp up in the near future with costs remaining relatively fixed, driving the reduction of breakeven costs per unit.

With the ability to control and implement best practices at its plantations through end-to-end control, the Issuer Group's natural rubber plantations supply pristine raw material to its processing facilities and enable sizeable production of higher-quality rubber for premium and specialty applications. The Issuer

Group's natural rubber plantations also diversify the Issuer Group's raw materials supply and allows for improvements in cost competitiveness of its procurement process and maximises efficiency and profitability across the Issuer Group's value chain.

The production of natural rubber sourced from the Issuer Group's owned plantations has grown significantly and will continue to expand over time with further planting and maturing of the rubber trees.

Production and Distribution

The Issuer Group supplies a worldwide customer base with a broad range of natural rubber products for use in making vehicle tyres and other industrial and commercial goods, and leverages on its extended global network of sales offices and professionals to improve customer awareness. It produces mainly TSR, which is made according to a specific process and graded based upon certain technical parameters. TSR is produced in its 38 factories located in the following six countries: Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand. The Issuer Group maintains sufficient capacity headroom to ramp up according to surge in demand, without substantial increase in fixed costs.

The Issuer Group produces natural rubber under its proprietary HEVEA*PRO* brand of TSR based around four core attributes: Quality Standards, Environment Health and Safety, social responsibility and Supply Chain Security. Under its HEVEA*PRO* charter, the Issuer Group's HEVEA*PRO* compliant factories enjoy wide-ranging approvals, have streamlined its operations and productions lines for maximum cost efficiency, as well as intensified its quality control management to narrow the specifications of its products to produce customer-driven customised grades, leading to better efficiencies for customers. In an effort to promote HEVEA*PRO* as the industrial leading standard for sustainable natural rubber production, the Issuer Group has made the adherence to HEVEA*PRO* standard and compliance as the qualifying criteria to conduct trades on HeveaConnect.

Out of these various grades of TSR, TSR20-VK is highly sought after by tyre manufacturers as its technical properties allow them to lower their energy costs and increase throughput, resulting in a lower cost of production. As a result, TSR20-VK justifiably commands a premium over standard rubber products.

With extensive origination reach and comprehensive distribution trade flow, the Issuer Group supplies natural and synthetic rubber (dry or latex), as well as selected rubber chemicals and other ancillary products, to the global marketplace of rubber consumers including tyre makers and non-tyre rubber industries, through its global distribution network of warehouses and installations, sales offices and professionals in the Southeast Asia, the PRC, the U.S and the EU. The Issuer Group seeks to develop deep client relationships and form industry wide-partnerships, with a focus on capturing high margin accounts and recurring orders from its customers.

The Issuer Group's distribution business also complements its processing output by sourcing products from other reputable third-party natural rubber producers around the world for distribution to an international customer base. The Issuer Group's regional businesses are among the top market leaders in distributing both dry and liquid natural rubber throughout the EU and the U.S.

Raw materials

The Issuer Group obtains its raw materials, produced by the Hevea Brasiliensis tree consisting mainly of cup lump and field latex, from its owned plantations and other smallholders. The Issuer Group's factories in Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand leverage on its entrenched raw materials procurement network at key origins and receive raw materials from smallholders and raw material dealers, on top of its own plantation outputs. In total, the Issuer Group's raw material procurement reach covers in excess of 1 million hectares of rubber plantation land. This involves long standing relationships with a large community of smallholder farmers and intermediaries and/or aggregators who are providers of quality field material. The Issuer Group purchases raw material daily and suppliers are paid on a cash-on-delivery basis. Raw material is weighed on arrival and visually inspected for Dry Rubber Content. Raw material is purchased at a discount to the prevailing SICOM TSR20 reference price.

Major customers

The Issuer Group's customer base consists of a range of blue-chip international tyre manufacturers, international trading houses, as well as non-tyre industries customers.

The Issuer Group sells the majority of its output to tyre manufacturers. In order to sell rubber to leading tyre manufacturers, rubber producers need to undertake a rigorous qualification and/or certification programme to ensure that their output meets the standards required. These qualification processes take up to 12 months depending upon the tyre manufacturer and involve a range of tests, including on-site inspections. The processing factories are also regularly audited on-site (typically once every three months) to ensure that their strict requirements for quality are conformed with.

Currently, the Issuer Group is an approved supplier to the following major tyre manufacturers:

(a) Apollo Tyres;

(b) Bridgestone;

(c) Camso Loadstar;

(d) Ceat India;

(e) Cheng Shin Tire;

(f) Continental;

(g) Cooper Tire;

(h) GITI;

(i) Goodyear;

(j) Hankook;

(k) Hangzhou Zhongce;

(l) JK Tyre India;

(m) Kenda;

(n) Kumho;

(o) MRF India;

(p) Nankang;

(q) Nokian Tyres

(r) Pirelli;

(s) Societe Des Matieres Premieres Tropicales (*Michelin Group*);

(t) Sumitomo Tyres;

(u) Toyo Tires; and

(v) Yokohama.

Currently, the Issuer Group's non-tyre industries major customers include:

(a) 3M;

(b) AirBoss of America Corp.;

(c) Latexco;

(d) Trelleborg AB; and

(e) The Carlstar Group.

The Issuer Group's products are also approved for delivery to SICOM, SHFE and INE, as risk management tools.

For the year ended 31 December 2019, the Issuer Group's top 5 customers (Bridgestone, Continental, Goodyear, Societe Des Matieres Premieres Tropicales (*Michelin Group*) and Sumitomo Tyres, in alphabetical order) contributed to 30 per cent. of the Issuer Group's revenue. The other tyre manufacturers accounted for 47 per cent. of the Issuer Group's revenue while the remaining 23 per cent. of revenue for the Issuer Group in 2019 came from non-tyre industries customers.

DESCRIPTION OF THE GROUP

Overview

The Guarantor is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. Sinochem Group is a PRC SOE under the supervision of the SASAC. Founded in 1950 and headquartered in Beijing, China, Sinochem Group was the first state-owned import and export company in China, and has historically focused on the import, export and international trading of petroleum, chemical and agricultural products. In recent years, leveraging its long history of trading businesses, Sinochem Group has expanded into both upstream production and other downstream activities in each of the oil and gas, agricultural and chemical businesses, and has also further diversified its businesses into real estate and financial services, transforming itself from a trading company into a multi-industry market-oriented conglomerate.

Sinochem Group is one of China's key SOEs, which has been rated as Grade-A Enterprise in the performance assessment conducted by SASAC for 15 years and has been named in the "Fortune Global 500" 30 times, ranking 109th in 2020. In 2014, Sinochem Group was also ranked first in the "trading industry list" for two consecutive years of "World's Most Admired Companies 2013" published by Fortune. Since 2004, the brand "SINOCHEM" has ranked among the top 10 of "China's 500 Most Valuable Brands" selected by the World Brand Lab for 17 consecutive years and become one of China's top ten brands, ranking 7th with a brand value of RMB356.8 billion in 2020.

The Guarantor has been an integral part of Sinochem Group's transformation and expansion since commencing operations in 1998. Over the years, its assets and businesses have continued to grow through reorganisations, asset injections by Sinochem Group and acquisitions. As of 31 December 2019, Sinochem Group has provided a shareholder loan of RMB657 million from SASAC to the Guarantor by way of entrusted loan at a concessionary interest rate of 1.35 per cent..

The Guarantor accounted for 13.55 per cent., 10.73 per cent. and 9.61 per cent. of Sinochem Corporation's total assets as of 31 December 2017, 2018 and 2019, respectively. The Guarantor accounted for 12.22 per cent., 10.25 per cent. and 9.70 per cent. of Sinochem Corporation's revenue for the years ended 31 December 2017, 2018 and 2019, respectively.

The Group's businesses are categorised into seven segments for financial reporting purposes: "Agrochemical", "High-performance Materials and Intermediates", "Polymer Additives", "Natural Rubber", "Lightweight Materials", "Medial and Pharmaceutical Health" and "Others", which are determined based on products and services. Major products and services delivered or provided by each of the reporting segments are as follows:

- **Agrochemical** – the Group's Agrochemical segment provides production and sales services of pesticides (see "*–Agrochemical Segment" below for more details*);

- **High-performance Materials and Intermediates** – the Group's high-performance materials and intermediates segment provide R&D, production and sales services of fine chemical products (see "*–High-performance Materials and Intermediates Segment" below for more details*);

- **Polymer Additives** – the Group's polymer additives segment provides processing and sales services of rubber antioxidants and anti-aging agents (see "*–Polymer Additives Segment" below for more details*);

- **Natural Rubber** – the Group's natural rubber segment provides cultivation and planting, processing, marketing and sales services of natural rubber (see "*–Natural Rubber Segment" below for more details*);

- **Lightweight Materials** – the Group's lightweight materials segment provides sales services for coke, iron ore, coal and chemicals, among others, and also provides the production services of chemicals (see "*–Lightweight Materials Segment" below for more details*);

- **Medical and Pharmaceutical Health** – the Group's medical and pharmaceutical health segment provides export of pharmaceutical preparations, R&D of customized and generic drugs, nutrition and health products and other import and export services (see "*–Medical and Pharmaceutical Health Segment" below for more details*); and

- **Others** – the Group's others segment is mainly engaged in chemical trading, technical research, scientific R&D, and real estate operations.

The following table set forth the Group's revenue and gross profit by segment for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December					
	2017		2018		2019	
	Revenue	Gross Profit Margin	Revenue	Gross profit Margin	Revenue	Gross profit Margin
	(RMB billion, except percentages)					
Agrochemical	3.39	19.27%	8.58	26.59%	8.65	28.24%
High-performance Materials and Intermediates	7.84	24.65%	3.79	28.35%	6.15	21.31%
Polymer Additives	2.79	33.59%	2.94	32.18%	2.57	37.35%
Natural Rubber	15.31	12.24%	14.39	7.08%	13.19	6.18%
Lightweight Materials	25.37	3.53%	17.24	4.23%	14.64	4.60%
Medical and Pharmaceutical Health	2.57	6.81%	3.11	6.62%	3.13	7.80%
Others	5.20	2.72%	9.90	(2.82)%	4.51	1.59%

Yangnong Chemical's operations constitute the entirety of the agrochemical segment of the Group. Following the Yangnong Reorganisation, which remains subject to, among others, the execution of definitive documentation and various key conditions precedent to completion, the Guarantor will no longer consolidate Yangnong Chemical, such that Yangnong Chemical's assets, liabilities and revenue, as well as its profit attributable to shareholders, which constitute the agrochemical segment of the Group, will no longer be reflected in the Guarantor's consolidated financial statements. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*". For more information on the risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all*" and "*Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

Sinochem Group

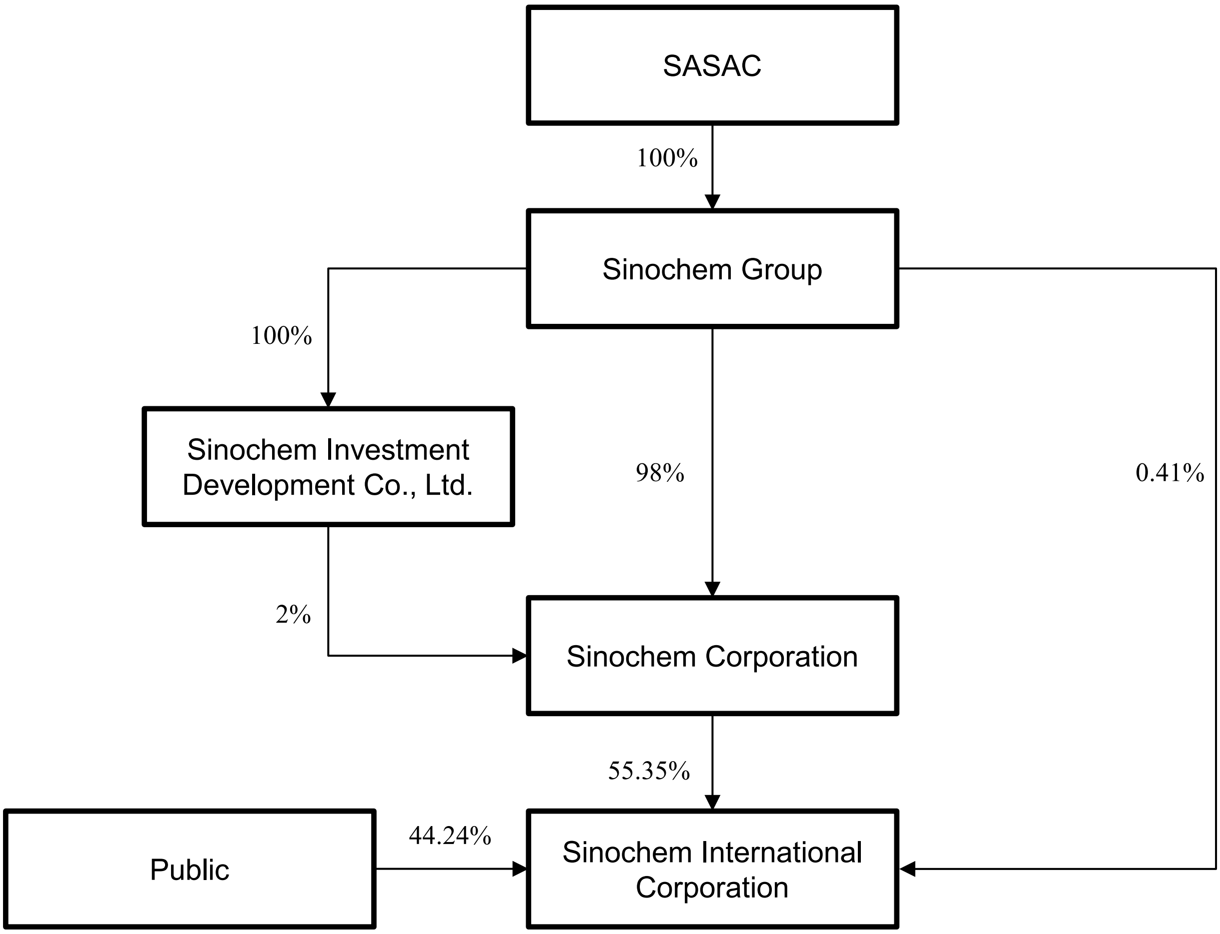
Sinochem Group is one of the key PRC SOEs under the supervision of the SASAC. It is a multi-industry conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Corporation had RMB547.8 billion in total assets as of 31 December 2019 and RMB544.7 billion in revenue for the year ended 31 December 2019. Sinochem Group is the fourth largest PRC national oil and gas company as well as one of the largest chemical service providers and one of the largest agricultural input companies in China. See "*History and Structure of Sinochem Group*" for more details on Sinochem Group.

The Issuer

The Issuer is a subsidiary of the Guarantor incorporated in Singapore and listed on the Mainboard of the SGX-ST. The Issuer's registered office and principal office is located at 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922. See "*Description of the Issuer Group*" for more details on the Issuer.

Corporate Structure

The following diagram illustrates the corporate structure and shareholding of the Group as of 31 December 2019:



Competitive Strengths

The Group believes that the following factors contribute to its strong competitive position:

Leading position in the industry with outstanding market position, as well as industrial integration and management internationalisation of its core businesses

The Group is a market leading company in the chemical processing industry and the rubber industry with the highest international credit rating amongst peers, and has developed vertically and efficiently integrated operations along the production chains in these two industries. In particular, the Group has established an integrated industry chain and management internalisation in its core agrochemical, natural rubber and high-performance materials and intermediates segments:

Agrochemical

By owning and distributing various famous brands of agrochemical products, the Group has become an operator in key Asian-Pacific markets for agrochemicals. The Group is a key distributor of "Roundup" (農達) glyphosate, one of the most popular brands of herbicides globally. In addition, the Group also develops and owns other market leading brands of herbicides, including "Acetochlor" (禾耐斯), "Machete" (馬歇特), "Lasso" (拉索), "Baozhuo" (寶卓), and 9080, which enjoy high brand recognition within the agrochemical industry. The Group maintains its market leading position in the agrochemical industry both domestically and internationally. The Group is the sole distributor of Roundup glyphosate in the PRC. The Group has also expanded its operations into Australia, Indonesia, the Philippines, Thailand, Vietnam and Pakistan through its acquisition of the amide herbicide business from Monsanto and has become the sole distributor of the Roundup glyphosate in the Philippines.

In 2012, the Group acquired Yangnong Group and became a controlling shareholder, gaining a solid foundation in the agrochemical industry and experience in industrial operations. In addition, the Group has successfully acquired the sole distributorship of the Roundup glyphosate in Australia and New Zealand in early 2013. As part of the reorganisation of Sinochem Group's agrochemical business, Sinochem Agro Co., Ltd. ("**Sinochem Agro**") was also acquired and consolidated under the Group in late 2014. Following the reorganisation, The Group's competitive advantage in respect of its production efficiency, branding, technologies and distribution channels has been further enhanced. In 2018, the Group and its related party, Sinochem Zhejiang Chemical Co., Ltd. ("**Sinochem Zhejiang**"), jointly invested in Yangnong Group through capital increase and acquisition of RMB6.1 billion, which increased its shareholding in Yangnong Group to 80 per cent., further strengthened its control over the profitable assets of Yangnong Group and enhanced the benefits derived from the strong industrial base and growth space provided by Yangnong Group's complete agrochemical industry chain and rich product lines. In 2020, Sinochem Group and Sinochem Zhejiang transferred 0.04 per cent. and 39.84 per cent. of their state-owned equity in Yangnong Group to ChemChina, respectively. Through Yangnong Group, the Group is a market leader in the agrochemical industry, ranking first in the world in terms of the production capacity of dicamba and maintains a world-class edge in production scale and technologies for varieties such as pyrethroid, imidacloprid, epichlorohydrin and self-developed dichlorobenzene products.

Upon completion of the Yangnong Reorganisation, which remains subject to, among others, the execution of definitive documentation and various key conditions precedent to completion, the Guarantor will hold an aggregate interest of 79.88 per cent. in Yangnong Group post-transfer of Yangnong Chemical to Syngenta, while Syngenta will hold an aggregate interest of 36.17 per cent. in, and become the controlling shareholder of, Yangnong Chemical. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*". For more information on the risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

High-performance materials and intermediates

The Group's high-performance materials and intermediates segment processes two main categories of products, namely high-performance materials and intermediates. The Group has been making proactive efforts to expand its market share in the markets of intermediates including caustic soda, dichlorobenzene, nitrochlorobenzene and epichlorohydrin and high-performance materials including epikote, epoxy resin, nomex, aramid fiber and lithium batteries. As at 31 December 2019, the Group ranked among the top three in China by capacity and market share of nitrochlorobenzene products and ranked among the top three in the world by market share of epichlorohydrin products according to data from the China Epoxy Organisation.

Polymer Additives

The Group has become a global market leading and competitive supplier and producer of rubber antioxidant 6PPD through its acquisition of Sennics, and has maintained a stable leading position in both domestic and international 6PPD markets. In particular, Sennicsowns the patents for the key technologies used in producing 6PPD and chemical intermediate RT base and has solid industry foundation and strong R&D capabilities. Through continuous R&D and technological innovation, the Group's polymer additives segment is equipped with advanced process technology and low-cost core competitiveness compared to its peers. As at 31 December 2019, the Group ranked first in China in terms of production capacity of 6PPD according to Notch Consulting.

Leveraging on the sales and distribution platform of the Group, the Group has been actively expanding overseas markets for exporting its rubber chemical products and deepening strategic cooperation with international customers. The rubber chemical products of the Group are recognised and certified by various global leading tire manufacturers including Michelin, Continental Bridgestone and Goodyear, and the Group has established strategic cooperative relationships with such tire manufacturers.

Natural Rubber

The Group is well positioned as a global market leader in the natural rubber business with its global production base and full supply chain operation capability. The Group has adopted an upstream vertical integration strategy since 2004 and acquired domestic and overseas natural rubber processing factories and plantations, including processing plants in Hainan and Yunnan provinces from 2004 to 2006, Euroma Rubber in Malaysia in 2007, GMG in Singapore in 2008, TBH in Thailand in 2010 and the Issuer in 2016, and obtained new cultivation and production resources from the local governments in various countries in Africa as well as Indonesia, expanding its natural rubber business along the supply chain, operating in all planting, processing and distributing stages and finally consolidating all of its natural rubber platform under the Issuer Group.

The Group's unparalleled scale, scope and reach as a leading natural rubber player allows it to take advantage of the near-to-long term industry dynamics, driven by the disruption caused by the mobility-as-a-service providers as well as expected wider adoption of autonomous and electric vehicles in future, which will propel the demand for tyres due to the increase in vehicle utilisation and lesser idle time. As the consumers become increasingly conscious of their environment footprint, the Group is set to benefit from the surge in demand for sustainable and traceable natural rubber. Furthermore, the Group is poised to benefit from the continued growth of China, which is the world's largest consumer of natural rubber, as it recovers from the economic impact of COVID-19 and continues to invest in infrastructure, especially along China's One Belt One Road initiative.

Through the Issuer Group, the Group currently owns and manages more than 38,000 hectares of cultivated rubber and oil palm plantations located across Africa and Malaysia, as well as 38 natural rubber processing factories with an annual production capacity of approximately 1.6 million tonnes, which are mainly located in the PRC, Southeast Asia and Africa. The Group has also established sales districts covering tyre manufacturers and rubber product enterprises within the PRC. The Group also has a global distribution network and is a key supplier of rubber products for global leading tyre manufacturers such as Michelin, Bridgestone, Continental, Goodyear, Hankook Tire ("**Hankook**") and Pirelli & C. S.p.A. ("**Pirelli**").

Lightweight Materials

In the lightweight materials industry and according to the Independent Commodity Intelligence Services, the Group's business has established a leading position with strong market influence after recent years of strategic transformation and growth. In particular, the acquisition of ELIX Polymer, a leading manufacturer of ABS resins and derivatives in Europe, has provided the Group a full-chain service industry supply chain to manufacture and service lightweight material products to satisfy market demand.

Medical and Pharmaceutical Health

The Group's medical and pharmaceutical health business has formed a complete industrial chain covering R&D, production and sales over the years and specializes in pharmaceutical and medical devices related products. Through Sinochem Health, the Group provides a comprehensive supply chain solutions and pharmaceutical regulatory services to provide services to meet the needs of various countries for the world's well-known pharmaceutical customers, capitalising on its unique competitive advantages in R&D innovation, large-scale manufacturing, commercial distribution and international trade. In addition, the three core products of the Group are cartilage, glucosamine and natural sweeteners such as stevia, each with great growth potential and development prospects in the nutrition and health business section.

Diversified portfolio and operations effectively coping with market volatility

Since the listing of the Guarantor on the SSE in 2000, the Guarantor has been undergoing a strategic transformation from a trading-oriented company to a major industrial player with a focus on the specialty chemical processing industry and the rubber industry, with operations encompassing both upstream and downstream operations. With strong industrial and business consolidation capabilities, the Group has been able to maintain its development and growth potential in a sustainable manner.

The Group has a track record of successfully consolidating and integrating advanced technologies and expansive businesses in different countries, which in turn promotes the continuous optimisation of the Group's business portfolio. The Group has acquired high quality assets for its upstream operation by way of acquisitions of and investments in both domestic and overseas players within the industry, including the Group's acquisitions of GMG, Sennics, HAC, the Sinochem Companies, Huai-an Junsheng and ELIX Polymers as well as its investment in Yangnong Group. The Group's industrial consolidation strategy focuses on the industries along the supply chains or have potential synergy with the existing industries in which the Group operates in. In terms of implementation, the Group identifies appropriate investment or acquisition targets by conducting in depth research, assessments, valuation, financial model analysis and risk analysis on the particular target industries and products.

The Group has successfully diversified its business portfolio to include the segments of natural rubber, polymer additives, lightweight materials, agrochemical, high-performance materials and intermediates, medical and pharmaceutical health and others, and is well positioned to address a full spectrum of customer demands and support a wide variety of end market applications. With its vertically integrated operations along the supply chain in the specialty chemical processing industry and the rubber industry, the Group's product diversity help mitigate the effects of potential adverse events affecting a specific industry, end market or region and thus provide stability to its business and allow it to optimise its resource allocation, capture profits and growth opportunities from various segments, and increase its overall competitiveness.

Achieving international business and establishing a global sales network

The Group actively looks to expand overseas and establish a global footprint. From 2008 onwards, the Group's agrochemical and natural rubber businesses have expedited the pace of its overseas expansion by acquiring companies such as Sennics, GMG and HAC and expanded its global presence with operations in China, Southeast Asia and South Asia, the Middle East, Africa, Europe and United States.

The Group, throughout its long operating history as one of the early PRC companies which started operating overseas business, has been operating on an international scale in the specialty chemical processing industry and the rubber industry from an early stage. For the year ended 31 December 2019, the Group generated a revenue of RMB25.4 billion overseas.

The Group has also established strong and long-term business relationships with major global players in the key industries it operates in, including Monsanto for its agrochemical business and Michelin, Bridgestone, Continental and Goodyear for its rubber business. The Group is also the designated distributor in relation to various chemical products in China of Exxon Mobil and BASF.

With strong, long-term business relationships with the leading global and domestic customers for its specialty chemical and natural rubber products, the Group has been able to maintain stable income sources and market shares while improving on its production capabilities and technologies through cooperation and exchange under the strategic alliances.

Leader in China's specialty chemical and agrochemical industries and Sinochem Group's "In Science We Trust" philosophy with strong R&D capabilities

Adhering to the core value of "Science First" and adopting the core value and philosophy of "In Science We Trust" from the report "In Science We Trust: Transformation of Sinochem Group into an innovative platform driven by science and technology" published by Sinochem Group, the Group is focused on investing in and building an innovative and collaborative R&D structure with strong capabilities. In recent years, the Group has leveraged on its innovative platform and made successful breakthroughs in many key R&D projects involving products such as nickel-cobalt-manganese and lithium batteries.

The Group established Sinochem International Innovation Center to foster its R&D capabilities. The centre coordinates the R&D centres of various segments to achieve technological synergy. It assumes the task of strategic R&D, and also provides sharing service and support to various segments. The Group's R&D expenses steadily grew from RMB499.1 million for the year ended 31 December 2017 to RMB614.4 million for the year ended 31 December 2018 to RMB732.9 million for the year ended 31 December 2019, and such expenses has laid a solid foundation for the Group's continuous innovative development. For the years ended 31 December 2017, 2018 and 2019, the Group also invested RMB517 million, RMB

660 million and RMB 968 million in technology, respectively. For the year ended 31 December 2019, the Group had 1,844 people for science and technology, including 997 people for R&D, and carried out 71 R&D projects. During H1 2020, the Group has successfully obtained 286 authorised patents, including 104 for high performance materials and intermediates, 152 for polymer additives, 15 for new energy, 3 for medical and pharmaceutical health.

The Group is currently cooperating and have established strong relationships with universities institutions including Tsinghua University, Fudan University, Tianjin University, East China University of Science and Technology and Shanghai Research Institute of Chemical Industry Testing Center, providing strong external support and resources to its R&D needs. The Group has also established a cross-membrane joint laboratory with DIC Co., Ltd. to promote the R&D of high-performance membrane materials, and signed a framework agreement with the Administrative Committee of Zhejiang Xiangshan Economic Development Zone to establish a membrane manufacturing hub and R&D centre in Xiangshan.

The Group owns production bases including the Shenyang Sciencreat Chemicals Co., Ltd. ("**Shenyang Sciencreat**"), Nantong Science & Technology, Rudong base and Yangzhou base, with a total annual active ingredient production capacity of more than 160,000 tonnes, with more than 50 productive active ingredient varieties as at 31 December 2019. It also establishes liaison offices in countries such as Argentina, Brazil and Venezuela to actively promote overseas sales. For the Group's high-performance materials and intermediates segment, Yangnong Group owns four research institutes. In addition, Yangnong Group has cooperated with domestic scientific research institutes and jointly developed technologies such as WPU (water-based functional materials), orientation chlorination and new dichlorobenzene isomer separation process.

Sound risk control and efficient operation and safety management

The Group maintains a practical and effective internal risk management system that covers substantially all of its businesses. It has a set of comprehensive risk management policies and guidelines designed to minimise strategic risks, operational risks, market risks, financial risks and legal risks with well-defined checks and balances. For example, the Group maintains a comprehensive database related to its trading counterparties and screens them thoroughly to reduce counterparty risk. It also typically enters into back-to-back contracts or other hedging transactions to reduce market price risk. Furthermore, the Group purchases insurance to cover credit risks relating to its international trading business.

The Group has strong operating capability to smoothly integrate acquired or injected assets. With a set of established management processes for significant investments, the Group has been able to carry out precise project positioning, prompt project execution, flexible financing arrangement and efficient project management. The Group also makes use of various internal control tools to review its operations and monitor risks it faces, including flow charts, risk matrix tables, control matrix tables, incompatible duties tables and authorised approval tables to reflect work process flow, risks, control requirements, personnel requirements and approval authorities throughout the Group's operations.

The Group also has a strong health, safety and environmental ("**HSE**") management and leading environmental protection technology designed to promote a greener business and operating environment. There had been no environmental event of level IV or above, workplace injury or any accidents with a direct economic loss of more than RMB500,000 or above. The Group had 2 benchmark enterprises in terms of HSE. Since 2010, the Group has maintained a stable performance in its occupational health, safety and environmental protection and has also successfully maintained various energy conservation and emission reduction indicators within a controllable range. For example, the emission of sulfur dioxide and nitrogen oxides decreased from 395.5 tonnes and 1,437.0 tonnes for the year ended 31 December 2017 to 369.8 tonnes and 1,306.7 tonnes for the year ended 31 December 2018, resulting in a decrease of 6.50 per cent. and 9.07 per cent., respectively, and decreased from 369.8 tonnes and 1,306.7 tonnes for the year ended 31 December 2018 to 267.6 tonnes and 1,027.0 tonnes for the year ended 31 December 2019, resulting in a decrease of 27.64 per cent. and 21.41 per cent., respectively.

The Group has also implemented and established the DuPont safety management system and HSE management elements system, which satisfies the ISO45001, ISO14001 and QHSAS18001 standard requirements. The Group seeks to continuously strengthen its HSE protection through environmental protection and energy conservation management, occupational health management, whole-process HSE supervision and emergency management.

Robust financial management and high financial flexibility

In terms of debt and leverage management, the Group has been maintaining a robust capital structure in order to balance the funds required for business expansion and a reasonable debt level. Sinochem Group has also imposed stringent standards on the Group's debt level, where the liability to asset ratio is controlled within 70 per cent. The Group possess diversified financing channels both onshore and offshore and maintains a balanced debt portfolio, which efficiently reduces the Group's pressure on debt refinancing. As at 31 December 2019, Group's debt financing comprised short-term borrowings, long-term borrowings, bonds payable, non-current liabilities due within one year and notes payable, which amounted to RMB18.0 billion in total. Among such debt financing, 34.22 per cent. consisted of short term borrowings, 25.53 per cent. consisted of long term borrowings, 25.38 per cent. consisted of bonds payables, 2.46 per cent. consisted of non-current liabilities due within one year and 12.42 per cent. consisted of notes payables. Among such debt financing, 49.09 per cent. was categorised as short term debts and 50.91 per cent. was categorised as long term debts.

In terms of fund management, the Group has developed a centralised fund management platform and a sound fund management information system. It has also established a flexible, efficient and stable multi-level bank-enterprise cooperative model and a centralised overseas fund management platform to gradually reduce the capital cost for foreign exchange and the exchange rate risk.

In addition, Sinochem Group has centralised departments managing its liquidity, cash flow and debt ratios to ensure a prudent expansion of its business and operations. Financial management of the Group is also integrated with that of Sinochem Group. Furthermore, Sinochem Group is regarded by the domestic financial markets as having top-tier credit and maintains a AAA domestic credit rating by China Chengxin International Credit Rating Co., Ltd. that enables it to secure domestic debt financing at low cost and to financially support the Group, its strategically critical subsidiary. However, Sinochem Group is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Securities or the Guarantee of the Securities.

Furthermore, both Sinochem Group and the Group have good relationships with and access to ample and strong bank facilities and financial institutions to support their funding needs and the growth of the Group's business. As at 31 December 2019, credit facilities of the Group amount to RMB65.7 billion, among which RMB12.9 billion has been utilised and RMB52.8 billion have not been utilised.

Strong support from Sinochem Group, one of China's key SOEs under direct supervision of the SASAC

Sinochem Group is one of the largest SOEs in China with over six decades of history. Sinochem Group was the first import and export SOE authorised to specialise in foreign trade, which has been rated as Grade-A Enterprise in the performance assessment conducted by SASAC for 15 years and has been named in the "**Fortune Global 500**" 30 times and ranked 109th in 2020.

Sinochem Group is one of China's key SOEs and plays a critical role in China's economy. For example, Sinochem Group's import businesses in the oil and gas, fertiliser and chemical industries are critical to China's food security and economic development.

The SASAC closely supervises the strategic development and management of Sinochem Group, whose senior management is appointed by the SASAC and whose performance is periodically reviewed by the SASAC. In 2019, Sinochem Group was awarded a Class A designation in its 2019 SOE operating performance review, achieving this honour for the fifteen consecutive year.

The Guarantor holds many of the strategically important assets of Sinochem Group, particularly in the rubber and chemical business domains, as a result of a long track record of asset injection by Sinochem Group and recent restructuring. Covering the Sinochem Group's two major segments of agriculture and chemicals, it provides a platform for the Group's fine chemical and natural rubber operations. In particular, the chemical segment is one of Sinochem Group's core businesses, and the Guarantor is the most important platform of Sinochem Group's chemical segment, covering the major assets of Sinochem Group's chemical segment. The Guarantor accounted for 9.61 per cent. of Sinochem Corporation's total assets as at 31 December 2019 and 9.70 per cent. of Sinochem Corporation's revenue for the year ended 31 December 2019.

The Guarantor is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. The Guarantor's business operations and development strategies are under centralised management by the relevant business units of Sinochem Group, which also provides personnel, technical, risk management, administrative, financial and other support to the Guarantor. In particular, the Sinochem, Group offers liquidity loan support to the Guarantor and to its subsidiaries through a finance company and has undertaken many senior management coordination efforts for the Guarantor. In respect of the lines of credit granted by Chinese banks to the Guarantor, the head office of the Chinese banks will negotiate and agree upon the total credit size with Sinochem Group in most cases, before allocating the credit to the Guarantor as deemed by Sinochem Group necessary for the Guarantor.

Established and trusted Sinochem brand with strong support from Sinochem Group

The Guarantor is the flagship holding subsidiary of Sinochem Group and is integral for executing Sinochem Group's business strategy. The Guarantor holds many of the strategically important assets of Sinochem Group, covering Sinochem Group's two major segments of agriculture and chemicals. As such, it receives strong and committed support from the relevant business units of Sinochem Group including personnel, technical, risk management, administrative, financial support and enjoys the high market value of the Sinochem brand, one of the most valuable and recognised brands in China over six decades of cultivation. The World Brand Laboratory ranked Sinochem as the seventh most valuable brand in China in 2020 and was named in the "Fortune Global 500", ranking 109th in 2020.

Many of the Guarantor's subsidiaries and business segments have also been recognised and awarded by industry experts for their business excellence, marketing and innovation, product development and brand recognition. Sinochem's strong brand power has greatly facilitated the Guarantor's business operations over the years.

Experienced and respected management team

The Guarantor's businesses are centrally managed at Sinochem Group. Sinochem Group's key management executives are appointed by the State Council through a careful selection and evaluation process to ensure that the management team has the appropriate experience, leadership skills and technical competence to manage Sinochem Group and the Guarantor.

The current highly experienced management team is comprised of excellent and reputable individuals with a proven track record and management skills in product management and business operation in the industry. The management team has, on average, over 15 years of work experience in the chemicals-related industries.

Strategy

The Group's strategy is to adopt the concept of "Science First" and core value and philosophy of "In Science We Trust" and implement an innovation-driven strategy to optimise its various business segments. The Group's aim is to become a world-class fine chemical enterprise, a leading solution provider for high-performance materials of new energy automobiles and a Chinese pesticide benchmark enterprise.

Key elements of the Group's development strategy are summarised below:

- **Vision:** the Group's vision is to jointly build China's leading and innovative fine chemical engineering company. The Group is determined to promote the innovation and industrial upgrading of China's fine chemical industry, and to fulfil its social responsibility in safety, environmental protection and health.

- **Mission:** the Group's mission is to become a leading and innovative fine chemical engineering company rooted in China and operated internationally, provide innovative, high-quality, green products and comprehensive solutions in the fields of new energy, new materials and bio-industries, and develop with shareholders, employees and customers.

- **Business Plan:** the Group's business plan is to adhere to the Group's strategy, and focus on the three major strategic industries of new materials, new energy and biology, with the principle of science first and technology leading. The Group will target key products and businesses and concentrate resources to achieve innovative business breakthroughs and industrial transformation and upgrading, so as to ensure business growth, which includes:

- *Transformation of scientific and technological innovations:* increase the investment in technological research and development, improve the output of technological research and development, accelerate the transformation of technological achievements, and strengthen the building of systems on science and technology innovation capability;

- *Implementation of industrialization project:* actively promote the implementation of industrialization projects such as automobile materials, aramid, membrane technology, lithium battery (including resources) and accelerate the strategic integration; and

- *Maintain the growth of stock business:* operate in a stable manner and maintain the stable growth of the stock business of high-performance materials and intermediates, polymer additives, agrochemicals, lightweight materials and medical and pharmaceutical health. Create the advantages in industrial informatization and strictly control HSE risks.

Agrochemical Segment

Industry Overview

In the 21st century, China's agrochemical industry has experienced rapid development and China's exports of agrochemicals have successfully competed in the overseas markets, with approximately half of the domestic production supplying overseas markets. Recently, the backdrop of the trade conflict between the United States and the PRC has led to an increased focus on restructuring and integration of players in the agrochemical industry, while the COVID-19 outbreak has resulted in more stringent compliance requirements in relation to environmental protection and safety management.

In addition, the domestic market and the international market, have been struggling with adversities, including limited demand, bans on high-toxicity pesticides, diminishing margins in the planting industry, and an oversupply of pesticides. In addition, ever more stringent requirements for safety and environmental protection have sent production costs of upstream firms on an upward trajectory and have squeezed operating margins. Nevertheless, the development of high-efficiency, low-toxicity and low-residue, as well as the conformity with large-scale and intensive production of agrochemicals will contribute to a reduction in costs. Operating margins and growth dividends can be improved with the implementation of technology and R&D to improve production efficiency, enhance core competitiveness and maximise advantages of centralised resources.

Business Overview

The Group is engaged in operation of agricultural materials, industrial investment and trade of goods and technology. Currently, it is one of the few Chinese companies that operate in every process of the agrochemical industry value chain and is the only Chinese company which owns premium international brands of agrochemical products.

Yangnong Chemical's operations constitute the entirety of the agrochemical segment of the Group. Following the Yangnong Reorganisation, which remains subject to, among others, the execution of definitive documentation and various key conditions precedent to completion, the Guarantor will no longer consolidate Yangnong Chemical, such that Yangnong Chemical's assets, liabilities and revenue, as well as its profit attributable to shareholders, which constitute the agrochemical segment of the Group, will no longer be reflected in the Guarantor's consolidated financial statements. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*". For more information on the risks relating to the Yangnong Reorganisation, see "*Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

Production

The Group has established four production bases in Shenyang, Lianyungang, Nantong and Yangzhou in China, with a total production capacity of more than 160,000 tonnes in total, covering more than 50 productive active ingredient varieties. Primary agrochemical products include herbicides, fungicides, insecticides and plant growth regulators with trademark ownership of the four brands of Machete, New Machete, Harness, Lasso as well as exclusive dealership for Baozhuo, Roundup, Rodeo and Omex in China. The Group ranks first in the world in terms of the production capacity of dicamba and represents world-class excellence in the production scale and technology for varieties such as glyphosate, pyrethroid series, cyclohexanediones, pymetrozine and mesotrione.

The Group actively seeks opportunities to integrate downstream and upstream businesses. In 2012, it obtained a 40.53 per cent. stake in Yangnong Group through acquisition and capital increase, and further in 2018, increased its shareholding in Yangnong Group to 80 per cent. by making a joint capital increase and acquisition of RMB6.1 billion in Yangnong Group with its related party, Sinochem Zhejiang. In 2020, Sinochem Group and Sinochem Zhejiang transferred 0.04 per cent. and 39.84 per cent. of their state-owned equity in Yangnong Group to ChemChina, respectively. Yangnong Group leads the domestic market in pyrethroid and imidacloprid, ranking first in the world in terms of dicamba production capacity.

Registration

An agrochemical registration certificate is one of the pre-requisites for marketing a pesticide. The Group has helped registered pesticides in more than 50 countries and regions around the world. Sinochem International has independently registered 353 pesticides in 14 countries and regions including China, Australia, the Philippines, Argentina, Uzbekistan, India, Thailand, Ukraine, Uruguay, New Zealand, Brazil, the European Union, Bolivia and Vietnam. Since 2007, Sinochem International has completed approximately 1,800 registration services for customers in North America, Europe, Latin America, Asia Pacific, the Middle East and other regions, and has helped customers gain over 1000 registrations across more than 50 countries and regions. In addition, equipped with powerful GLP data generation capacity, the Group has completed more than over 100 GLP tests for 28 of its products and licensed the data to a number of companies in the EU, the United States and Brazil.

Marketing and Sales

By continuously strengthening the creation of channels at home and abroad, the Group has established a well-developed product portfolio as well as its own brands. With the improved self-registration capacity of products, the Group has over 500 registered trademarks domestically and abroad, such as Youshi, Moju, Shuanggong, Baozhuo, Aike, Junsiqi and Shuanggong. It is also the exclusive dealer of brands such as Roundup, Latitude, Rocket and Roundup Power, and the producer of many highly efficient, low-toxic pesticide brands such as 9080 and Flumorph. The Group holds a leading position in the high-end pesticides market in China and the marketing network for China's distribution business covers all provinves and cities except Hong Kong, Macao and Taiwan and Tibet, with leading marketing efficiency. Its independent international trade team operates and markets agrochemical products including intermediates, pesticides and preparations in more than 70 countries and territories around the world and the Group has set up branch offices overseas in Thailand, the Philippines, India, Australia, Argentina, and Brazil, expanding its business across the world's major pesticide markets. The Group has also acquired Monsanto's acid amides business in India, Thailand, the Philippines, Vietnam, Pakistan, Bangladesh and Taiwan, and it has become the exclusive dealer of Roundup products in the Philippines, Australia and New Zealand.

R&D Capabilities

In 2014, the Group acquired Sinochem Agro and other assets from the Group. Integrating research, production and sales, Sinochem Agro is primarily engaged in herbicides, seed coating agents, insecticides and fungicides with two major production bases of Shenyang Sciencreat and Tontec Technology. Shenyang Research Institute of Chemical Industry, a national agrochemicals R&D centre, provides it with technical support. Liaison offices have been set up in Argentina, Brazil, Venezuela and other countries to drive overseas sales and services.

In May 2015, Yangnong Group Quality Inspection Center was issued the Certificate for National Lab by China National Accreditation Service for Conformity Assessment. Its inspection reports are recognised internationally and it provides a platform for future bilateral and multilateral exchange and communication between the lab and the rest of the world.

In 2016, Shenyang R&D was included in the management of the Group as an integral part of the Sinochem International Innovation Center. Shenyang R&D, formerly known as the Institute of Pesticides of Shenyang Chemicals Research Center, is the only R&D organisation for pesticides which has a complete range of research works from design and development of new chemical compounds, development of production technologies, and processing of pesticides, to examination of bioactivity and safety assessment.

In addition, Yangnong Group adheres to an R&D-oriented technological innovation strategy that emphasizes the combination of innovative and generic pesticides. With strong technical R&D strength and research platforms such as the Working Group on Pyrethroid Pesticides under the National Technical Committee of Pesticide Standardization, Jiangsu Key Laboratory of Pesticide Clean Production Technology, Jiangsu Pyrethroid Pesticide Engineering Technology Research Center, and Jiangsu Post-doctoral Innovation Practice Base, the Group, through Yangnong Group, has made breakthroughs in multiple key pyrethrin technologies and independently developed 63 new products - of which four were innovative products, 11 were identified as national key new products. Yangnong Group has won one China Industry Award, twelve prizes for progress in science and technology at the provincial level or above and one innovation award for enterprises in Jiangsu Province. It has also led or participated in the formulation of six national standards and four industry standards, and has undertaken 20 provincial-level or above scientific and technological projects. Furthermore, Yangnong Group has obtained 91 patents, including 19 foreign patents, and has applied for 207 domestic invention patents, including eight PCT applications.

High-performance Materials and Intermediates Segment

Industry Overview

There is a high degree of correlation between chemicals price, macroeconomic conditions and crude oil price. As compared to basic chemicals, high-end specialty chemicals products (such are those produced by the Group's high-performance and intermediates segment), are better tailored to specific client needs and are therefore more resistant to general macroeconomic trends and affords better growth opportunities in the current market.

The high-performance materials and intermediates business is an industry in transition. Historically, North American, Western European and Japanese firms, such as DowDuPont, BASF, Convestro, Huntsman, Mitsubishi, Teijin, Toray Europe have dominated this business. However, with trade liberalisation, the spread of process technology, the breakdown of numerous economic barriers, the rapid growth of the newly industrialised Asian economies and rising standards of living in many developing countries, the centre of gravity of the global chemical industry is shifting toward the Middle East, where cheap petrochemical feedstocks are available, and toward China, where labour costs are low and economic growth is high and Chinese manufacturers in particular have become key players in several specialty chemical markets. With the increase of market opening and maturity of the market, newly-rising enterprises, such as Sinopec, China National Chemical Corporation, Sinochem Group, Wanhua Chemical, Satellite Petrochemical and ARRTI India, are increasing forming direct competition and cooperation with world-class multinational chemical enterprises.

However, more recently, the ongoing trade disputes between the United States and the PRC has accelerated the reshaping of the global manufacturing pattern and intensified the industrial competition between countries, directly affecting the high-performance materials and intermediates industry. Nevertheless, market demand for such products remains large in China, and along with the acceleration of consumption upgrading and deepening of supply-side reform from the PRC's "13th Five-Year Plan" creates a good prospect for continued development and growth of the market.

Business Overview

The Group aims to lead the trend of China's chemical industry to shift focus toward diversified fine chemicals business and adhering to the philosophy of environmental protection. There is an increasing trend of Chinese manufacturers pivoting away from "**basic**" chemicals and focusing on higher value-added chemical products and the Group is focused on ensuring that it remains at the forefront of such developments through leveraging innovation and its research and development capabilities and carving out niche markets for itself.

Production

Chemical Intermediates

As at 30 December 2019, the Group has a production capacity of 200,000 tonnes of chlorobenzene, 80,000 tonnes of nitrochlorobenzene and 150,000 tonnes of glycerine-based epichlorohydrin. The Group has been making proactive efforts to optimise its industry presence and enhance its existing business capability for caustic soda, dichlorobenzene, nitrochlorobenzene and epichlorohydrin, while utilising its expertise in chemical intermediates and move further down the supply chain into businesses of fine chemicals.

The following table below shows the sales volume and the yield of major chemical intermediates products for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December					
	2017		2018		2019	
	Sales Volume	Yield	Sales Volume	Yield	Sales Volume	Yield
	(tonnes)	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*	*(tonnes)*
Caustic soda	220,004	244,000	201,638	228,029	207,881	302,004
Epoxy resin	115,013	132,964	96,436	111,669	113,623	127,435
Dichlorobenzene	73,326	84,899	75,175	84,548	82,543	73,761
Nitrochlorobenzene	98,265	90,095	97,552	92,423	92,098	89,884
Epichlorohydrin	115,963	114,771	115,782	115,645	142,473	142,244

New Materials – Intermediates

The Group builds on its expertise in chemical intermediates, such as nitrochlorobenzene and epichlorohydrin, and moves further down the supply chain into the business of high performance materials, such as aramid fibre and epoxy resin. Aramid fibre is an essential material to products in a range high profit-making and rapidly developing industries, such as aerospace, adhesive products, bulletproof products and environmental protection. The Group seeks to improve its existing technology in composite materials and focuses on developing aviation container materials. The Group is also expanding into the business of epoxy resin by utilising the existing capacity and optimising the production technology in epoxy. Epoxy Resin is an essential element to high-margin anti-corrosion coating materials.

New Materials – Battery

By utilising Yangnong Group's chemical intermediate resources and engineering capacity, the Group seeks to develop high-end positive and negative electrode materials and solvents so as to become a leading integrated lithium, battery material supplier. The Group intends to develop a positive electrode plant and production lines in carbon microspheres and carbon microspheres composite anode material production capacity.

In recent years, the global lithium battery industry has seen increasing competition between China, Japan and South Korea. The Group is committed to developing and producing world-leading battery products and become a comprehensive energy solution provider for the New Energy Vehicle industry domestically and globally. Recently, the Group established Ningxia Sinochem Lithium Battery Materials Co., Ltd., which produces ternary cathode materials for lithium battery to provide customers with high-qulaity cathode material solutions. The Group has also invested approximately RMB6.6 billion in a 66.67 hectare lithium battery industrial park in Ningxia in 2017, and acquired Huai-an Junsheng, a lithium battery manufacturer to boost its manufacturing capabilities in 2018, which allowed it to enter the field of Energy Vehicle batteries and establish the New Energy Division as a platform for Energy Vehicle batteries and new energy at large.

New Materials – Membrane

In recent years, China's reverse osmosis membrane market has maintained rapid growth. The Group's subsidiary, Sinochem Memtech Co., Ltd., is an innovative enterprise focusing on all-in-one solution of membrane products for water-treatment and membrane separation industry, providing reverse osmosis membranes, nanofiltration membranes, degassed membranes, electro-driven ionic membranes and other products, which will be widely used in applications as zero liquid discharge, waste water recycling, seawater and brackish water desalination, ultrapure water purification, water purification for civil use, among others. Currently, the Group's membrane production base is under construction, and when completed, will adopt the world's fastest technics of membrane production and rolling to reach an annual output of 220,00 reverse osmosis membranes and nanofiltration membranes, and will have plants for producing degassed membranes and electro-driven ionic membranes to satisfy the demand in the membrane market.

R&D capabilities

As a national key high-tech enterprise, the Group possesses strong R&D capabilities in the chemical intermediates and new materials area with the help of several research institutes & strong research teams and has developed a number of core technologies over years. The Group has established research institutes for specialty chemicals, resin materials and engineering transformation.

Polymer Additives Segment

Industry Overview

Entering the 21st century, China's polymer additives industry has been growing with the shift of the world's production capacity. Currently accounting for over 70 per cent. of global market share and exporting approximately 30 per cent. of production, China is bound to become the focus of the global polymer additives industry. However, increasing fluctuations in prices of crude oil due to changes in global macroeconomic conditions may hamper the market growth brought about by the increasing demand for polymer additives.

Rubber chemicals, such as rubber antioxidants and rubber accelerators can improve the performance, extend shelf life and service life of rubber products. It is widely used in the tyre industry both in civil and military fields. With added rubber antioxidant, the service life of tyres can be extended to 3-4 years from only 1 month. As military tyres must be resistant to bad road conditions and all weather conditions for driving, a great amount of rubber antioxidants need to be added in order to extend tyres' service life.

Business Overview

The Group has built up core competitiveness through key production technologies and patents for rubber antioxidant 6PPD and intermediate RT base, as well as its market platform and the expansion of polymer additives business into overseas markets. Its products include antioxidant PPD, intermediate RT base, insoluble sulphur, high-purity TMQ and accelerators.

Production

In November 2012, the Group acquired a 60.98 per cent. stake in Sennics, the world's largest rubber antioxidant 6PPD and intermediate RT base producer and manufacturer with strong production capacity, R&D capabilities and high industrialisation value. In 2018, 6PPD of Sennics maintained a leading position in the domestic market and its overseas market share has also increased steadily.

Sennics's mission is to lead the green development of the industry. Green and environmental-friendly technology has been applied in manufacturing RT base and also optimised the product's performance. The guideline of green technology is followed to develop new products. Besides, Sennics pursues the idea of "Fine Chemistry Green Life" on innovation, technology and engineering.

The Group has advanced RT base production process and technology, which is key to success in the antioxidant 6PPD market due to high production and technology barriers. Currently, Sennics and Flexsys Inc. ("**Flexsys**") are the only two companies in the world which have their own intellectual property rights.

The Group's major production bases are Caoxian in Shandong, which is the world's largest antioxidant production base with additional insoluble sulphur capacity planned, Taian in Shandong and Tongling in Anhui. The following table below shows the production volume by each production base for the years ended 31 December 2017, 2018 and 2019:

	For the years ended 31 December		
	2017	**2018**	**2019**
		('000 tonnes)	
Caoxian	7.57	7.74	8.39
Taian	5.01	5.14	4.85
Tongling	1.2	1.33	1.08
Total	13.78	14.21	14.32

Marketing and Sales

The Group has established business relations with many reputable companies globally and the Group's core clients include Michelin, Bridgestone, Continental, Goodyear, Pirelli, Yokohama, Hankook, Kumho and other global top tyre manufacturers.

R&D Capabilities

The Group relies strongly on R&D to ensure development of key technologies in the rubber chemical business. With closely integrated production and R&D resources, the Group has established a R&D structure, aimed at industrialisation based on R&D results. In particular, the Shanghai R&D centre sits at the core, supported by subsidiaries' technology centres. It follows closely the development trend of the world's advanced products in the same product category and aims to develop the ability to substitute several types of imported rubber accelerators with self-developed new products in a gradual manner. It focuses on technical applications and commercialization as well as potential niche markets with huge growth potential. In addition, the Group has also established long-term cooperation on R&D with renowned domestic and international universities and research institutions over the years.

Natural Rubber Segment

Industry Overview

Natural rubber is one of four strategic materials of the PRC, along with steel, coal and oil, and represents an important basic raw material for the national economy, providing light industrial rubber products for household and medical use, which are essential to people's daily life and widely used in the defence and aviation industries.

Due to the scarcity of cultivable tropical land for natural rubber in China with the peak annual output expected to stand merely at 700,000 - 800,000 tonnes, there is a continuous growing gap between supply and demand, posing a potential threat to the national economy and national security. Natural rubber can only grow in the equatorial and tropical regions, which severely subjects it to natural conditions. It is difficult to increase the supply of natural rubber indefinitely and it will become increasingly scarce with strengthened awareness of protection of the environment and tropical rainforests. China is the world's largest consumer of natural rubber, accounting for approximately 40 per cent. of global demand but accounts for only approximately 8 per cent. of global natural rubber resources.

A significant portion of natural rubber is used for the tyre industry, driven by the rapid growth of China's automobile sales and rubber consumption in China is expected to increase significantly. However, recently, the global natural rubber market has been affected by adverse environmental conditions and impact from changes in the global economy, which has led to a decline in demand and sales volume year on year. In particular, widespread lockdowns due to COVID-19 have resulted in tyre factories ceasing operations globally and overstocking at various destinations, and customers in the rubber industry have in response reduced their orders and delayed their shipments.

Business Overview

The Group is a leading rubber business operator and service provider in the PRC and has a strong international presence with core competitiveness, operating across the whole natural rubber industry value chain.

As one of the first natural rubber trade companies in China, the Group has a history of over six decades in natural rubber and rubber products industry, with a business scope covering planting, processing, marketing as well as research, production, and value added services. Its market strategy is based on the domestic Chinese market, while gradually setting flags in Southeast Asia, South Asia, Europe, Africa and America. Through the Issuer Group, it has formed an integrated business model with upstream and downstream industrial chain operations and worldwide distribution. The Group is a pioneer in implementing the One Belt One Road national policy of Chinese government.

For more details on the business, production, marketing and sales of the Group's Natural Rubber Segment, see "*Description of the Issuer Group*".

Lightweight Materials Segment

Business Overview

The Group's lightweight materials segment is led by its subordinate company Sinochem Plastics, which is the largest chemicals distributor in Asia with many established strategic partnerships with various multinational chemical corporations across both upstream and downstream sectors. Headquartered in Beijing, Sinochem Plastics has established a domestic marketing network and overseas purchasing platform over the years and offers a wide range of products such as polycarbonate, polystyrene, dyed pigment, ABS resin, polyurethane, and forest grease. In addition, Sinochem Plastics provides product distribution services and raw material solutions for chemical companies at home and abroad.

Production

In 2019, the Group acquired ELIX Polymers, a leading manufacturer of ABS resins and derivatives in Europe. ELIX Polymers is a professional supplier of customized solutions for high quality thermoplastics, which provides a wide range of high-performance products to more than 350 customers worldwide, meeting the demanding requirements of the automotive, medical, consumer goods, electrical equipment and electronic engineering industries. ELIX Polymers has over 40 years of experience in manufacturing thermoplastics and an installed capacity of 180,000 tonnes per year from their ABS plant in Tarragona, Spain. ELIX Polymer's domestic automotive material business covers 80 per cent. of joint venture car factories, servicing nearly 4 million passenger cars. ELIX Polymers is also involved in the development of models for Volkswagen and General Motors and is an exclusive supplier for SAIC General Motors Corporation Limited and SAIC Group's centralised procurement. Following the acquisition, the Group had made a major breakthrough in the high-barrier-to-entry industry of polymers and lightweight materials, giving it access to a larger market demand for lightweight materials products.

In addition, the lightweight materials industry is complemented by the rapid development of high-performance fibres and composite materials such as aramid and high strength polyethylene. In 2019, the Group collaborated and coordinated with Yangnong Group to start an aramid project with an annual output of 5000 tonnes in Yizheng, Jiangsu province. Upon completion, the project will produce 40 varieties of normal strength, high strength and high modulus products that can be used in electronic communication, personal protection, lightweight automobiles and sports equipment, boosting its lightweight materials production capabilities.

Medical and Pharmaceutical Health Segment

Business Overview

By upholding the vision of "health and medicine for life", the Group's pharmaceutical and healthcare businesses have formed a complete industrial chain covering R&D, production and sales and specializes in pharmaceutical and medical devices related products.

The Group has established good partnership with a number of well-known domestic and foreign medical device companies by offering professional skills, personalized services and newly introduced products. Currently, the Group provides services for several medical specialty areas such as orthopaedics, cardiology, gastroenterology and neurosurgery with the prospect of establishing a national platform for medical device application. Its pharmaceutical business is mainly targeted to European, American, Japanese and South Korean markets with a leading export volume. The Group also provides comprehensive supply chain solutions and pharmaceutical regulatory services to meet the needs of various countries for the world's well-known pharmaceutical customers.

Production

Sinochem Health, a subsidiary of the Group, has become a leading service provider in research, production and marketing in the fields of medical equipment, raw nutritional materials, food additives and pharmaceuticals through innovative research and industrial acquisition. Sinochem Health has also integrated with the business of Sinochem Pharmaceutical to form a complete and integrated industrial chain covering R&D, production and sales of its pharmaceutical and healthcare products. In terms of product mix, the Group has a strong market position in the field of bone and joint products with a high growth potential. In particular, the three core products of the Group are cartilage, glucosamine and natural sweeteners such as stevia, each with great growth potential and development prospects in the nutrition and health business section. The market share of its cartilage and glucosamine products in North America and Europe ranks among Top 3 in China, while its export volume of stevia is top ten among Chinese enterprises in the industry. Sinochem Health is also ranked on China's Top 100 Pharmaceutical Export Companies listing.

Employees

As of 31 December 2019, the Group had 26,299 employees. The Group has established a salary incentive mechanism consistent with applicable laws and regulations and market good practice. The Group also participates in various basic social insurance plans organised by the PRC municipal and provincial governments whereby the Guarantor and its subsidiaries are required to make monthly contributions to these plans at certain rates of the employees' salary as stipulated by relevant local regulations.

Since 2007, the Guarantor and its subsidiaries have not experienced any strikes, work stoppages, labour disputes or actions which affected the operation of any of their respective businesses. The Guarantor believes that it and its subsidiaries maintain good relationships with their respective employees.

Risk Management

The Group is part of Sinochem Group's overall risk management structure. The Sinochem Group seeks to maintain a balance between risk and return and control its potential losses within acceptable parameters through risk management. In managing its risks, the Sinochem Group has undertaken various initiatives including: establishing a reliable capital structure, leverage indicator and liquidity index to assess debt and monitor bank facility utilisation, employing a risk control system to cover various business levels, applying an investment project management plan to manage project investment risks effectively, and implementing a centralised capital management model to control risk of capital usage.

The Group has been maintaining a capital structure which helps the Group to balance capital required for business development and maintain a reasonable leverage level. The Group focuses on the following financial indicators with an established monitoring and assessment mechanism: (i) the interest-bearing debt to total capital ratio to be less than 50 per cent., (ii) the liability to asset ratio to be less than 70 per cent. and (iii) the EBITDA interest coverage to be more than 4 times. Furthermore, it maintains a balanced debt maturity and currency mix vis-a-vis business mix. The Group actively diversifies financing channels and approaches. Hence, it pays equal attention to Chinese banks and foreign banks to avoid overreliance on individual financing channels, and utilises the bond market and other long-term financing channels effectively to optimise its debt structure. This in turn allows the Group to maintain good liquidity with robust financial management, and balanced revenues and expenditures. It also manages operational funding requirement as per the annual budget, whilst managing day-to-day cash inflow and outflow accordingly. Moreover, the Group has established long-term and co-operation with many well-known Chinese and foreign banks. This allows it to obtain preferential support from banks on back of the Group's own strengths and Sinochem Group's status as central government owned enterprise.

In addition to establishing clear structures for monitoring debt and liquidity, the Group has established a sound internal control and risk management system. To minimise foreign exchange risk, a prevention mechanism has been set up, including developing a detailed plan for the use of funds considering the projects' life cycle, ensuring a reasonable mix of payment currencies, using forwards or other financial instruments to control foreign exchange risk exposure, setting up strict requirements for minimum hedge ratio, and matching financing currency with balance of payments for various regional projects. Moreover, the Group established a complete customer credit assessment and tracking system to reduce receivable risk. It reviews the credit limit per its counterparties' credit profile, transaction history and risk mitigation measures, and set up regular review and overdue management mechanism for credit transactions. Furthermore, the Group regularly reviews and adjusts inventory per the annual budget management programme. It manages the upper limit of inventory of various business segments and controls potential inventory loss within acceptable range and continues to improve market monitoring and emergency response mechanism. Finally, the board of directors and risk control committee approves annual hedging plan and viable future markets, which sets out the hedging quota and stop-loss limit of various hedging commodities, to ensure prudent commodity future management.

The Group also strives to manage project investment risks effectively. A capital investment project must meet the Group's strategic development plan, with the target project investment return higher than the its Weighted Average Cost of Capital. The Group established a standardised decision-making process for mergers and acquisitions, clarified control requirements and job specifications of project feasibility study and due diligence. It also focuses on overall capital structure stability and aim for a reasonable mix of equity and debt, and long term and short term debt. For example, it utilises the domestic equity market flexibly with an aim to maintain the Group's leverage (interest-bearing debt/total capital) below 50 per cent. and diversify its equity investor base through introducing strategic investors into its business segments to support rapid and sustainable development of business and continue to optimise assets structure.

Likewise, the Group's centralised treasury management model strictly controls the risk of capital usage and effectively manages the sizeable deposits and loans portfolio. The Group establishes onshore and offshore centralised treasury management platform and ensures flexible and efficient management through physical concentration onshore and nominal pool offshore. Additionally, its annual budget programme allows us to manage foreign exchange risk and major financing transactions. The Group also adopts centralised management in international settlement to enhance settlement efficiency and control international settlement risk effectively.

Insurance

The insurance that the Group has primarily consists of credit insurance and property liability insurance. The Group has credit insurance for domestic trade credit and export credit and the terms of the credit insurance policies are usually one year. The insurance policies will usually cover 90 per cent. of the loss, subject to the business and credit of the customers.

The Group has a range of different property liability insurance policies, including general property insurance, cargo insurance, commercial liability insurance, ship insurance, tank container insurance, logistics liability insurance, machine insurance and public liability insurance. Except insurance policy based on the duration of flights, most of the liability insurance policies are one year.

Intellectual Property and R&D

The Group's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilised by its activities or to give it a competitive advantage. The Group relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Group's principal brand names, including "Sinochem", are registered trademarks in China. Sinochem Group allows the Group to use the "Sinochem" brand free of charge. During H1 2020, the Group has successfully obtained 286 authorised patents, including 104 for high performance materials and intermediates, 152 for polymer additives, 15 for new energy, 3 for medical and pharmaceutical health.

For the year ended 31 December 2019, the Group had 1,844 people for science and technology, including 997 people for R&D, and carried out 71 R&D projects. The Group does not believe that any individual property right or related group of intellectual property rights is of such importance that its expiration or termination would materially affect the business of the Group.

Legal Proceedings

The Guarantor and its subsidiaries are party to various legal proceedings in the ordinary course of business. Although the Guarantor cannot predict the outcome of these matters, the Guarantor does not expect any proceeding, if determined adversely against it, to have a material adverse effect on its consolidated financial position and results of operations.

Recent Developments

Reorganisation of Yangnong Group and Yangnong Chemical

On 6 November 2020, the Guarantor entered into the Framework Agreement with Syngenta and Yangnong Group, regarding (i) the Yangnong Group Acquisition, and (ii) the Yangnong Chemical Divestment, collectively be referred to as the "**Yangnong Reorganisation**".

Completion of the Yangnong Group Acquisition is conditional upon the completion of the Yangnong Chemical Divestment and vice versa. The consideration for the Yangnong Reorganisation will be payable by the Guarantor and Syngenta in cash and (i) in the case of the Yangnong Group Acquisition, will be separately determined with reference to asset valuations to be performed by qualified valuers and approved by the relevant state-owned asset supervisory and administration authorities, and (ii) in the case of the Yangnong Chemical Divestment, will amount to an aggregate consideration of approximately RMB10,222,134,854. The consideration for the Yangnong Group Acquisition is currently proposed to be paid by the Guarantor from its existing funds and/or self-raised funds.

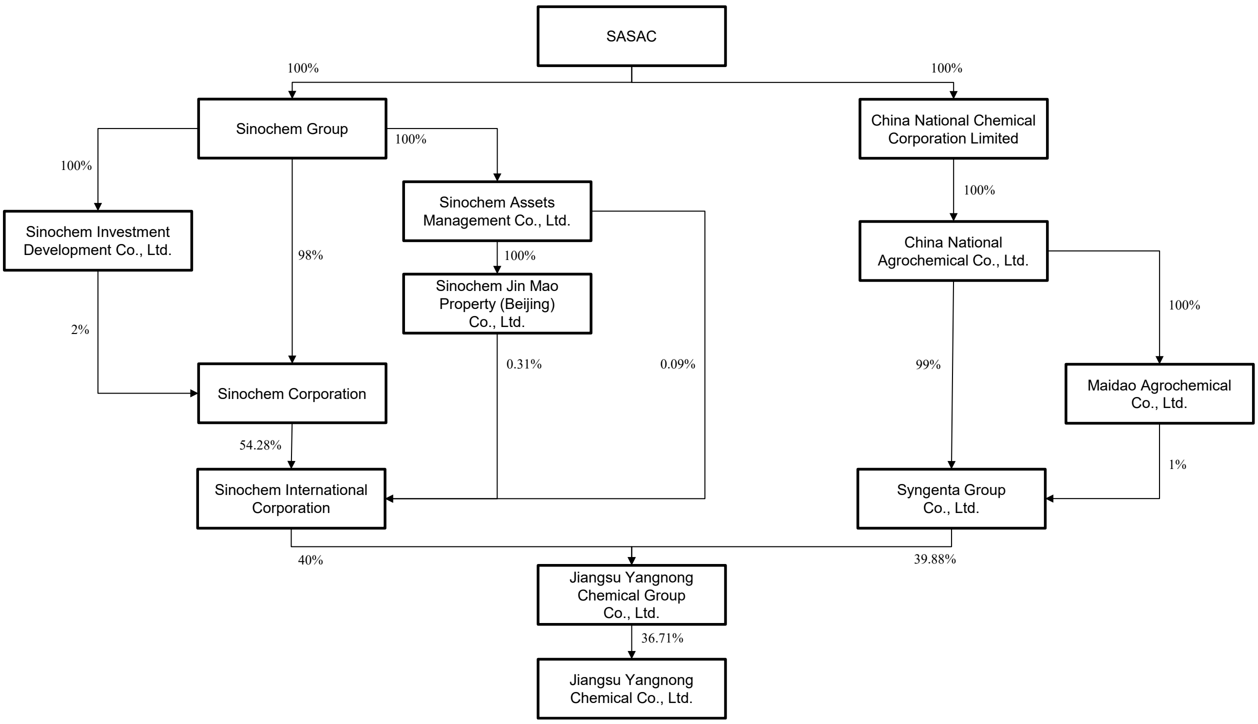
The board of directors of the Guarantor has provided its in-principle approval for the Yangnong Reorganisation on 6 November 2020. As of the date of the Framework Agreement, the formal scheme relating to the Yangnong Reorganisation remains subject to approvals from (without limitation) the relevant state-owned asset supervisory and administration authorities and anti-monopoly regulators, and the board of directors and shareholders of each of the Guarantor, Syngenta and Yangnong Group. On or around the date of the meeting to be convened by the board of directors of the Guarantor to approve the formal scheme in respect of the Yangnong Reorganisation, the Guarantor, Syngenta and Yangnong Group shall enter into a supplemental agreement to the Framework Agreement relating to further details on, and key conditions precedent to the closing for, the Yangnong Reorganisation. Such conditions precedent shall include, but are not limited to, the aforementioned approvals and satisfactory due diligence being conducted.

As at the date of this Offering Circular, the Guarantor holds an aggregate interest of 40.00 per cent. in Yangnong Group and consolidates the accounts of Yangnong Group as a consolidated subsidiary as a result of its concerted action arrangements with Syngenta Group, pursuant to which the Guarantor controls the voting rights to Syngenta's entire 39.88 per cent. interest in Yangnong Group in addition to its existing shareholding. Yangnong Group, as the controlling shareholder of Yangnong Chemical, in turn consolidates Yangnong Chemical. As a result of such consolidation, Yangnong Chemical's assets, liabilities and revenue are reflected in full in the Guarantor's consolidated financial statements, while its profit is adjusted for minority interests and attributable to shareholders of the Guarantor after such adjustment.

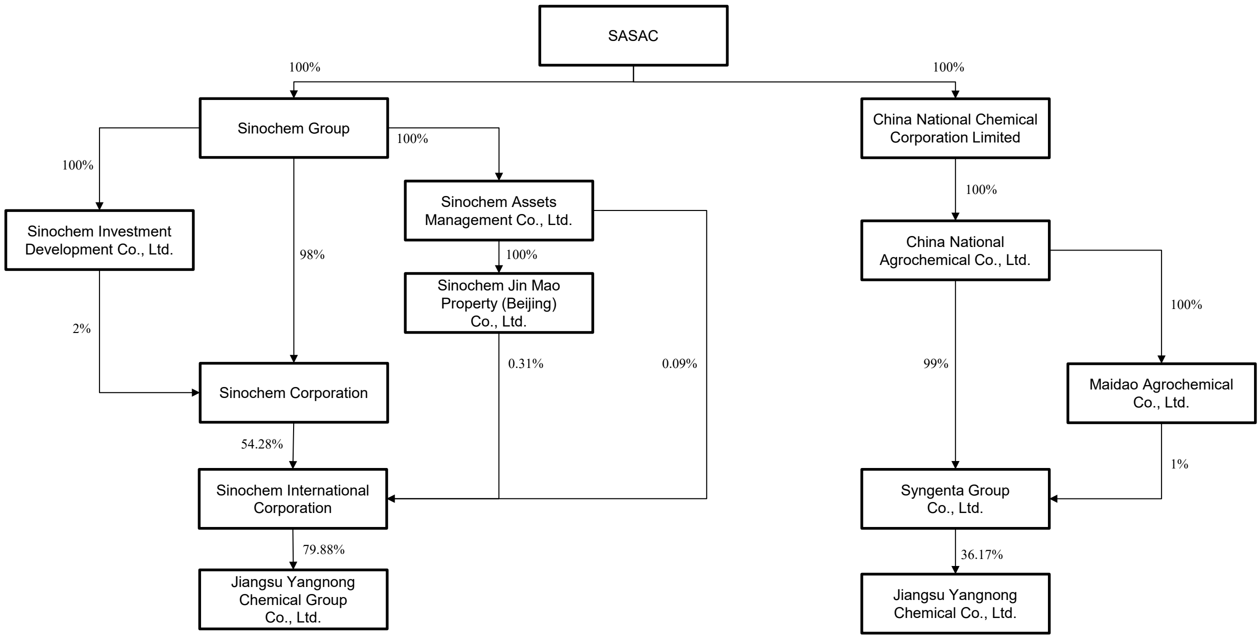
Yangnong Chemical's operations constitute the entirety of the agrochemical segment of the Group. For the year ended 31 December 2019, the Group's agrochemical segment recorded total revenue of RMB8.7 billion and profit before tax of RMB1.3 billion, and had total assets of RMB10.7 billion and total liabilities of RMB4.6 billion. These amount to approximately 16.4 per cent., 67.5 per cent., 20.4 per cent. and 16.7 per cent. of the Group's total revenue, profit before tax, total assets and total liabilities, respectively. Following the Yangnong Reorganisation, the Guarantor will no longer consolidate Yangnong Chemical's results, such that Yangnong Chemical's assets, liabilities and revenue, as well as its profit attributable to shareholders, which constitute the agrochemical segment of the Group, will no longer be reflected in the Guarantor's consolidated financial statements. Upon completion of the Yangnong Reorganisation, the Guarantor will hold an aggregate interest of 79.88 per cent. in Yangnong Group post-transfer of Yangnong Chemical to Syngenta, while Syngenta will hold an aggregate interest of 36.17 per cent. in, and become the controlling shareholder of, Yangnong Chemical.

The following charts illustrate the shareholding structure between the Guarantor, Syngenta, Yangnong Group and Yangnong Chemical prior to and immediately following the Yangnong Reorganisation:

Shareholding Structure Prior to the Yangnong Reorganisation



Shareholding Structure Immediately Following the Yangnong Reorganisation



Syngenta is a PRC state-owned entity which is indirectly wholly-owned by ChemChina and under the supervision of SASAC. Sinochem Group had in June 2020 completed the transfer of shares in eight agricultural companies owned by it to ChemChina.

For more information on the risks relating to the Yangnong Reorganisation, see "Risk Factors – Risks Relating to the Group – The Yangnong Reorganisation remains subject to the execution of definitive documentation and various conditions precedent, and it may be delayed or may not be completed at all" and "*Risk Factors – Risks Relating to the Group – The Group's historical consolidated financial statements do not reflect the effect of the Yangnong Reorganisation*".

Strategic Reorganisation with ChemChina

On 23 January 2020, the Guarantor announced that it received a letter from Sinochem Group stating that Sinochem Group is planning a strategic reorganisation with ChemChina, which remains subject to the requisite approvals, consents and other authorisations being obtained from the relevant authorities. Pursuant to such reorganisation, Sinochem Group had in June 2020 completed the transfer of shares in eight agricultural companies owned by it to ChemChina. For more information on the Yangnong Reorganisation, see "*Description of the Group – Recent Developments – Reorganisation of Yangnong Group and Yangnong Chemical*".

The ongoing COVID-19 pandemic

The ongoing COVID-19 pandemic has caused substantial disruptions in the global economies and markets which has resulted in additional uncertainties in the Group's operating environment. See "*Risk Factors – Risks relating to the Group – The Group's results of operations are dependent, among other things, on the conditions of the global economy." and "Risk Factors – Risks relating to the Group – The Group is exposed to risks in respect of COVID-19 and other epidemics, pandemics and natural or other calamities*." for more details.

The Group has been closely monitoring the impact of the ongoing COVID-19 pandemic on the Group's businesses and will keep its contingency measures and risk management under review as the situation evolves. As of the date of this Offering Circular, a majority of the Group's factories have resumed operations and a majority of the Group's distribution and corporate offices around the world have adopted telecommuting arrangements where practicable.

Interim Financial Statements

On 14 August 2020, the Issuer published the Issuer's Interim Financial Information. The Issuer's Interim Financial Information are not included in and do not form part of this Offering Circular and were prepared by the Issuer's management and have not been audited or reviewed by Ernst & Young LLP, the Issuer's independent auditors. On 31 October 2020, the Guarantor published the Guarantor's Interim Financial Statements. The Guarantor's Interim Financial Statements are not included in and do not form part of this Offering Circular and were prepared by the Guarantor's management and have not been audited or reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditors.

The Issuer's Interim Financial Information and the Guarantor's Interim Financial Statements should not be relied upon by the Investors. See "*Risk Factors – Risks relating to the Financial Information – The Issuer published and may continue to publish periodical financial information in the Singapore. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*" and "*Risk Factors – Risks relating to the Financial Information – The Guarantor published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*" for more details.

However, certain material changes in financial position and/or results have been disclosed below on a qualitative basis:

The Issuer Group's revenue decreased by approximately 15.5 per cent. for H1 2020 as compared to H1 2019, due to weakened demand amid COVID-19 outbreak, which caused a decline in sales volume. The decrease in volume have adversely affected factory utilisation, and coupled with the precipitous decline in the market prices during H1 2020, has resulted in an approximately 48.6 per cent. reduction in gross profit. Losses attributable to the owners of the Issuer Group increased period-to-period, mainly due to (i) the aforementioned decrease in gross profit, (ii) the absence of one-off reversal of a provision for doubtful receivables which was recorded as other income in H1 2019, and (iii) an increase in administrative expenses primarily due to business rationalisation expenses.

As of 30 June 2020, the total current assets of the Issuer Group decreased by approximately 16.5 per cent. compared to 31 December 2019, largely as a result of lower rubber prices as well as a decrease in sales, further compounded by the reclassification of a loan to third party from current assets to non-current assets. The total non-current assets of the Issuer Group increased by approximately 4.0 per cent. compared to 31 December 2019, largely as a result of the aforementioned reclassification of loan and the additional investments in PPE and plantation related properties as part of planned capital expenditure. In addition, the total equity of the Issuer Group decreased by approximately 9.5 per cent. as of 30 June 2020 compared to 31 December 2019 due to net losses incurred for the period. The Issuer Group's cash and bank balances have increased by approximately 93.4 per cent. as of 30 June 2020 compared to 31 December 2019 (from the liquidation of its net working capital), with an increase in net gearing ratio (which is computed as total loan payables less cash divided by total equity (excluding perpetual securities)) from 1.8 times as of 31 December 2019 to 1.9 times as of 30 June 2020 (due to the decrease in total equity following the losses as abovementioned).

For Q3 2020, there was a decrease of approximately 5.5 per cent. in the Group's operating income as compared to Q3 2019 as a result of the COVID-19 pandemic's impact on the polymer additives, natural rubber and lightweight materials businesses of the Group in particular. This contributed towards a decrease of approximately 22.3 per cent. and 76.9 per cent. in the Group's net profit and net profit attributable to shareholders of the Guarantor, respectively There was also a significant increase of approximately 91.4 per cent. in the Group's losses on impairment of assets for Q3 2020 as compared to Q3 2019, primarily due to a downturn in the chemicals industry as a result of the COVID-19 pandemic and impairment of the Group's inventories of natural rubber and commodities. For Q3 2020, the Group's EBITDA was approximately RMB2.95 billion.

As of 30 September 2020, the total current and non-current assets of the Group increased by approximately 11.0 per cent. and 12.1 per cent., respectively, compared to 31 December 2019. The Group's total debt (which includes short-term borrowings, notes payable, non-current liabilities due within one year, long term borrowings and bonds payable) increased by approximately 15.8 per cent. as of 30 September 2020 compared to 31 December 2019, largely as a result of increased demand for operating funds as a result of the COVID-19 pandemic.

DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

Directors

The Directors of the Issuer are entrusted with the responsibility for the overall management of the Issuer Group. The particulars of the Directors are set out below:

Name	**Position**
Liu Hongsheng	Non-Executive Chairman
Li Xuetao	Executive Director and Chief Executive Officer
Alan Rupert Nisbet	Lead Independent Director
Liew Choon Wei	Independent Director
Lam Chun Kai	Independent Director
Eddie Chan Yean Hoe	Independent Director
Qin Jinke	Non-Executive and Non-Independent Director
Wang Wei	Non-Executive and Non-Independent Director

Information on the business and working experience, education and professional qualifications and areas of responsibilities of the Directors are set out below:

Liu Hongsheng
Non-Executive Chairman

Mr Liu Hongsheng joined the Board and was appointed as Non-Executive Chairman on 16 January 2017. He is also the Chairman of the Strategy and Investment Committee. Mr Liu is currently a Director and Chief Executive Officer of SIC, as well as the CEO and President of Chemicals Strategic Business Unit ("**SBU**") of Sinochem Group. His previous roles in SIC include Senior Vice President of SIC, Chemicals Segment and General Manager of the Logistics Business Division.

Prior to joining SIC in 2000, he was Deputy Head of the Human Resources at the Ministry of Foreign Trade and Economic Cooperation and First Secretary of the Economic & Commercial Counsellor's Office at the Chinese Embassy in Thailand.

Mr Liu holds a bachelor's degree in philosophy from Peking University and an executive master's degree in business administration from the Shanghai Maritime University.

Li Xuetao
Executive Director and Chief Executive Officer

Mr Li Xuetao is the Executive Director and Chief Executive Officer of the Issuer. He is in charge of formulating and executing the strategic business development of the Issuer Group and of overseeing its day-to-day management.

He has more than 25 years' experience in tyre, synthetic rubber and natural rubber business, and has held various senior positions in SIC and Sinochem Group, including: Director of Strategic Synergy Department of Chemical SBU of Sinochem Group, Deputy Director of Strategy Development Department of Chemical SBU of SIC and Sinochem Group, Vice President of SIC, Chief Executive Officer of Trading and Distribution Business Division of SIC and Chief Executive Officer of Rubber Business Division of SIC.

He graduated with a Bachelor of Economics from the University of International Business and Economics, Beijing and a Master of Change Management from BI Norwegian School of Management – Fudan University.

Alan Rupert Nisbet
Lead Independent Director

Mr Alan Rupert Nisbet is the Lead Independent Director and the Chairman of the Audit Committee. He also sits on the Remuneration Committee, Nominating Committee and Strategy and Investment Committee. He is currently the principal of Kanni Advisory, a consultancy firm that specialises in financial and business advisory services.

He is currently an independent director and Chairman of the Audit Committee of Ascendas Property Trustee Pte. Ltd. (the Trustee-Manager of Ascendas India Trust), an independent director and a member of Audit Committee and Remuneration Committee of KrisEnergy Limited, an independent director of Keppel REIT Management Limited (the Manager of Keppel REIT) and an independent director and Chairman of the Audit Committee of Standard Chartered Bank (Singapore) Limited.

From 1973 to 2011, he worked for Deloitte & Touche LLP (where he was made partner in 1989) and its antecedent firms in Australia, USA and Singapore, and was involved in the coordination and oversight of various aspects of the professional services rendered, including share valuations and due diligence reviews on behalf of multi-national and Singapore companies. Mr Nisbet was Head of Audit & Assurance Services for Deloitte Southeast Asia and was previously responsible for the establishment and operations of the Deloitte Enterprise Risk Service function in Singapore and led that practice division for four years. In that capacity, he led and delivered corporate governance, risk management, internal audit and IT security services to Deloitte's clients.

He was a member of the Institute of Singapore Chartered Accountants until his retirement and formerly a practising Associate of the Institute of Chartered Accountants in Australia. He graduated with a Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia in 1971.

Liew Choon Wei
Independent Director

Mr Liew Choon Wei is an Independent Director and Chairman of the Remuneration Committee. He also sits on the Audit Committee and the Nominating Committee. Mr Liew joined Ernst & Young LLP ("**EY**") in Singapore in 1979 after returning from London. He was an Audit Partner in charge of some of EY's largest real estate, commodities, banking, media, hospitality and retail clients until his retirement from the firm in March 2013.

He is currently an independent director and Chairman of the Audit Committee and Nominating Committee and member of the Remuneration Committee of F J Benjamin Holdings Ltd. He also sits on the Board of The Hour Glass Limited as an independent director and is also Chairman of its Audit Committee and member of the Nominating and Remuneration Committees. Mr Liew is also an independent director at Frasers Hospitality Asset Management Pte Ltd (the manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (the trustee-manager of Frasers Hospitality Business Trust) since July 2014.

Mr Liew is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants and formerly a practising Fellow of the Association of Chartered Certified Accountants.

Lam Chun Kai
Independent Director

Mr Lam Chun Kai was appointed as an Independent Director on 23 April 2019.

Mr Lam has served as Chairman of Shell Companies in Singapore, Chief Executive Officer of CNOOC Limited, Chief Executive Officer of Shell Petrochemicals Company Limited, Venture Director of Shell Eastern Petrochemical Complex and Chief Executive Officer at Jurong Aromatics Corp, Singapore.

Mr Lam has previously sat on the board of a number of government and industry bodies including the Maritime and Port Authority of Singapore, the Science Centre Singapore, the International Chamber of Commerce, the Energy Market Authority of Singapore, the Hertel Goup (Netherlands), Royal Vopak (Netherlands) and SIC.

Mr Lam received his tertiary education at Adelaide University, South Australia and is a Chartered Member of IChemE, United Kingdom.

Eddie Chan Yean Hoe
Independent Director

Mr Eddie Chan Yean Hoe is an Independent Director appointed to the Board on 28 July 2020.

Mr Chan was previously an Executive Director and a Partner of Ernst & Young Malaysia and has extensive experience in auditing, corporate restructuring, taxation and accounting, particularly in the petroleum and petrochemicals, rubber and oil palm plantation industries. He held several senior finance roles in oil and gas companies until his retirement and has served as Director of Daiman Development Berhad and Director of Finance Department at CNOOC and Shell Petrochemicals Company Limited.

Mr Chan is a Certified Public Accountant and a member of the Malaysian Institute of Certified Public Accountants.

Qin Jinke
Non-Executive and Non-Independent Director

Mr Qin Jinke joined the Board in 1 January 2018 and is a Non-Executive and Non-Independent Director. He has been with Sinochem International Corporation for nearly 20 years and is currently serving as its Chief Financial Officer, while concurrently serving as the Vice President of Chemical SBU of Sinochem Group.

Mr Qin joined Sinochem Group in 2001 and has held senior positions in its auditing, finance and accounting departments including Deputy Chief Financial Officer of SIC, General Manager of the Finance Department, Vice General Manager of the Finance Department, General Manager of the Accounting and Tax Office, Chief Financial Officer at Metallurgy and Energy Division and Assistant General Manager of the Auditing Department.

He graduated with a bachelor's degree from the Central University of Finance & Economics and a master's degree in business administration from the China Europe International Business School.

Wang Wei
Non-Executive and Non-Independent Director

Mr Wang Wei was appointed to the Board as a Non-Executive and Non-Independent Director in 3 May 2017.

Mr Wang currently serves as the Executive Director of the China-Africa Development Fund's (CADFund) Infrastructure and Energy Investment Department. He is also a Director at HNA & CADF Logistics, Nanjing Ocean (CM) Co. Ltd and Ansogli Power (Ghana) Ltd.

His has previously worked as a consultant with APCO Worldwide LLC (Beijing) and as a consultant with KPMG Huazhen LLP.

Mr Wang holds a master's degree in international relations, and a Bachelor of Arts in International Economics and Trade, from the China Foreign Affairs University. He is also an alumnus of Johns Hopkins University-Nanjing University, Center for Chinese and American Studies.

Senior Management Personnel

The Issuer Group's day-to-day operations are entrusted to the Executive Director and a team of experienced senior management personnel. The particulars of the senior management personnel are set out below:

Name	Current Occupation
Andrew Trevatt	Chief Commercial Officer – Corrie MacColl GROUP
Loh JUI HAU..................................	Chief Financial Officer
Ng Eng Kiat	Managing Director – HRC GROUP
Kashimoto Michikazu.....................	Managing Director – Hevea Global Pte. Ltd.
Matthew Harder	Managing Director – New Continent Enterprises (Private) Limited
Lee Chestnutt	Chief Executive Officer – Corrie MacColl Plantations

Information on the business and working experience, education and professional qualifications, if any, and areas of responsibilities of the Senior Management Personnel are set out below:

Andrew Trevatt
Chief Commercial Officer - Corrie MacColl Group

Mr Andrew Trevatt is responsible for the daily commercial affairs of Corrie MacColl Limited at both distribution and plantation units, including implementing and managing its overall commercial and sales strategies.

He has more than 30 years of experience in the natural rubber industry. He started work in 1982 as a junior auditor/assistant to the senior accountant at Aarons Grew & Woodcroft, Certified Accountants, London. In 1986, he commenced working as a trader for Lewis & Peat (Rubber) Ltd, London, and stayed with the company for 14 years till 2000. His last position held at Lewis & Peat (Rubber) Ltd London, was Trading Director.

In 2002, he went on to work in Sri Trang International Pte Ltd as its Chief Executive Officer. In 2007, he joined Louis Dreyfus Commodities Asian Pte. Ltd. as a Head of Rubber Trading, before co-founding the Issuer in 2010. He studied in Meopham Secondary School and graduated in 1982.

Loh Jui Hau
Chief Financial Officer

Mr Loh Jui Hau is responsible for the Issuer Group's financial affairs, including corporate finance, treasury, capital management.

Mr Loh joined the Issuer in 2016 as the Deputy Chief Financial Officer. He has almost 20 years of financial control experience and risk expertise. Prior to joining the Issuer, he worked in senior roles at international banks and auditing firms in Singapore, Thailand and Malaysia.

Mr Loh holds a bachelor's degree in accounting from Monash University, Malaysia.

Ng Eng Kiat
Managing Director – Halcyon Rubber Company

Mr Ng Eng Kiat is responsible for the merchandising and risk management functions of HRC Group as well as overseeing the factory operations of HRC Group.

He joined the Issuer in 2013 as Chief Financial Officer. In addition to his role as Chief Financial Officer, Mr Ng was the Country Head of the Issuer Group's Indonesian operations and Managing Director of the distribution assets and processing factories in China, Malaysia and Thailand from 2017 to 2018. Mr Ng was also the Issuer Group's Chief Operating Officer from 2018 to 2019, and Chief Financial Officer from 2013 to 2017.

Prior to his appointment as the Financial Controller of Halcyon Investment Corporation Pte Ltd in 2011, he was in the audit and assurance services with KPMG LLP, Malaysia (2002 to 2005), Ernst and Young LLP, United Kingdom (2005 to 2010) and Ernst and Young LLP Singapore (2010 to 2011).

Mr Ng has been a Fellow member of the Association of Chartered Certified Accountants since 2005 and is also a member of the Institute of Singapore Chartered Accountants. He graduated from the Multimedia University in Malaysia in 2002 with a bachelor's degree (honours) in accounting.

Kashimoto Michikazu
Managing Director – Hevea Global

Mr Kashimoto Michikazu is responsible for the merchandising and risk management functions of the entire in-house HEVEA*PRO*.

Mr Michikazu joined the Group in October 2015 as Global Head - Risk, Liquidity & Hedging and was promoted to the role of Global Head – Trading in October 2016 and has also served as the Managing Director of New Continent Enterprises (Private) Limited. He commenced his career in 1986 at Marubeni Corporation, a general trading company in Japan. Prior to joining the Issuer, Mr Kashimoto was Managing Director of Marubeni International Commodities (Singapore).

Mr Kashimoto brings extensive knowledge of the natural rubber industry, with more than 31 years' experience in the industry ranging from operating a natural rubber processing factory to trading in the natural rubber physical and futures markets.

He holds a Bachelor of Laws from Keio University in Tokyo, Japan.

Matthew Harder
Managing Director – New Continent Enterprises (Private) Limited

Mr Matthew Harder joined the Issuer in 2017 and is currently the Managing Director of New Continent Enterprises (Private) Limited, the Issuer Group's PRC-focused business. He is responsible for NCE's physical trading businesses including Malaysia and China, as well as relative trading opportunities across all futures markets in natural rubber.

Mr Harder brings over 10 years of commodity trading and price risk management experience and has previously worked in a leading trade-house and an investment bank.

He holds a bachelor's degree of agricultural economics from the University of Sydney, Australia.

Lee Chestnutt
Chief Executive Officer – Corrie MacColl Plantations

Mr Lee Chestnutt is responsible for the development of Corrie MacColl.

Mr Chestnutt joined the Issuer in 2013 as Head of Operations for Issuer Group's factory in Ipoh, Malaysia and was appointed Global Head - HEVEA*PRO* Technology and Standards in 2017.

He started work in 1992 as a process engineer for the United Kingdom Atomic Energy Authority, in their high enriched Uranium processing plant. In 1995, he entered the rubber industry, worked for Goodyear Tire and Rubber Company as Project Manager and subsequently Production Director in their plantation based in Sumatra, Indonesia before transferring to its purchasing office in Singapore.

His last role with Goodyear was Manager-Supply & Quality Development, focussing on developing high quality supply of rubber from Africa for use in European tyre plants. Mr Chestnutt graduated from the University of Newcastle-Upon-Tyne with a bachelor's degree (Honours) in Chemical & Process Engineering.

Board committees

The Issuer is committed to achieving and maintaining high standards of corporate governance principles and processes in managing its business and affairs, so as to improve the performance, accountability, and transparency of the Issuer Group.

The Issuer has formed specialised committees: the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Strategy and Investment Committee ("**StratCom**") to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively.

A brief summary of the responsibilities of each specialised committee is provided below:

Audit Committee

The AC comprises four non-executive directors, a majority of whom, including the AC Chairman, are Independent Directors. The members are Mr Alan Rupert Nisbet ("**AC Chairman**"), Mr Liew Choon Wei, Mr Lam Chun Kai and Mr Qin Jinke. The AC meets, at a minimum, on a quarterly basis and assists the Board in discharging its responsibility to safeguard the Issuer Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Issuer Group.

The AC has explicit authority to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation of the jurisdictions in which the Issuer Group operates, which has or is likely to have a material impact on the Issuer's operating results and/or financial position.

Nominating Committee

The NC comprises four members, a majority of whom including the NC Chairman, are Independent Directors. The members are Mr Lam Chun Kai ("**NC Chairman**"), Mr Alan Rupert Nisbet, Mr Liew Choon Wei and Mr Qin Jinke. The NC's responsibilities include assessing the performance of the Board and contribution of each Director to the effectiveness of the Board and conducting annual reviews of the independence of each Director.

Under the Constitution of the Issuer, one-third of the Board is required to retire from office by rotation at each annual general meeting ("**AGM**") and are eligible for re-election by the shareholders at the AGM. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Constitution further provides that any Director appointed to fill a casual vacancy shall hold office only until the next AGM of the Issuer and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

Remuneration Committee

The RC comprises three members, Mr Liew Choon Wei ("**RC Chairman**"), Mr Alan Rupert Nisbet and Mr Liu Hongsheng. The responsibilities of the RC include recommending to the Board a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each executive Director and the Chief Executive Officer (or executive of equivalent rank).

In discharging their duties, the RC will be provided with access to expert professional advice on remuneration matters as and when necessary and ensure that existing relationships, if any, between the Issuer and its appointed consultants will not affect the independence and objectivity of such consultants.

Strategy and Investment Committee

The StratCom presently comprises two members, Mr Liu Hongsheng (Chairman) and Mr Alan Rupert Nisbet, and its composition will be re-constituted by the Board before end of 2020. StratCom supports the Board in defining and monitoring the Issuer's strategic direction and to evaluate the Issuer's capital deployment. StratCom shall work with the management to oversee and review significant strategic decisions including capital and assets management, as well as major investment or divestment plans.

DIRECTORS AND SENIOR MANAGEMENT OF THE GUARANTOR

Sinochem Group provides the Guarantor with access to strong managerial and personnel support and appoints all of its board members and senior management. The Guarantor's businesses are centrally managed by Sinochem Group and a majority of the Guarantor's senior management are also senior management of Sinochem Group.

Directors

The Board of Directors of the Guarantor consists of 7 directors, 3 of whom are independent directors. The directors, in accordance with the rights conferred by relevant laws and regulations and the Procedures Rule for the Board of Directors, faithfully, honestly and diligently exercise their rights and perform their obligations to the Guarantor.

The following table sets forth information on the directors of the Guarantor.

Name	Age	Position
YANG Hua	58	Chairman
YANG Lin	55	Director
LIU Hongsheng	53	Director General Manager
CHENG Xiaoxi	59	Director Deputy General Manager
XU Jingchang	54	Independent Director
YU Dahai	58	Independent Director
XU Yongqian	52	Independent Director

YANG Hua, born in 1961, is currently Deputy Secretary of the Party Committee, Director and General Manager of Sinochem Group and Chairman of the Guarantor. He obtained his Bachelor's Degree in Petroleum Production Engineering from the Petroleum Engineering Department of China University of Petroleum (East China) and his Master's Degree in Business Administration from the Massachusetts Institute of Technology ("**MIT**"). Mr. Hua is a MIT Sloan Fellow and professor-level senior economist. Prior to joining Sinochem International, he has served as the Manager of the Oilfield Development Department of China National Offshore Oil Corporation ("**CNOOC**") Research Center, the Deputy Chief Geologist and Deputy Manager at the Overseas Development Department and General Manager of Overseas Oil and Gas Co., Ltd. of CNOOC, the Senior Vice President, Chief Financial Officer, President, Chief Executive Officer and Vice Chairman at CNOOC Limited, the Assistant General Manager, Deputy General Manager, Party Committee Member, Director, General Manager, Chairman, and Secretary of the Party Committee at CNOOC, the Chairman and Chief Executive Officer at CNOOC Limited, and the Chairman and Secretary of the Party Committee at CNOOC group.

YANG Lin, born in 1964, is currently the Chief Accountant of Sinochem Group, President of the Financial Division, Secretary of the Communist Party Committee, the Chief Financial Officer of Sinochem Corporation and Director of the Guarantor. He joined the Sinochem Group in 1994 and served as General Manager Assistant of Planning and Financial Department, General Manager of Financial Department, Deputy General Manager of Investment Development Department, General Manager of Fund Management Department and Deputy Chief Financial Officer of the Guarantor. Before joining Sinochem Group, Mr. Yang also worked at the Beijing Cadre Institute of Business Management and the China headquarters of Siemens Ltd. and Wera Ltd. Mr. Yang holds a Bachelor's Degree in Management of Commercial Enterprises from Tianjin University of Commerce. He studied Business Management at University of Stuttgart (Germany) from 1990 to 1993.

LIU Hongsheng, born in 1966, is a Director, the Chief Executive Officer and a Secretary of the Party Committee of the Guarantor, as well as the CEO and President of Chemicals SBU of Sinochem Group. He obtained his Bachelor's Degree in Philosophy from Peking University and his Master's Degree in business administration from Shanghai Maritime University. Prior to joining Sinochem International, he was a Section Member and Deputy Division Head of the Human Resources Department of the Ministry of Foreign Trade and Economic Cooperation ("**MOFTEC**") and the First Secretary of Commercial Counsellor's Office at Chinese Embassy in Thailand. After joining Sinochem International in 2000, he has served as an Office Director and the General Manager of the Executive Department of the Guarantor, the General Manager of Sinochem International Warehouse Co., Ltd., the Deputy General Manager and General Manager of the Logistics Business Division, the General Manager of ISO Tank Business Division and the Vice General Manager of Sinochem International.

CHENG Xiaoxi, born in 1960, is a Director, Deputy General Manager and a Member of the Party Committee of the Guarantor. He previously served an engineering technician and Director-General of the third workshop of the Yangzhou Pestici*de Facto*ry. Mr. Cheng also served as Section Manager of the Production Department and Deputy Manager of the Yangzhou Pestici*de Facto*ry. He was a Director, General Manager of the General Affairs Department, General Manager, Vice-Chairman and Party Secretary of Yangnong Group. Mr. Cheng obtained his Bachelor's Degree in Chemicals Automation and Instrumentation from Nanjing University of Chemical Technology and holds a Master's Degree in Senior Business Administration from Nanjing University.

XU Jingchang, born in 1965, is the Dean and Doctoral Supervisor of the Accounting School of Business of Renmin University of China. He is currently the Independent Director and Chairman of the Audit and Risk Committee of the Guarantor. Mr. Xu has been teaching in Renmin University of China after obtaining his Doctor's Degree in Accounting. He now serves as independent director of three companies, namely HNA Holdings, China Everbright Securities, and CITIC Heavy Industries. Mr. Xu is also Member of the Enterprise Accounting Standards Advisory Committee, lecturer for the Chinese National Top Level Courses Project, Member and Convener of the 4th and 5th Merger and Reorganization Review Committee of the China Securities Regulatory Commission, director of the China Accounting Association, deputy director of the Basic Accounting Theory Committee, executive director of China Financial Accounting Association.

YU Dahai, born in 1961, is a Chinese of German nationality. He received a doctorate in Chemistry from the University of Hamburg, Germany. He joined Degussa Group in 1990 and has served as Director of Strategic Development of Industries and Specialty Chemicals and Finance Division, Director of Agrochemicals and Intermediates Division and Greater China Chief Executive Officer. He also served as a Member of the Global Executive Board in Evonik Group. Since October 2006, he has been Chairman and Chief Executive Officer of Evonik (China) Co., Ltd. as well as President of the Greater China region of Evonik Industry Group. In April 2011, he joined Evonik Group's Global Executive Board and became a Member of Evonik's global core management team. In December 2013, he resigned from Evonik Group for personal reasons. He is currently a Partner at Anhong Capital, Consultant at Temasek International, Chairman of Yu's Consulting and Investment Co., Ltd., Chairman of the Council Committee of Lehmann & Voss, the Guarantor's Independent Director as well as Chairman of the Remuneration Committee.

XU Yongqian, born in 1967. He graduated from the Department of Law in Fudan University in 1989. He has been working at Dentons in Beijing since 1999. Mr. Xu is now a Senior Partner at Dentons, Member of the Board of Education of the China Law Society, Member of the Commercial Law Association of the China Legal Study Society, Vice President of the China Society of Security and Development Studies, Secretary of the Legal Security Forum, Deputy Head of the Civil and Commercial Law Senior Lecturers of the Civil Affairs Association and Executive Director of the Remuneration Committee of the Chinese Labour Society. Mr. Xu also serves as the independent director of several listed companies including Hebei Xuangong Construction Machinery Co., Ltd. and Hainan Mining. He is currently an Independent Director and Chairman of the Nomination and Corporate Governance Committee of the Guarantor.

Supervisors

The board of supervisors is responsible for (1) supervising the actions of the board of directors and the senior management of the Guarantor and making suggestions for the dismissal of the directors and senior management personnel who violate the laws, administrative regulations and the articles of association; and (2) requiring directors and senior management personnel to rectify decisions that were harmful to the Guarantor's interest.

The following table sets forth information relating to the Guarantor's supervisors as at the date of this Offering Circular:

Name	Age	Position
ZHANG Baohong	53	Chairman of the Board of Supervisors
ZHOU Min	44	Supervisor
ZHUANG Yan................................	46	Employee Supervisor

ZHANG Baohong, born in 1966, is the Chairman of the Board of Supervisors of the Guarantor, the Employee Supervisor, Secretary of the Party Committee, Secretary of the Board of Directors and Director of the General Office in Sinochem Group. Mr. Zhang holds a Doctor's Degree in Management from Huazhong University of Science and Technology. Prior to joining the Sinochem Group, he has served as consultant for the 3rd Corporate Internal Control Standards Committee of the Ministry of Finance and was a Member of the National Risk Management Standardization Technical Committee. Since joining the Sinochem Group in 1988, he has served as the General Manager of the Finance Department and the Deputy General Manager in Sinochem International Fertiliser Trading Company, the General Manager of the Finance Department and the Deputy Manager in the Fertiliser Centre, the Deputy Executive General Manager of Sinochem Lantian, the General Manager of the Risk Management Department and a Member of the Party Committee for Disciplinary Inspection in Sinochem Group, Director of the Audit Compliance Department and the General Manager of the Risk Management Department in Sinochem Corporation.

ZHOU Min, born in 1975, is a Supervisor of the Guarantor and the Deputy Director of the Department of Innovation and Strategy in Sinochem Group. Mr. Zhou obtained his Bachelor's Degree in Organic Chemical Technology and Technological Economics from Tianjin University. He joined Sinochem Group in 1997 and served as an assistant to the General Manager in the North Farm branch of Sinochem International Trading Co. Ltd., an assistant to the General Manager and the Deputy General Manager of the Investment Department of the North Farm, the Manager of the Project Development Department under the Investment Department in Sinochem Group, the Deputy General Manager in Sinochem Hebei Limited Company, the Deputy General Manager of the Strategic Planning Department in Sinochem Group and Sinochem Corporation.

ZHUANG Yan, born in 1974, is currently an Employee Supervisor of the Guarantor. Ms. Yan obtained her Bachelor's Degree in Science and Technology from the Shanghai Jiaotong University. Prior to joining the Guarantor, she worked as an on-site trading representative of Great Wall Securities Co., Ltd. ("**Great Wall**") on the Shanghai Stock Exchange, and was responsible for Great Wall's B-share trading and clearing work. After joining the Guarantor in 2004, Ms. Yan has been engaged in board administration and securities affairs in the Board Office of the Guarantor. She now serves as a Corporate Governance Manager and Member of the Auditing Committee of the Corporate Labor Union.

Senior Management

The Guarantor currently has three deputy general managers, one secretary of board of directors, one chief research and development officer and one chief financial officer. The general manager is appointed by and reported to the board of directors. The general manager is primarily responsible for daily operations and management of the Guarantor and implementation of the decisions of the board of directors.

The following table sets forth information relating to the Guarantor's senior management as at the date of this Offering Circular:

Name	Age	Position
CHEN Baoshu	57	Chief Research and Development Officer
KE Xiting	42	Secretary of the Board of Directors
QIN Jinke	49	Chief Financial Officer
WANG Jun	47	Deputy General Manager
SU Fu	45	Deputy General Manager
ZHOU Yinghua	51	Deputy General Manager

CHEN Baoshu, born in 1962, is the Chief Research and Development Officer of the Guarantor. He obtained his Bachelor's Degree and Master's Degree in Chemical Engineering from Tianjin University, and a Doctor's Degree in Chemical Engineering at the University of Colorado at Boulder. Before Mr. Chen joined the Sinochem Group in December 2016, he worked at TDA Research Institute, Degussa and Evonik.

KE Xiting, born in 1977, is the Secretary of the Board of Directors of the Guarantor. He obtained his Bachelor's Degree in International Finance from Xiamen University and a Master's Degree in MBA from Fudan University. He worked at the Finance Department in Sinochem Heilongjian Import and Export Corporation, the Human Resources Department and the President Office in Sinochem Import and Export Corporation and the Investment Management Department in the Guarantor. Mr. Ke also served as the Deputy Director of the President Office in the Guarantor, the Business Manager of the Chemical Industrial Business Headquarter and the Manager of the President Office, the Chief Representative of the Taiwan Office, the General Manager of the Investment Management Department and the Deputy General Manager of the Natural Rubber Business Headquarter in Sinochem International, the General Manager of the Production Operations Management and the General Manager in Hainan Sinochem Rubber Co., Ltd. Currently, he is also the General Office Manager of the Guarantor.

QIN Jinke, born in 1970, is currently the Chief Financial Officer, General Manager of the Capital Management Department, Director of the Budget and Performance Committee of the Guarantor, while concurrently serving as the Vice President of Chemical SBU of Sinochem Group. Since joining Sinochem Group in 2001, he has held senior positions in its auditing, finance and accounting departments including Deputy Chief Financial Officer of SIC, General Manager of the Finance Department, Vice General Manager of the Finance Department, General Manager of the Accounting and Tax Office, Chief Financial Officer at Metallurgy and Energy Division and Assistant General Manager of the Auditing Department. Mr. Qin holds a Bachelor's Degree in Accounting from the Central University of Finance and Economics and a Master's Degree in business administration from China Europe International Business School.

WANG Jun, born in 1972, is currently the Deputy General Manager and Member of the Party Committee of the Guarantor. He obtained his Bachelor's Degree in Science and Technology from Nanjing University. Mr. Wang previously served as Technician of China Ordnance 204 Research Institute, Staff Member and Deputy Manager of the Quality Department, Manager of Catalyst Production Department, Deputy Chief Engineer and Chief Engineer of Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd., Chief Engineer and General Manager of Sinochem Taicang Industrial Park, as well as Deputy General Manager and Member of the Party Committee of Sinochem Lantian.

SU Fu, born in 1974, is currently the Deputy General Manager and Member of the Party Committee of the Guarantor. He graduated from the Beijing Wuzi University with a major in international trade. Prior to joining the Guarantor, Mr. Su worked in Beijing Chemical and Light Industry Technology Co., Ltd. and Huaxing Import And Export Co., Ltd.. After joining the Guarantor in 2000, he has served as Deputy General Manager of the Petrochemical Business Department of the Chemical Industry Headquarters, Deputy General Manager of Rubber Business Headquarters, General Manager of Synthetic Rubber Business Headquarters, General Manager of Guangdong Branch of the Guarantor and Assistant General Manager of the Guarantor.

ZHOU Yinghua, born in 1968, is currently the Deputy General Manager and Member of the Party Committee of the Guarantor. He obtained his Bachelor's Degree in chemical engineering from the Shanghai Institute of Technology and a Master's Degree in business administration from Nanjing University. Prior to joining the Guarantor, Mr. Zhou has served as Dispatcher and Chief Dispatcher of the Production Department of Yangzhou Pestici*de Facto*ry, Deputy Director and Director of the Production Department of Yangnong Group, as well as Assistant General Manager, Deputy General Manager, General Manager and Deputy Secretary of the Party Committee of Yangnong Group.

Responsibilities of Specialized Committees under the Board of Directors

The Board of Directors contains the Sustainable Development Committee, Strategy Committee, the Nomination and Company Management Committee, the Remuneration and Assessment Committee and the Audit and Risk Committee:

- The Sustainable Development Committee of the Guarantor is responsible for formulating the sustainable development goals and plans, supervising the operation of sustainable development systems of each business sector, and providing suggestions and plans for improving the sustainable development performance; responsible for strengthening the Guarantor's decision-making and supervision ability and managing inappropriate employee behaviour to avoid controversial misconduct. The Board of Directors deliberated and passed the Working Rules on Sustainable Development Committee of the Guarantor to enhance the overall level of sustainable development management.

- The Strategy Committee is responsible for studying long-term development strategies and major investment decisions as well as proposing suggestions.

- The Nominating and Corporate Governance Committee is responsible for studying the criteria and procedures for the selection of directors and senior management and proposing suggestions, selecting qualified candidates and checking the qualifications of candidates for director and senior management positions and proposing suggestions.

- The Remuneration and Assessment Committee is responsible for studying assessment criteria for directors and senior management, carrying out assessment and proposing suggestions, and studying and examining remuneration policies and plans for directors and senior management positions.

- The Audit and Risk Committee is responsible for supervising and evaluating external audits, proposing to hire or replace external audit agencies, supervising and evaluating internal audits, coordinating internal and external audits, auditing financial information and its disclosure, supervising and evaluating internal control of the Guarantor, and covering other matters authorized by laws, regulations, articles of association, and the Board of Directors.

SUBSTANTIAL SHAREHOLDERS OF THE ISSUER

Ordinary Shares

Distribution of Ordinary Shareholders

The number of ordinary shareholders (members) of the Issuer as of 20 March 2020 is 10,473. There is one class of ordinary shares with equal voting rights.

Size of Holdings	Number of Ordinary Shareholders	%	Number of Shares held	%
1 – 99	1,938	18.50	112,876	0.01
100 – 1,000	3,397	32.44	1,474,602	0.09
1,001 – 10,000	3,633	34.69	15,463,710	0.97
10,001 – 1,000,000	1,478	14.11	73,756,095	4.62
1,000,001 and above	27	0.26	1,504,204,658	94.31
Total	10,473	100.00	1,595,011,941	100.00

As of 20 March 2020, the number of issued ordinary shares (including treasury shares) was 1,595,011,941.

Twenty Largest Holders of Ordinary Shares

The total shareholdings of the 20 largest shareholders (members) of the Issuer comprised 93.62 per cent. of the issued share capital of the Issuer, and their names and the number of ordinary shares held by each of them as of 20 March 2020 are detailed below:

Twenty Largest Shareholders	Number of shares	%
Sinochem International (Overseas) Pte Ltd	877,056,655	54.99
UOB Kay Hian Private Limited	166,230,146	10.42
Citibank Nominees Singapore Pte Ltd	114,049,605	7.15
DBS Nominees (Private) Limited	97,177,186	6.09
GMG Holding (H.K.) Limited	72,922,374	4.57
Credence Capital Fund II (Cayman) Limited	52,500,000	3.29
Raffles Nominees (Pte) Limited	38,677,955	2.42
Panwell (Pte) Ltd	11,601,183	0.73
OCBC Securities Private Limited	11,313,374	0.71
Nomura Singapore Limited	11,211,047	0.70
Andrew Trevatt	9,013,066	0.57
BNP Paribas Nominees Singapore Pte Ltd	5,726,101	0.36
DBS Vickers Securities (Singapore) Pte Ltd	4,213,937	0.26
Beschizza Leonard Peter Silvio	4,000,000	0.25
Ge Jianming	3,550,347	0.22
STF Investments Ltd	3,125,600	0.20
CGS-CIMB Securities (Singapore) Pte. Ltd.	2,968,831	0.19
See Yong Hang	2,845,818	0.18
Tan Ng Kuang	2,799,900	0.18
ABN AMRO Clearing Bank N.V.	2,254,751	0.14
Total	**1,493,237,876**	**93.62**

Substantial Holders of Ordinary Shares

The following table shows the shareholders of the Issuer as shown in the Register of Substantial Shareholders as of 20 March 2020:

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of Shares	%	Number of Shares	%
Sinochem International (Overseas) Pte. Ltd.....	877,056,655	54.99	-	-
Sinochem International Corporation(1)	-	-	877,056,655	54.99
Sinochem Corporation(1)	-	-	877,056,655	54.99
Sinochem Group(1)	-	-	877,056,655	54.99
China-Africa Agrichemical Investment Corporation Limited.......................................	162,864,000	10.21	-	-
China-Africa Development Fund(2)....................	-	-	162,864,000	10.21
Mieke Bintati Gondobintoro	859,329	0.05	84,523,557(3)	5.30
Jeffrey Gondobintoro	639,642	0.04	84,523,557(3)	5.30

Notes:

(1) Each of Sinochem International Corporation, Sinochem Corporation and Sinochem Group is deemed interested in the shares held by Sinochem International (Overseas) Pte. Ltd. ("**SIO**"), by virtue of its controlling interest in SIO.

(2) China-Africa Development Fund is deemed interested in the shares held by its wholly owned subsidiary, China-Africa Agrichemical Investment Corporation Limited.

(3) Mieke Biantati Gondobintoro and Jeffrey Gondobintoro are deemed interested in 11,601,183 shares held by Panwell (Pte) Ltd and 72,922,374 shares held by GMG Holding (H.K.) Limited.

As of 20 March 2020, approximately 24.35 per cent. of the issued ordinary shares of the Issuer were held in public hands.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the provision by the Guarantor of the Guarantee of the Securities. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Guarantee of the Securities.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC ("**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law.

After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

A party seeking to enforce a judgement or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgement or order. A foreign judgement or ruling may also be recognised and enforced by a court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination in accordance with the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

PRC CURRENCY CONTROLS

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a Supervision List determined by the PBOC and five other relevant authorities would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC promulgated the Circular on Matters concerning Centralised Cross- Border Renminbi Fund Operation Conducted by Multinational Enterprise Groups (關於跨國企業集團開展跨境人民幣資金集中運營業務有關事宜的通知), which introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨境雙向人民幣資金池業務的通知) (the "**2015 PBOC Circular**"), which, among others, have lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. On 5 January 2018, the PBOC promulgated the Circular on Further Fine-tuning the Policies on Cross-border Renminbi Business to Promote Trade and Investment Facilitation (關於進壹步完善人民幣跨境業務政策促進貿易投資便利化的通知), which permits an enterprise to use Renminbi to settle all cross-border transactions that may be settled by foreign currencies pursuant to PRC laws. On 23 October 2019, the SAFE promulgated the Circular of Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), which further provides details in facilitating foreign exchange procedures in compliance with PRC laws.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Previously, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by PBOC, the Ministry of Commerce of the PRC ("**MOFCOM**") and the State Administration of Foreign Exchange of the PRC ("**SAFE**"), foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. In addition, the Circular on Reforming Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) which became effective on 1 June 2015 and partly abolished on 30 December 2019, allows foreign-invested enterprises to settle 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs. A negative list with respect to the usage of the capital and the Renminbi proceeds through the aforementioned settlement procedure is set forth under the Circular. In particular, a foreign invested enterprise with investment as its main business is permitted to use such Renminbi proceeds to make equity contribution to its invested enterprises directly, without further fillings with SAFE.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "foreign debt") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "outbound loans"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in denominated and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "cross-border security"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group. On 10 June 2018, the State Council issued the Notice of the State Council on Certain Measures for Actively and Effectively Utilizing Foreign Investment to Promote Quality Economic Development (國務院關於積極有效利用外資推動經濟高質量發展若干措施的通知), to simplify the management of cash pools, relax the conditions for filing of enterprises launching pilot programmes of centralised operation and management of foreign exchange funds of multinational corporations and support multinational enterprise groups in transacting RMB two-way cross-border cash pooling business.

There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

Cross-border Security Regulations

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Guarantee (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) and the relating implementation guidelines (collectively the "**New Regulations**"). The New Regulations, which came into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration or filing for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall register (by submitting an application document package) the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. Upon enforcement, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity in the PRC. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC laws.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Securities. The Guarantor's obligations in respect of the Securities are contained in the Deed of Guarantee.

The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed of Guarantee to the Shanghai Branch of SAFE for registration within 15 working days after its execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee.

Under the New Regulations, the Shanghai Branch of SAFE will go through a procedural review (as opposed to a substantive approval process) of the Guarantor's application for registration. Upon completion of the review, the Shanghai Branch of SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration. The Guarantor has been advised by its PRC legal advisors that there are no foreseeable obstacles to the completion of the registration so long as all relevant documents have been duly and timely submitted to SAFE.

Under the New Regulations:

- non-registration does not render the Guarantee of the Securities ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor upon enforcement under the Guarantee of the Securities) as domestic banks may require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Terms and Conditions of the Securities provide that the Guarantor will register, or cause to be registered, the Deed of Guarantee with SAFE in accordance with, and within the time period prescribed by, the New Regulations and use its best endeavours to complete the registration and obtain a registration record from SAFE on or before the Registration Deadline. If the Guarantor fails to complete the SAFE registration and deliver the registration records to the Trustee before the Registration Deadline, the holders of the Securities will have a put option to require the Issuer to redeem the Securities held by them at their principal amount together with accrued interest (see Condition 5(f) (*Redemption for Breach of Covenant Event*) of the Terms and Conditions of the Securities).

NDRC Regulations

On 14 September 2015, the NDRC issued the NDRC Circular, which came into effect on the same date. According to the NDRC Circular, if a PRC enterprise or an overseas enterprise controlled by a PRC enterprise wishes to issue debt instruments outside of the PRC with a maturity of more than one year, such enterprise should apply for record-filing and registration to the NDRC in advance (the "**Pre-Issuance Registration Certificate**"). In addition, the enterprise must also provide information on the issuance of the debt to the NDRC within 10 working days following the end of each issue of debt instruments (the "**Post-Issuance Filing**"). The interpretation of the NDRC Circular may involve significant uncertainty. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's Financial Statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter. PRC GAAP have substantively converged with International Financial Reporting Standards, however, there are time difference in adoption of below standards compared with adoption of IFRS.

New Standards of Financial Instruments

The Guarantor started adopting the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24—Hedge Accounting and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments revised by the MoF in 2017 since 1 January 2019 (hereinafter referred to as the "**New Standards of Financial Instruments**").

In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to- maturity investments and available-for-sale financial assets in the Original Standards of Financial Instruments are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in non-tradable equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be carried forward to profit or loss at disposal.

In terms of the impairment of financial assets, requirements relative to impairments in the New Standards of Financial Instruments are applicable to financial assets measured at amortized cost and fair value through other comprehensive income. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognized as the expected credit losses within 12 months or the full lifetime based on whether credit risks of relevant items have been increased significantly from the initial recognition.

For the requirements of the recognition and measurement of financial instruments inconsistent with those of the New Standards of Financial Instruments before 1 January 2019, the Guarantor makes adjustments in accordance with the New Standards of Financial Instruments. The Guarantor makes no adjustments for the previous comparative data inconsistent with the requirements of the New Standards of Financial Instruments. The difference between the original carrying amount of the financial instruments and the new carrying amount at the date implementing the New Standards of Financial Instruments is recognized in the retained earnings or other comprehensive income as at 1 January 2019. For the detailed impact of the application of New Standards of Financial Instruments since 1 January 2019, refer to "Note III 29.2 of the Audited consolidated financial statements of the Guarantor for the year ended 31 December 2019".

New Standards of Revenue

The Guarantor started adopting the Accounting Standards for Enterprises No. 14 – Revenue revised by the MoF in 2017 since 1 January 2020.

New Standards of Leasing

In addition, the revised Accounting Standards for Enterprises No. 22 – leasing which is equivalent to IFRS16 hasn't been adopted yet.

TAXATION

The following summary of certain Singapore, PRC and United Kingdom tax consequences of the purchase, ownership and disposition of the Securities is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Securities or any persons acquiring, selling or otherwise dealing in the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. Persons considering the purchase of the Securities should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Securities under the laws of their country of citizenship, residence or domicile.

Singapore

The statements made herein regarding Singapore taxation are general in nature and based on certain aspects of the current tax laws of Singapore and administrative guidelines and circulars issued by the Inland Revenue Authority of Singapore ("**IRAS**") and the Monetary Authority of Singapore ("**MAS**") in force as of the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or in the interpretation of these laws, administrative guidelines or circulars, occurring after such date, which changes could be made on a retrospective basis. These laws, administrative guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Securities are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposition of the Securities, including, in particular, the effect of any foreign, state or local tax laws to which they are subject to. It is emphasised that none of the Issuer, the Guarantor, the Joint Lead Managers and any other persons involved in the offer and issuance of the Securities accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

The disclosure below is on the assumption that the Issuer is tax resident in Singapore for Singapore tax purposes. In addition, the disclosure below is on the assumption that the IRAS regards the Securities as "debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**ITA**") and that Distributions made under the Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the other conditions under the qualifying debt securities scheme are satisfied. If the Securities are not regarded as "debt securities" for the purposes of the ITA, Distributions made under the Securities are not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions or exemptions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Securities.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable withholding tax rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore, and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The withholding tax rate of 15 per cent. may be reduced by applicable tax treaties, provided the relevant treaty conditions are fulfilled.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

As the issue of the Securities is jointly lead-managed by DBS Bank Ltd., China Construction Bank Corporation Singapore Branch, CMBC Securities Company Limited and ING Bank N.V., Singapore Branch, and on the basis that more than half of them (i.e. DBS Bank Ltd., China Construction Bank Corporation Singapore Branch and ING Bank N.V., Singapore Branch) are Financial Sector Incentive (Standard Tier) ("**FSI-ST**") or Financial Sector Incentive (Capital Market) ("**FSI-CM**") Companies (each as defined in the ITA) at such time, and more than half of the Securities issued are distributed by such FSI-ST and/or FSI-CM Companies, and the Securities are issued as debt securities prior to 31 December 2023, the Securities would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Securities in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require and the inclusion by the Issuer in all offering documents relating to the Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Securities using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Qualifying Income**") from the Securities paid by the Issuer and derived by a holder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Securities are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore income tax;

(b) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Securities in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require), Qualifying Income from the Securities paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

(c) subject to:

   (i) the Issuer including in all offering documents relating to the Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Securities is not exempt from tax shall include such income in a return of income made under the ITA; and

   (ii) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Securities in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Securities as the MAS may require,

   payments of Qualifying Income derived from the Securities and paid by the Issuer are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

(a) if during the primary launch of the Securities, the Securities are issued to fewer than four persons and 50 per cent. or more of the issue of the Securities is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Securities would not qualify as QDS; and

(b) even though the Securities are QDS, if at any time during the tenure of the Securities, 50 per cent. or more of the Securities which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Securities held by:

   (i) any related party of the Issuer; or

   (ii) any other person where the funds used by such person to acquire the Securities are obtained, directly or indirectly, from any related party of the Issuer,

   shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms "**prepayment fee**", "**redemption premium**" and "**break cost**" are defined in the ITA as follows:

"**prepayment fee**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"**redemption premium**", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"**break cost**", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "**prepayment fee**", "**redemption premium**" and "**break cost**" in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest (including Distributions which are regarded as interest for Singapore income tax purposes), discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Securities by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires the Securities using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest (including Distributions which are regarded as interest for Singapore income tax purposes), discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

Characterisation of the Securities

The ITA currently does not contain specific provisions on the Singapore income tax treatment of hybrid instruments (i.e. financial instruments that exhibit both debt-like and equity-like features). However, the IRAS has issued a circular entitled "Income Tax Treatment of Hybrid Instruments" (the "**Hybrid Instruments Circular**") which provides guidance on the factors taken into consideration when determining whether a hybrid instrument is to be treated as a debt or equity instrument for Singapore income tax purposes and the corresponding income tax treatment.

Based on the Hybrid Instruments Circular, the first step in determining the characterisation of a hybrid instrument is to determine its legal form, which involves an examination of the legal rights and obligations created by the instrument. A hybrid instrument is generally characterised as equity if the legal terms of the instrument indicate ownership interests in the issuer.

If the legal form of a hybrid instrument is not indicative of or does not reflect the legal rights and obligations, the facts and circumstances surrounding the instrument and a combination of factors would be examined, which include (but are not limited to):

(a) the nature of interest acquired;

(b) investor's right to participate in the issuer's business;

(c) voting rights conferred by the instrument;

(d) obligation to repay the principal amount of the instrument;

(e) payout;

(f) investor's right to enforce payment;

(g) classification by other regulatory authority; and

(h) ranking for repayment in the event of liquidation or dissolution.

As further provided in the Hybrid Instruments Circular:

(a) if a hybrid instrument is characterised as a debt instrument for Singapore income tax purposes, distributions from the issuer to the investor are regarded as interest; and

(b) if a hybrid instrument issued by a company is characterised as an equity instrument for Singapore income tax purposes, distributions from the issuer to the investors are regarded as dividends.

In the event that the Securities are characterised as debt instruments for Singapore income tax purposes, payments of Distributions (including any Arrears of Distribution and any Additional Distribution Amounts) should be regarded as interest payments. Accordingly, see the section "*Interest and Other Payments*" on the Singapore income tax treatment that may be applicable on the Distributions (including Arrears of Distribution and any Additional Distribution Amounts) in respect of the Securities.

In the event that the Securities which are issued by the Issuer are characterised as equity instruments for Singapore income tax purposes and the Distributions are to be treated as dividends in the hands of holders of the Securities, the payment of dividends should not be subject to Singapore withholding tax and should be exempt from Singapore income tax in the hands of the holders of the Securities on the basis that the Issuer is a company tax resident in Singapore. However, any Additional Distribution Amounts (if applicable) in respect of the Securities, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, may be subject to withholding tax on the basis that such amounts may be regarded as payments deemed to be derived from Singapore under Section 12(6) of the ITA as described in the section "Interest and Other Payments". See the section "*Interest and Other Payments*" on the applicable withholding tax rates.

Advance Tax Ruling Application

An advance tax ruling will be requested from the IRAS to confirm, amongst other things, whether the IRAS would regard the Securities as "debt securities" for the purposes of the ITA and the Distributions (including Arrears of Distribution and any Additional Distribution Amounts) made under the Securities as interest payable on indebtedness such that holders of the Securities may enjoy the tax concessions and exemptions available for QDS under the QDS scheme, as set out in the section "*Interest and Other Payments*".

There is no guarantee that a favourable ruling will be obtained from the IRAS. In addition, no assurance is given that the Issuer can provide all information or documents requested by the IRAS for the purpose of the ruling request, and a ruling may not therefore be issued.

If the Securities are not regarded as "debt securities" for the purposes of the ITA, the Distributions (including Arrears of Distribution and any Additional Distribution Amounts) made under the Securities are not regarded as interest payable on indebtedness and/or holders thereof are not eligible for the tax concessions or exemptions under the QDS scheme, the tax treatment to holders may differ.

No assurance, warranty or guarantee is given on the tax treatment to holders of the Securities in respect of the Distributions payable to them (including Arrears of Distribution and any Additional Distribution Amounts). Investors should therefore consult their own accounting and tax advisers regarding the Singapore income tax consequence of their acquisition, holding and disposal of the Securities.

Upon receipt of the advance tax ruling requested from the IRAS, the Issuer will provide the relevant details of such advance tax ruling via an announcement shortly after the receipt of the advance tax ruling.

Gains on Disposal of the Securities

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Securities who apply or are required to apply Singapore Financial Reporting Standard ("**FRS**") 39, FRS 109 or Singapore Financial Reporting Standard (International) 9 ("**SFRS(I) 9**") (as the case may be), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39, FRS 109 or SFRS(I) 9 (as the case may be). See the section below on "*Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 39, FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "*Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement*".

FRS 109 or SFRS(I) 9 (as the case may be) is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 or SFRS(I) 9 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "*Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments*".

Holders of the Securities who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Securities by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes.

These beneficial owners are referred to as non-PRC Holders in this "*PRC*" section. In considering whether to invest in the Securities, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2018.

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "*de facto* management organisation" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the Issuer's "*de facto* management organisation" is within the territory of the PRC, it may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside the PRC. As at the date of this Offering Circular, the Issuer confirms that it has not received notice or has been informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no actual connection to its establishment within the PRC, shall be required to pay an income tax at the rate of 10 per cent. on the income sourced inside the PRC. Such income tax shall be withheld by the PRC payer that is acting as the obligatory withholder and such PRC payer shall withhold the tax amount from each payment or payment due. Although as confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, it will be required to withhold income tax from the payments of Distribution in respect of the Securities for any non-PRC Holder. However, despite the potential withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Securities so that holders of the Securities would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Securities*".

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Securities, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. on the payments of Distribution made by it under the Guarantee of the Securities to non PRC resident enterprise Holders as such payments of Distribution will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non PRC resident enterprise Holders. Repayment of the principal will not be subject to PRC withholding tax.

According to the double taxation arrangement between China and Hong Kong and relevant PRC tax regulations, residents of Hong Kong will not be subject to PRC tax on any capital gains from a sale or exchange of the Securities. Other non-PRC Holders will also not be subject to the PRC tax on any capital gains derived from a sale or exchange of Securities consummated outside the PRC between non-PRC Holders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC Holders from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax. No PRC stamp duty will be imposed on non-PRC Holders either upon issuance of the Securities or upon a subsequent transfer of Securities.

Value Added Tax

On 23 March 2016, the MOF and the SAT jointly issued the Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which previously attracted business tax has been entirely replaced by, and is subject to, VAT.

According to Circular 36, the entities and individuals providing the services within PRC shall be subject to VAT. The services are treated as being provided within PRC where either the service provider or the service recipient is located in PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the interpretation of "loans" under the Circular 36, the issuance of Securities may be treated as the holders of the Securities providing loans to the Issuer and the Guarantor, which thus shall be regarded as the provision of financial services that could be subject to VAT. Further, given that the Guarantor is located in the PRC or if the Issuer is treated as a PRC tax resident, the holders of the Securities could be regarded as providing financial services within PRC and consequently, the holders of the Securities shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Securities. In addition, the holders of the Securities shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.7 per cent. Given that the Issuer or the Guarantor pays interest income to Holders who are located outside of the PRC, the Issuer or the Guarantor, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Holders who are located outside of the PRC.

Where a holder of the Securities who is an entity or individual located outside of the PRC resells the Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer or the Guarantor does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Securities is located within the PRC.

The above disclosure under Circular 36 may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of the Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer or the Guarantor may need to withhold EIT, (should such tax apply) from the payments of interest in respect of the Securities for any non-PRC-resident Holder and the Issuer or the Guarantor may need to withhold VAT (should such tax apply) from the payments of interest in respect of the Securities for any Holders located outside of the PRC. However, in the event that the Issuer or the Guarantor is required to make such a deduction or withholding (whether by way of EIT or VAT or otherwise), the Issuer and the Guarantor have agreed to pay such additional amounts as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required.

For more information, see "*Terms and Conditions of the Securities – Condition 7 (Taxation)*".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Holders either upon issuance of the Securities or a subsequent transfer of Securities to the extent that the register of Holders is maintained outside the PRC and the issuance and sale of Securities is outside the PRC.

PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Securities are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Securities, such withholding would not apply prior to January 2019 and Securities issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Securities (as described under "*Terms and Conditions of the Securities – Further Issues*") that are not distinguishable from previously issued

Securities are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Securities, including the Securities offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Securities. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Securities, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Issuer and the Guarantor have entered into a subscription agreement with DBS Bank Ltd., China Construction Bank Corporation Singapore Branch and CMBC Securities Company Limited as joint global coordinators, joint bookrunners and joint lead managers, and ING Bank N.V., Singapore Branch as joint bookrunner and joint lead manager (the "**Managers**") dated 11 November 2020 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, which have severally agreed to subscribe for, or to procure subscribers to subscribe for, the Securities at an issue price of 100 per cent. of their principal amount (the "**Issue Price**") in the amount set forth below. Any subsequent offering of the Securities to investors may be at a price different from such Issue Price:

	Principal amount of Securities
	(U.S.$)
DBS Bank Ltd.	110,000,000
China Construction Bank Corporation Singapore Branch	25,000,000
CMBC Securities Company Limited.	60,000,000
ING Bank N.V., Singapore Branch	5,000,000
Total	200,000,000

The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate the Subscription Agreement in certain circumstances at any time prior to the payment of the net proceeds of the issue of the Securities to the Issuer on the Issue Date.

OTHER RELATIONSHIPS

The Issuer has agreed with the Managers that it will pay a commission to the Managers in connection with the issue of the Securities, which commission shall be deducted from the issue price for the Securities.

The Issuer and the Guarantor have jointly and severally agreed with the Managers in the Subscription Agreement that from the date of the Subscription Agreement to (and including) the date falling five days after the Issue Date, each of the Issuer, the Guarantor and any of their respective Subsidiaries shall not issue or offer, or make any announcements of any issue or offering of debt securities outside the PRC (other than the Securities) to the public or through a private placement or otherwise in connection with which the Issuer, the Guarantor or any member of the Issuer Group or the Group is the borrower, debtor, issuer, guarantor, obligor or provider of credit-enhancement, directly or on their behalf, unless the Issuer and the Guarantor have obtained the prior written consent of the Managers (such consent not to be unreasonably withheld). The Issuer and the Guarantor have jointly and severally represented and warranted that, as at the date of the Subscription Agreement and during the five-day period referred to above, it has not mandated and will not mandate any other party to arrange any issue or offering of debt securities outside the PRC (other than the Securities) in connection with which it is the borrower, debtor, issuer, guarantor, obligor, the keepwell provider or the provider of any credit-enhancement.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers against certain liabilities in connection with the offer and sale of the Securities.

The Managers and certain of their subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with the Issuer, the Guarantor or any member of the Issuer Group or Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Managers and their subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor or any member of the Issuer Group or the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Managers or their respective affiliates may purchase the Securities for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Securities and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Securities).

No action has been or will be taken that would, or is intended to, permit a public offering of the Securities, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Securities, in any country or jurisdiction where action for that purpose is required.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

GENERAL

Each Manager has represented, warranted and undertaken to the Issuer that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Securities or has in its possession or distributes this Offering Circular or any related offering material.

UNITED STATES

Each Manager has acknowledged that the Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has represented, warranted and undertaken to the Issuer that it has not offered or sold, and will not offer or sell, any Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Securities.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

Each Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

Each Manager has represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Securities to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

HONG KONG

Each Manager has represented, warranted and undertaken that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WMP)O**") or which do not constitute an offer to the public within the meaning of the C(WMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each of the Managers has represented, warranted and undertaken that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by laws or regulations of the PRC.

SINGAPORE

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Managers has represented, warranted and undertaken that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

JAPAN

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Manager has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws, regulations and ministerial guidelines of Japan.

TAIWAN

The Securities have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan pursuant to relevant securities laws and regulations of Taiwan and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the Securities in Taiwan.

SWITZERLAND

The Securities may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither the Offering Circular nor any other offering or marketing material relating to the Securities or the offering constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither the Offering Circular nor any other offering or marketing material relating to the Securities may be publicly distributed or otherwise made publicly available in Switzerland.

Neither the Offering Circular nor any other offering or marketing material relating to the offering, the Issuer or the Securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, the Offering Circular will not be filed with, and the offer of the Securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of the Securities has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Securities.

GENERAL INFORMATION

1. **Clearing Systems:** The Securities have been accepted for clearance through Euroclear and Clearstream. The securities codes for the Securities are as follows:

   Common Code: 225785040

   ISIN: XS2257850409

   The Legal Entity Identifier (LEI) code of the Issuer is 5493006WFD8UUJNP6G81.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Securities. The issue of the Securities was authorised by a resolution of the board of directors of the Issuer passed on 6 November 2020. The Guarantor has obtained all consents, approvals and authorisations in connection with the giving of the Guarantee of the Securities and the performance of its obligations under the Deed of Guarantee. The giving of the Guarantee of the Securities and the entry into the Deed of Guarantee was authorised by a shareholder resolution of the Guarantor and a resolution of the board of directors of the Guarantor on 14 September 2020 and 27 August 2020, respectively, which is in compliance with the articles of association of the Guarantor.

3. **NDRC Registration:** The Securities will be issued within the NDRC Foreign Debt Quota granted to the Issuer pursuant to the NDRC Quota Certificate and relevant amendments thereto, which supplemented the NDRC Circular. The Issuer and the Guarantor have undertaken to provide the requisite information on the issuance of the Securities to the NDRC within the prescribed timeframe after the Issue Date, as required by the NDRC.

4. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no material adverse change since 31 December 2019, in the business, management, condition (financial or otherwise), business prospects or results of operations of the Issuer, the Guarantor, the Issuer Group, or the Group.

5. **Litigation:** Neither the Issuer nor any members of the Issuer Group nor any of their respective directors, officers or any of their respective properties is involved in any police, legal or governmental or regulatory investigations, actions, suits or proceedings that are material in the context of the Securities nor is the Guarantor aware that any such proceedings are pending, contemplated or threatened.

   Neither the Guarantor nor any members of the Group nor any of their respective directors, officers or any of their respective properties is involved in any police, legal or governmental or regulatory investigations, actions, suits or proceedings that are material in the context of the Securities nor is the Guarantor aware that any such proceedings are pending, contemplated or threatened.

6. **Available Documents:** Copies of the following documents may be inspected from the Issue Date during normal business hours (Saturdays, Sundays and public holidays excepted), upon prior written request and with satisfactory proof of holding, at the principal office for the time being of the Trustee, being at the date of this Offering Circular, at One Raffles Quay, #16-00 South Tower, Singapore 048583 so long as any Security is outstanding:

   (a) the constitutive documents of each of the Issuer and the Guarantor;

   (b) the Issuer's Audited Financial Statements and the latest audited consolidated financial statements of the Issuer which are published after the date of this Offering Circular;

   (c) the Guarantor's Audited Financial Statements, the latest audited consolidated financial statements of the Guarantor which are published after the date of this Offering Circular and the Translated Financial Statements;

   (d) the Trust Deed in respect of the Securities;

(e) the Deed of Guarantee in respect of the Securities;

(f) the Agency Agreement in respect of the Securities; and

(g) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

7. **Financial Statements:** The Issuer's Audited Financial Statements, which are included elsewhere in this Offering Circular, were prepared and presented in accordance with SFRS(I) and have been audited by Ernst & Young LLP, the Issuer's independent auditors, as stated in its report appearing herein. The Issuer's financial information as at and for the years ended 31 December 2017, 2018 and 2019 has been extracted from the Issuer's Audited Financial Statements. The Guarantor's Audited Financial Statements, which are included elsewhere in this Offering Circular, were prepared and presented in accordance with PRC GAAP and have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the Guarantor's independent auditors, as stated in its report appearing herein. The Guarantor's financial information as at and for the years ended 31 December 2017, 2018 and 2019 has been extracted from the Guarantor's Audited Financial Statements.

8. **Listing:** Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and their respective associated companies (if any), the Guarantee of the Securities or the Securities. The Securities will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for as long as any of the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

   For so long as any Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities may be presented or surrendered for payment or redemption, in the event that a Global Certificate is exchanged for definitive Certificates. In addition, in the event that a Global Certificate is exchanged for definitive Certificates, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note:

(1) Investors should note that the consolidated financial statements of the Guarantor attached to this Offering Circular were an English translation only. The original Chinese version of all such consolidated financial statements has been incorporated by reference. See "*Presentation of Financial Information*".

INDEPENDENT AUDITOR'S REPORT

To the members of Halcyon Agri Corporation Limited

Report on the audit of the financial statement

Opinion

We have audited the financial statements of Halcyon Agri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2019, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year then ended.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"s). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

1. Impairment of goodwill and process know-how

As at 31 December 2019, the Group's goodwill and process know-how amounted to US$286,379,000 and US$10,000,000 respectively. These represent approximately 50% of the Group's net assets.

We focused on the impairment assessment of goodwill and process know-how because the impairment testing of the cash generating units ("CGUs") attributable to these intangibles rely on estimates of value-in-use ("VIU") based on the CGU's expected future cash flows. We considered audit of these cash flow projections to be a key audit matter as these involved significant management judgment, and are based on assumptions that are affected by expected future market and economic conditions. In addition, judgment has also been exercised by management in identifying the appropriate CGUs for the impairment test.

The Group uses assumptions in respect of future market and economic conditions such as forecasted rubber price, forecasted sales volume, growth rates and pre-tax discount rates. We assessed and tested these assumptions which the outcome of the impairment test is most sensitive and data inputs by comparing them to historical performance of the CGU and industry outlook reports. We engaged our valuation specialists to assist us with the audit of the reasonableness of management's valuation methodologies and certain assumptions used.

We also reviewed the Group's process in identifying changes to CGUs to which goodwill and/or intangible assets have been allocated to. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in an impairment.

Key audit matters (cont'd)

1. Impairment of goodwill and process know-how (cont'd)

We also assessed the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive, as well as changes to CGUs during the year. The disclosures on goodwill and process know-how and key assumptions are included in Note 11.

2. Measurement of biological assets

The Group has rubber plantations for which the latex and rubber trees are subject to valuation. In December 2019, as disclosed in Note 3.1(a), the Group has reclassified Cameroon plantation as non-bearer plant measured at fair value less cost of disposal. A gain of US$52,698,000 was recorded on the date of reclassification in the financial year ended 31 December 2019.

As at 31 December 2019, biological assets of the Group amounted to US$299,466,000 (2018: US$10,225,000). These biological assets, where significant, are fair valued by professional independent valuers engaged by the Group using industry/market accepted valuation methodology. Due to the measurement of fair value being inherently judgement and significance of the amount, we have considered this to be a key audit matter.

We had obtained the valuation of biological assets prepared by independent professional valuers engaged by the Group. The fair value reports are reviewed by us together with our valuation specialists for appropriateness of the fair value methodology used and reasonableness of the assumptions used which include forecast cash flows, discount rates and yield rates for the plantation and market prices of the latex and log. We assessed the competence, capability and objectivity of the independent professional valuers and assessed the reasonableness of their conclusions having regard to the key assumptions mentioned above.

For Cameroon plantation, we discussed with management on the change of business model during the year, and corroborate the discussion to business plan and feasibility studies carried out by management. We reviewed management's accounting treatment of fair value gain on the date of reclassification in accordance with SFRS(I) 1-41.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of 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 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Halcyon Agri Corporation Limited

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019	2018
		US$'000	US$'000
Revenue	4	1,907,747	2,141,034
Cost of sales		(1,800,395)	(2,022,591)
Gross profit		107,352	118,443
Other income	5	62,248	6,655
Selling expenses		(45,174)	(43,859)
General and administrative expenses		(90,143)	(81,521)
General and administrative expenses– foreign exchange gain		4,361	5,342
Impairment losses on financial assets		(324)	(585)
Operating profit		38,320	4,475
Finance income	6(a)	6,069	4,900
Finance costs	6(b)	(40,826)	(26,174)
Share of loss of an associate		(252)	(165)
Profit/(Loss) before tax	8	3,311	(16,964)
Income tax (expense)/credit	7	(7,041)	3,551
Loss for the financial year		(3,730)	(13,413)
Loss attributable to:			
Owners of the Company		(1,633)	(8,484)
Non-controlling interests		(2,097)	(4,929)
		(3,730)	(13,413)
Loss per share ("LPS"):			
Basic and diluted (cents per share)	10	(0.31)	(0.96)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
		US$'000	US$'000
Loss for the financial year		(3,730)	(13,413)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		7,171	(31,711)
Net fair value changes on derivative financial instruments at fair value through other comprehensive income reclassified to profit or loss		314	(315)
Realisation of foreign currency translation reserve upon liquidation of a subsidiary		–	(5,333)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on retirement benefit obligation (net of tax)		697	3,132
Net fair value loss on equity instruments at fair value through other comprehensive income		(2)	(4)
Other comprehensive income/(loss) for the financial year net of tax		8,180	(34,231)
Total comprehensive income/(loss) for the financial year net of tax		4,450	(47,644)
Attributable to:			
- Owners of the Company		6,529	(40,766)
- Non-controlling interests		(2,079)	(6,878)
Total comprehensive income/(loss) for the financial year net of tax		4,450	(47,644)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

AS at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	300,941	300,903	914	1,164
Property, plant and equipment	12	311,652	294,972	3,320	168
Plantation and biological assets	16	466,079	380,391	–	–
Investment properties	13	44,718	46,799	–	–
Deferred tax assets	15	21,259	15,056	–	–
Deferred charges		433	352	–	–
Other assets		1,618	1,787	–	–
Loans and other receivables	19	3,425	3,491	–	–
Investment in subsidiaries	14(a)	–	–	685,671	680,010
Investment in an associate	14(b)	1,035	1,190	–	–
Total non-current assets		1,151,160	1,044,941	689,905	681,342
Current assets					
Cash and bank balances	17	57,905	125,214	369	770
Trade receivables	18	133,753	146,745	–	–
Loans and other receivables	19	159,700	146,186	861,924	808,726
Tax receivables		11,696	9,386	–	–
Derivative financial instruments	20	20,523	44,190	928	670
Inventories	21	375,394	297,941	–	–
Consumable biological assets	16	6	17	–	–
		758,977	769,679	863,221	810,166
Assets classified as held for sale	22	4,820	–	–	–
Total current assets		763,797	769,679	863,221	810,166
Total assets		1,914,957	1,814,620	1,553,126	1,491,508

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	20	10,534	1,920	507	670
Trade payables	23	38,331	34,570	–	–
Other payables	24	55,076	55,682	257,991	123,150
Loan payables	25	611,821	520,400	347,047	293,750
Provision for taxation		6,187	12,418	552	1
Lease liabilities	30	3,124	42	1,021	–
Total current liabilities		725,073	625,032	607,118	417,571
Net current assets		38,724	144,647	256,103	392,595
Non-current liabilities					
Loan payables	25	511,912	391,640	342,454	297,817
Retirement benefit obligations	26	22,541	19,024	–	–
Deferred tax liabilities	15	48,012	38,643	71	36
Lease liabilities	30	10,203	132	1,823	–
Other payables	24	8,228	4,263	–	–
Total non-current liabilities		600,896	453,702	344,348	297,853
Net assets		588,988	735,886	601,660	776,084
Capital and reserves					
Share capital	27	603,874	603,874	603,874	603,874
Perpetual securities	28	–	148,690	–	148,690
Capital reserve	29(a)	1,814	1,617	–	–
Other reserves	29(b)	(2,952)	(3,313)	(1,310)	–
Accumulated (losses)/profit		(56,162)	(51,651)	(904)	23,520
Foreign currency translation reserve	29(c)	14,903	7,749	–	–
Equity attributable to owners of the Company		561,477	706,966	601,660	776,084
Non-controlling interests		27,511	28,920	–	–
Total equity		588,988	735,886	601,660	776,084
Total liabilities and equity		1,914,957	1,814,620	1,553,126	1,491,508

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/ (losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2019		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886
Loss for the year		–	–	–	–	(1,633)	–	(1,633)	(2,097)	(3,730)
Other comprehensive income		–	–	–	314	694	7,154	8,162	18	8,180
Total comprehensive income/(loss) for the year		–	–	–	314	(939)	7,154	6,529	(2,079)	4,450
Contributions by and distributions to owners										
Distribution to perpetual securities holders	28	–	–	–	–	(3,375)	–	(3,375)	–	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	–	(1,310)	–	–	(150,000)	–	(150,000)
Statutory reserve fund		–	–	197	–	(197)	–	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(173)	(173)
Total contributions by and distributions to owner		–	(148,690)	197	(1,310)	(3,572)	–	(153,375)	(173)	(153,548)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	1,357	–	–	1,357	843	2,200
Total changes in ownership interests in subsidiaries		–	–	–	1,357	–	–	1,357	843	2,200
At 31 December 2019		603,874	–	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

For the financial year ended 31 December 2019

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/ (losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2018 *		603,874	148,690	711	–	(5,694)	42,672	790,253	42,910	833,163
Effect of adopting SFRS(I) 9		–	–	–	–	(564)	–	(564)	–	(564)
At 1 January 2018 (SFRS(I) framework)		603,874	148,690	711	–	(6,258)	42,672	789,689	42,910	832,599
Loss for the year		–	–	–	–	(8,484)	–	(8,484)	(4,929)	(13,413)
Other comprehensive (loss)/income		–	–	–	(315)	2,956	(34,923)	(32,282)	(1,949)	(34,231)
Total comprehensive loss for the year		–	–	–	(315)	(5,528)	(34,923)	(40,766)	(6,878)	(47,644)
Contributions by and distributions to owners										
Dividends on ordinary shares	36	–	–	–	–	(24,088)	–	(24,088)	–	(24,088)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(354)	(354)
Statutory reserve fund		–	–	906	–	(906)	–	–	–	–
Non-controlling interests arising from acquisition of a subsidiary	14(a)	–	–	–	–	–	–	–	258	258
Distribution to perpetual securities holders	28	–	–	–	–	(6,750)	–	(6,750)	–	(6,750)
Total contributions by and distributions to owner		–	–	906	–	(31,744)	–	(30,838)	(96)	(30,934)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	877	–	–	877	123	1,000
Acquisition of non-controlling interests without a change in control	14(a)	–	–	–	–	(8,121)	–	(8,121)	(7,139)	(15,260)
Total changes in ownership interests in subsidiaries		–	–	–	877	(8,121)	–	(7,244)	(7,016)	(14,260)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/ (losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
Others										
Changes to reserve		–	–	–	(208)	–	–	(208)	–	(208)
Put option granted to non-controlling interest of a subsidiary		–	–	–	(3,667)	–	–	(3,667)	–	(3,667)
Total Others		–	–	–	(3,875)	–	–	(3,875)	–	(3,875)
At 31 December 2018		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886

* Reconciliation between 1 January 2018 balance under FRS framework, as previously reported, to 1 January 2018 balance prepared based on SFRS(I) framework prior to adopting SFRS(I) 9 has been disclosed in Note 38.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	Share capital	Perpetual securities	Other reserves	Accumulated profits/ (losses)	Total equity
		US$'000	US$'000	US$'000	US$'000	US$'000
Company						
1 January 2019		603,874	148,690	–	23,520	776,084
Loss for the year representing total comprehensive loss for the year		–	–	–	(21,049)	(21,049)
Contributions by and distributions to owners						
Distribution to perpetual securities holders	28	–	–	–	(3,375)	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	(1,310)	–	(150,000)
Total transactions with owners in their capacity as owners		–	(148,690)	(1,310)	(3,375)	(153,375)
At 31 December 2019		603,874	–	(1,310)	(904)	601,660
At 1 January 2018		603,874	148,690	–	62,604	815,168
Loss for the year representing total comprehensive income for the year		–	–	–	(8,246)	(8,246)
Contributions by and distributions to owners						
Dividends on ordinary shares	36	–	–	–	(24,088)	(24,088)
Distribution to perpetual securities holders	28	–	–	–	(6,750)	(6,750)
Total transactions with owners in their capacity as owners		–	–	–	(30,838)	(30,838)
At 31 December 2018		603,874	148,690	–	23,520	776,084

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Operating activities			
Profit/(Loss) before tax		3,311	(16,964)
Adjustments for:			
Depreciation expense		29,367	28,479
Amortisation of intangible assets		839	372
Amortisation of right-of-use assets		2,798	–
Retirement benefit expense		7,016	4,690
Interest income		(6,069)	(4,900)
Interest expense		40,826	26,174
Fair value gain on open forward commodities contracts and inventories, unrealised		(7,880)	(54)
Fair value gain on investment properties	5	(80)	(4,515)
Fair value gain on biological assets	5	(52,698)	(1)
Unrealised foreign exchange (gain)/loss		(196)	1,730
Impairment of property, plant and equipment		257	–
(Gain)/Loss on disposal of property, plant and equipment and investment properties		(265)	79
Write off of property, plant and equipment		591	2,781
Inventories written down		1,546	–
Gain on realisation of foreign currency translation reserve upon liquidation of a subsidiary		–	(5,333)
Allowance for expected credit losses on trade and other receivables		324	585
Net reversal of allowance for doubtful debt		(4,671)	–
Share of loss of an associate		252	165
Operating cash flows before changes in working capital		15,268	33,288
Trade and other receivables		8,212	(50,340)
Inventories		(34,587)	22,453
Trade and other payables		(3,647)	(29,711)
Cash used in operations		(14,754)	(24,310)
Interest received		2,082	4,371
Interest paid		(25,564)	(18,828)
Tax paid		(3,381)	(14,165)
Net cash used in operating activities		(41,617)	(52,932)
Investing activities			
Proceeds from issuance of shares of a subsidiary to non-controlling interests		2,200	1,000
Acquisition of non-controlling interests		–	(15,260)
Capital expenditure on property, plant and equipment, intangible assets and plantation assets		(68,245)	(78,714)
Proceeds from disposal of property, plant and equipment and investment properties		523	1,517
Acquisition of subsidiaries (net of cash acquired)		–	(109,579)
Payment of capitalised corporate transaction		–	(208)
Net cash used in investing activities		(65,522)	(201,244)

	Note	2019	2018
		US$'000	US$'000
Financing activities			
Repayment of perpetual securities		(150,000)	–
Net proceeds of borrowings		209,920	280,593
Net proceeds/(repayment) of term loans		159,779	(15,330)
Net proceeds of other working capital loans		50,141	295,923
Repayment of obligation under lease arrangements		(3,055)	(582)
Interest paid on term loans		(14,623)	(12,356)
Dividend distributed to perpetual securities holders	28	(3,375)	(6,750)
Dividend paid on ordinary shares	36	–	(24,088)
Repayment of shareholder loan for newly acquired subsidiaries		–	(10,306)
Dividend paid to non-controlling interests		(173)	(354)
(Increase)/Decrease in pledged deposits		(22)	2,288
Net cash generated from financing activities		38,672	228,445
Net decrease in cash and cash equivalents		(68,467)	(25,731)
Cash and cash equivalents at the beginning of year		122,931	153,372
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,163	(4,710)
Cash and cash equivalents at the end of year		55,627	122,931
Cash and bank balances comprise the following:			
Cash and cash equivalents		55,627	122,931
Fixed deposits – pledged		2,278	2,283
		57,905	125,214

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables	**Lease liabilities**
	US$'000	US$'000
	(Note 25)	(Note 30)
At 1 January 2018	610,511	582
Net proceeds/(repayment) of borrowings	280,593	(582)
Non-cash items:		
- Acquisition of subsidiaries	29,064	–
- Foreign exchange movement	(9,328)	–
- Amortisation fee for loan	1,200	–
- Others	–	174
Total non-cash items	20,936	174
At 31 December 2018	912,040	174
Net proceeds/(repayment) of borrowings	209,920	(3,055)
Non-cash items:		
- Addition on right-of-use assets	–	15,702
- Foreign exchange movement	550	27
- Amortisation fee for loan	1,223	–
- Others	–	479
Total non-cash items	1,773	16,208
At 31 December 2019	1,123,733	13,327

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Halcyon Agri Corporation Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The registered office of the Company is located at 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922.

As at 31 December 2019, the Company is 54.99% owned by Sinochem International (Overseas) Pte. Ltd, a company incorporated and domiciled in Singapore. The penultimate holding company is Sinochem International Corporation Co., Ltd. ("SIC"), which is domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. SIC is 55.76% indirectly owned by 中国中化集团公司 (also known as Sinochem Group) ("ultimate holding company"), a state-owned enterprise of the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are disclosed in Note 14(a) and Note 14(b) to the financial statements respectively.

2. Summary of significant accounting policies

2.1 (a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") unless otherwise indicated.

<u>New accounting standards effective on 1 January 2019</u>

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the matters described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

i) SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement Contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

2. Summary of significant accounting policies (cont'd)

2.1 (a) Basis of preparation (cont'd)

New accounting standards effective on 1 January 2019 (cont'd)

i) SFRS(I) 16 Leases (cont'd)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

	Group
	US$'000
Assets	
Property, plant and equipment	(218)
Right-of-use assets	11,709
Total assets	**11,491**
Liabilities	
Lease liabilities	11,665
Finance lease liabilities	(174)
Total liabilities	**11,491**

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

2. Summary of significant accounting policies (cont'd)

2.1 (a) Basis of preparation (cont'd)

New accounting standards effective on 1 January 2019 (cont'd)

i) SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group
	US$'000
Assets	
Operating lease commitments as at 31 December 2018	19,938
Weighted average incremental borrowing rate as at 1 January 2019	5.16%
Discounted operating lease commitments as at 1 January 2019	11,603
Less:	
Commitments relating to short-term leases	(337)
Add:	
Commitments relating to leases previously classified as finance leases	174
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	225
Lease liabilities as at 1 January 2019	11,665

2. Summary of significant accounting policies (cont'd)

2.2 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17: Insurance Contracts	1 January 2021
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

2.3 Basis of consolidation and business combinations

(A) Basis of 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.

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 within a subsidiary are attributed 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 at the 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.

2. Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation and business combinations (cont'd)

(B) Business combinations and goodwill

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method. Acquisition method is applied when the transaction has substance from the perspective of the Group in accordance with SFRS(I) 3.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.4 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.5 Subsidiaries

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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.6 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.7 Foreign currency

The financial statements are presented in United States Dollar ("USD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling as at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the statement of financial position date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements and renovation	–	10 years
Office equipment	–	2 years
Computers and software	–	1 to 5 years
Leasehold buildings	–	20 years
Plant and machinery	–	10 years
Vehicles	–	4 to 10 years
Leasehold land	–	20 to 95 years

Freehold land is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Plantation establishment costs, consisting of costs directly incurred during the period of plantation development, are not depreciated. The establishment costs will be transferred to plantation assets and will be subject to depreciation upon commencement of rubber tapping activities.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Land use rights

Certain plantation lands in Cameroon were given land use rights by the State of Cameroon in 1996 for a period of 50 years plus 50 years, renewable at a nominal value to the Group. With the Group's continuing investment in replanting and extension on the plantation land, the Group is of the view that it is not likely that the land use rights will not be renewed at the expiring of its current term. The land use rights is depreciated over its remaining useful life of 78 years.

2. Summary of significant accounting policies (cont'd)

2.10 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.11 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other 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 carried 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.

2. Summary of significant accounting policies (cont'd)

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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 de-recognition 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.

(i) Process know-how

The useful life of the process know-how was estimated to be indefinite because based on the current demand for rubber, management believes there is no foreseeable limit to the period over which the process know-how are expected to generate net cash inflows for the Group.

(ii) Customer relationship

Customer relationship acquired was initially recognised at cost and was subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 10 years.

(iii) Computer software

Acquired computer software licences are initially capitalised at cost and was subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 5 years.

2.12 Bearer plants and biological assets

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant market or industry considerations. Rubber trees are not considered bearer plant when there is commercial viable plan to sell the rubber tree as lumber at the end of the rubber production life to an established market.

Financial year ended 31 December 2018

Bearer plants consist of the oil palm trees in the Malaysian plantation and rubber trees in Cameroon and Ivory Coast plantations. Cultivation of seedlings is stated at cost. The accumulated cost will be classified as immature plantations at the time of planting. Mature plantations are stated at cost less accumulated depreciation and impairment. The Group has reassessed its depreciation methodology for plantation assets as its significant investment in bearer plants over the last few years is starting to reach maturity. The Group concluded that depreciating the mature plantations by the expected yield pattern of the bearer plants over their useful lives, estimated at 30 years, is more reflective of the pattern in which the assets future benefit are expected to be consumed. The carrying value of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss when the bearer plant is derecognised.

Biological assets consist of rubber trees in the Malaysian plantations and produce that grows on oil palm trees in the Malaysian plantations, and rubber latex in the Cameroon and Ivory Coast plantation. These are measured at fair value less estimate costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of plantations at each reporting date are included in profit or loss for the period in which they arise.

2. Summary of significant accounting policies (cont'd)

2.12 Bearer plants and biological assets (cont'd)

Financial year ended 31 December 2019

Bearer plants consist of the oil palm trees in the Malaysian plantation and rubber trees in Ivory Coast plantation. Cultivation of seedlings is stated at cost. The accumulated cost will be classified as immature plantations at the time of planting. Mature plantations are stated at cost less accumulated depreciation and impairment. The Group concluded that depreciating the mature plantations by the expected yield pattern of the bearer plants over their useful lives, estimated at 30 years, is more reflective of the pattern in which the assets future benefit are expected to be consumed. The carrying value of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss when the bearer plant is derecognised.

Biological assets consist of rubber latex and rubber trees in the Malaysian and Cameroonian plantations, produce that grows on oil palm trees in the Malaysian plantations and rubber latex in Ivory Coast plantation. These are measured at fair value less estimate costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell of plantations at each reporting date are included in profit or loss for the period in which they arise.

Refer Note 3.1(a) on the reclassification of the Cameroon rubber plantations during the financial year. Fair value gain arising from reclassification of rubber trees from bearer plants to non-bearer plants is recognised in profit or loss in the year of reclassification.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of 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 party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

(i) Amortised cost

Financial assets 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. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date of derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Gain/loss on commodity contracts

Commodity contracts to buy and sell natural rubber commodities can be subject to net settlement if market conditions are favourable. Such commodity contracts and derivative financial instruments are marked to market at market rates prevailing at the end of the reporting period. Unrealised gains or losses are taken to profit or loss. Market value is generally based on listed market prices. If listed market prices are not available, market value is determined based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and price quotations for similar commodities traded in different markets, including markets located in different geographical areas.

2.15 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. 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 resulted 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 exposures, irrespective of timing of the default (an ECL).

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of financial assets (cont'd)

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 ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, 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 reassess 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 90 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal and 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.

2.16 Cash and cash equivalents

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

2.17 Inventories

Inventories except consumables are carried at the fair market value at the end of each reporting period, whereby the resulting unrealised gain or loss is recognised in profit or loss. This is an alternative policy allowed by SFRS(I) 1-2 Inventories for commodity broker or trader, as this better reflect the performance of the Group. The Group's operating activities, including procurement of raw materials, selling of finished goods and entering into forward commodity (natural rubber) contracts are subject to movements in the market prices of natural rubber. The Group has two main types of sales contracts and purchase contracts; long term contracts ("LTCs") and spot contracts ("Spot"). The prices for LTCs are usually determined based on the average market price for the delivery months, whereas the prices for Spot contracts are usually agreed on the day the Spot contracts are entered. In addition to the management of the price risk between the sales and purchase activities, which is the key driver and contributor to the Group's profitability, the Group also provided other ancillary services such as processing and distribution. The profit for these ancillary services is recognised in the profit or loss only when these services are performed by the Group.

Consumables are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits

(a) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service costs which include current service cost, past service cost and gains or losses on non-routine settlement are recognised as expense in profit or loss. Net interest is calculated by applying the discount rate based on high quality long term bonds at the beginning of the period to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss

Defined benefit costs are categorised as follows:

- Service cost;
- Net interest expense or income of the net retirement benefit obligation; and
- Re-measurements of net retirement benefit obligation

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefit expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) Employee leave entitlement

Employees' entitlement to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. Summary of significant accounting policies (cont'd)

***2.21 Leases* (cont'd)**

Group as a lessee (cont'd)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.13.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd)

***2.21 Leases* (cont'd)**

<u>Accounting policy prior to 1 January 2019</u>

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.22 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2.23 Revenue

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 satisfies a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Fair valuation of shares are based on the prevailing market price as at the date of issuance.

2.26 Perpetual securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer or not making a distribution subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

On the election of the Company to repay the perpetual securities, the perpetual securities will be reclassified as a financial liability under SFRS(I) 1-39. The financial liability is initially recognised at fair value and any difference between the carrying amount of the liability and the previously recognised equity instrument is recognised in equity.

No gain or loss is recognised in the profit or loss on the reclassification.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

    (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

    (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

2. Summary of significant accounting policies (cont'd)

2.27 Contingencies (cont'd)

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their business units. Management regularly reviews 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 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

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

(a) *Classification of rubber trees as bearer plants or non-bearer plants*

The Group has rubber plantations in Malaysia and Cameroon.

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant market or industry considerations. Rubber trees are not considered bearer plant when there is commercially viable plan to sell the rubber tree as lumber to an established market.

The Group has assessed that there is an established lumber market for rubber trees in Malaysia and Cameroon, and it is the Group's business plan to sell the rubber trees as lumber at the end of the rubber production life.

The reclassification of Cameroon rubber plantation from bearer plant in the financial year ended 31 December 2019 is due to the improvement in accessibility spurred by new transportation infrastructure near the Group's Cameroonian plantations, which has rendered selling harvested rubber trees to key markets to be commercially viable. The change in circumstances led to the Group's decision to construct a sawmill factory. As such, the classification has changed accordingly in December 2019. Fair value gain on biological assets of US$53,250,000 has been recognised on the date of the reclassification of Cameroon's rubber plantation from bearer plant to non-bearer plant.

Further details are disclosed in Note 2.12.

(b) *Impairment of goodwill and process know-how*

Judgement has been made by the Group to identify the cash-generating units and assess the future market and economic assumptions, such as forecasted rubber price, forecasted sales volume, growth rate and pre-tax discount rates. The Group has estimated the recoverable amounts of cash-generating units to which goodwill and process know-how has been allocated to, based on value-in-use approach. Estimates used in deriving the value-in-use, are disclosed in Note 3.2(a).

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill and process know-how

Determining whether goodwill and process know-how is impaired requires an estimation of the value in use of the cash-generating-unit to which the goodwill and process know-how have been allocated.

The value in use calculation requires the Group to estimate the future cash flows expected to arise, the growth rate used for extrapolation purposes and a suitable discount rate in order to calculate present value. The key assumptions applied in the determination of the value in use including a sensitivity analysis are disclosed and further explained in Note 11 to the financial statements. The Group's carrying amount of goodwill and process know-how at 31 December 2019 is US$296,379,000 (2018: US$297,399,000).

(b) Measurement of biological assets

The fair value of biological assets is estimated using the discounted cash flow model ("DCF") by independent professional valuers. This requires an estimate of the expected future cash flows from the biological assets to be made and a suitable discount rate to be chosen, in order to calculate the present value of future cash flows. The valuation of these biological assets is particularly sensitive to discount rates as disclosed in Note 35(d)(i).

4. Revenue

	Group	
	2019	**2018**
	US$'000	US$'000
Sale of goods	1,907,747	2,141,034

Sales of rubber is recognised at point in time. Please refer to Note 34 for disaggregation of revenue.

5. Other income

	Group	
	2019	**2018**
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	80	4,515
Fair value gain on biological assets (Note 16)	52,698	1
Reversal of impairment of doubtful debt	7,171	–
Others	2,299	2,139
	62,248	6,655

6. (a) Finance income

	Group	
	2019	**2018**
	US$'000	US$'000
Interest income:		
- Loans and receivables	4,862	3,797
- Deposits	1,207	1,103
	6,069	4,900

6. (b) Finance costs

	Group	
	2019	**2018**
	US$'000	US$'000
Interest expense on:		
- Term loans	21,974	19,364
- Working capital loans	29,458	18,694
- Lease liabilities (Note 30)	479	22
	51,911	38,080
Less: interest expense capitalised in:		
- Plantation and biological assets (Note 16)	(11,085)	(11,906)
Total finance costs	40,826	26,174

7. Income tax (expense)/credit

	Group	
	2019	**2018**
	US$'000	US$'000
Consolidated income statement		
Current tax		
Current tax expense	(4,387)	(5,383)
Over provision in prior years	173	2,252
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences (Note 15)	(2,827)	6,682
Income tax (expense)/credit recognised in profit or loss	(7,041)	3,551

Relationship between tax (expense)/credit and accounting (loss)/profit

Reconciliation between tax (expense)/credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Profit/(Loss) before taxation	3,311	(16,964)
Tax at the domestic income tax rate of 17% (2018: 17%)	(563)	2,884
Effect of non-deductible expenses	(8,905)	(7,715)
Effect of non-taxable income	2,204	7,581
Effect of tax exempt income	40	78
Interest income deducted at source	139	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,182)	2,059
Deferred tax asset not recognised	(3,775)	(6,550)
Utilisation of previously unrecognised deferred tax asset	1,976	2,175
Reversal of temporary differences relating to deferred tax liability for foreign sourced income	–	1,539
Effect of tax incentive at lower rate	5,652	(691)
Share of result of associates	(50)	(33)
Over provision in prior years	173	2,252
Tax on revenue	(901)	(329)
Others	151	301
Income tax (expense)/credit recognised in profit or loss	(7,041)	3,551

7. Income tax (expense)/credit (cont'd)

Two of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG") and New Continent Enterprises (Private) Limited ("NCE") were granted the Global Trader Programme ("GTP") Incentive subject to the fulfilment of certain conditions. The GTP award was granted to HG from 1 July 2016 for a period of 4 years and 6 months and NCE's GTP was renewed from 1 January 2019 for a period of 5 years. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10%.

8. Profit/(Loss) before tax

	Group	
	2019	**2018**
	US$'000	US$'000
(a) Profit/(Loss) before tax has been arrived at after charging/(crediting):		
Non-recurring expenses (included within administrative expenses):		
- Acquisition related expenses	–	460
- Restructuring and retrenchment expenses	3,496	–
	3,496	460
Impairment of property, plant and equipment	257	–
Allowance for advances to suppliers	2,500	–
Inventories written down	1,546	–
	4,303	–
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	23,027	21,602
- Selling expenses	144	94
- Administrative expenses	6,196	6,783
	29,367	28,479
Foreign exchange gain included in:		
- Cost of sales	(6,615)	(1,750)
- Administrative expenses	(4,361)	(5,342)
	(10,976)	(7,092)
Amortisation:		
- Intangible assets (Note 11)	839	372
- Right-of-use assets	2,798	–
	3,637	372

8. Profit/(Loss) before tax (cont'd)

		Group	
		2019	2018
		US$'000	US$'000
(a)	Profit/(Loss) before tax has been arrived at after charging/(crediting):		
	Professional fees	6,158	7,301
	Directors' remuneration	1,144	1,156
	Directors' fees (Note 33)	446	457
	Audit fees:		
	- paid to auditors of the Company	1,357	1,220
	- paid to other auditors	42	172
	Non-audit fees:		
	- paid to auditors of the Company	50	285
	Operating lease expense	–	2,685
	(Gain)/Loss on disposal of property, plant and equipment and investment properties	(265)	79
	Lease expenses on short-term leases and low-value assets	1,411	–
	Write off of property, plant and equipment	591	2,781
	Impairment losses on financial assets	324	585
	Inventories recognised as an expense in cost of sales [1]	1,800,395	2,022,591

[1] Included unrealised fair value gain/(loss) on open forward commodity contracts and adjustment on inventories of US$7,880,000 (2018: (US$8,052,000))

(b)	Employee benefits expenses (including directors' remuneration):		
	- Defined benefit plans	7,016	4,690
	- Defined contribution plans	2,841	2,702
	- Staff welfare	3,065	5,757
	- Staff salaries	94,646	94,897
		107,568	108,046
	Included in:		
	- Cost of sales	60,845	59,782
	- Selling expenses	7,275	7,145
	- Administrative expenses	39,448	41,119
		107,568	108,046

9. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

	Group	
	2019	**2018**
	US$'000	US$'000
Profit/(Loss) before taxation	3,311	(16,964)
Adjustments for:		
Depreciation expense (Note 8)	29,367	28,479
Finance costs (Note 6(b))	40,826	26,174
Loss on disposal of investment properties and property, plant and equipment and write off of property, plant and equipment	326	2,860
Interest income	(6,069)	(4,900)
Amortisation of intangible assets (Note 8)	839	372
Amortisation of right-of-use assets (Note 8)	2,798	–
Share of loss of associates	252	165
EBITDA	71,650	36,186
Add: Non-recurring expenses (Note 8)	3,496	460
Less: Fair value gain on investment properties (Note 5)	(80)	(4,515)
Adjusted EBITDA	75,066	32,131

10. Loss per share ("LPS")

	Group	
	Basic and diluted	
	2019	**2018**
	US$'000	US$'000
Loss for the year attributable to owners of the Company	(1,633)	(8,484)
Dividend on perpetual securities	(3,375)	(6,750)
Adjusted loss for the year attributable to owners of the Company	(5,008)	(15,234)

	Number of ordinary shares '000	
	Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
Loss per share (US Cents)	(0.31)	(0.96)

11. Intangible assets

Group	Process know-how	Goodwill	Customer related intangibles	Trademark	Computer software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At 1 January 2018	10,000	189,887	700	33	–	200,620
Additions	–	–	–	–	138	138
Acquisition of subsidiaries (Note 14(a)(i))	–	97,512	2,100	–	–	99,612
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,109	1,109
At 31 December 2018 and 1 January 2019	10,000	287,399	2,800	33	1,247	301,479
Additions	–	–	–	–	509	509
Finalisation of purchase price allocation review (Note 14(a)(i))	–	(1,020)	–	–	–	(1,020)
Transfer from property, plant and equipment (Note 12)	–	–	–	–	2,531	2,531
Exchange difference	–	–	–	1	–	1
At 31 December 2019	10,000	286,379	2,800	34	4,287	303,500
Accumulated amortisation:						
At 1 January 2018	–	–	193	11	–	204
Amortisation for the year (Note 8)	–	–	280	9	83	372
As at 31 December 2018 and 1 January 2019	–	–	473	20	83	576
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,144	1,144
Amortisation for the year (Note 8)	–	–	280	9	550	839
At 31 December 2019	–	–	753	29	1,777	2,559
Net carrying amount:						
At 31 December 2018	10,000	287,399	2,327	13	1,164	300,903
At 31 December 2019	10,000	286,379	2,047	5	2,510	300,941

The amortisation of customer related intangibles, trademark and computer software is included in administrative expenses in the consolidated income statement.

11. Intangible assets (cont'd)

Company	Computer software
	US$'000
Cost:	
At 1 January 2018	–
Additions	138
Transfer from property, plant and equipment (Note 12)	1,109
At 31 December 2018 and 1 January 2019	1,247
Additions	–
At 31 December 2019	1,247
Accumulated amortisation:	
At 1 January 2018	–
Amortisation for the year	83
At 31 December 2018 and 1 January 2019	83
Amortisation for the year	250
At 31 December 2019	333
Net carrying amount:	
At 31 December 2018	1,164
At 31 December 2019	914

Process know-how

Process know-how relates to the production of a certain grade of rubber and has been allocated to the HRC Group. As explained in Note 2.11(b)(i), the intangible asset has been assessed as having indefinite life so long as there is a demand for such rubber. The Group expects continuance for such demand.

Goodwill

Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:

	Group
	2019
	US$'000
A CGU within HRC Group	252,110
A CGU within SINRIO Group	4,491
A CGU within Corrie MacColl Group	29,778
	286,379

Changes to CGU

With effect from 1 January 2018, the Group restructured the Group's operation into 3 main business segments after carrying out review of its operations to streamline its operating structure. Similarly, the CGU to which goodwill and intangible assets have been allocated to, have been reallocated in 2018 to different CGUs, which are certain business units within each business segment.

11. Intangible assets (cont'd)

Customer related intangibles

Customer related intangibles relates to non-contractual customer relationships acquired through business combination. The intangible asset has a remaining amortisation period of 5 to 8 years (31 December 2018: 6 to 9 years).

Computer software

Computer software has a remaining amortisation period of 3 years (2018: 4 years).

Trademark

Trademark has a remaining amortisation period of 1 year (2018: 2 years).

Impairment testing of goodwill and process know-how with indefinite life

The above goodwill and process know-how was tested for impairment as at 31 December 2019. No impairment loss was recognised as at 31 December 2019 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGUs have been determined based on value in use calculations using five years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

<u>Key assumptions used in the value in use calculations</u>

Cash generating units/intangible assets	Carrying amount as at 31 December 2019	Discount rate (pre-tax)	Growth rate
	US$'000		
HRC Group:			
- Goodwill	252,110	10%	3%
- Process know-how	10,000	10%	3%
SINRIO Group:			
- Goodwill	4,491	10%	4%
Corrie MacColl Group:			
- Goodwill	29,778	10%	3%
Total	296,379		

Cash generating units/intangible assets	Carrying amount as at 31 December 2018	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
- Goodwill	253,130	10%	2%
- Process know-how	10,000	10%	2%
SINRIO Group:			
- Goodwill	4,491	10%	2%
Corrie MacColl Group:			
- Goodwill	29,778	10%	2%
Total	297,399		

11. Intangible assets (cont'd)

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Rubber price – The forecasted rubber price is based on estimated rubber price published by one external industry report.

Gross profit per metric tonne – forecasted gross profit is based on estimated gross profit for the future years.

Sensitivity to changes in assumptions

Changes to the assumptions used by management to determine the recoverable value, in particular the pre-tax discount rate and growth rate, can have significant impact on the results of the assessment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

For HRC Group, assuming that gross profit per metric tonne deviates from budget by 17%, there will be an impairment loss of US$2,900,000 to the goodwill.

12. Property, plant and equipment

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment (Note 12(a))	298,519	294,972	520	168
Right-of-use assets (Note 12(b))	13,133	–	2,800	–
	311,652	294,972	3,320	168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Property, plant and equipment (cont'd)

12(a) Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:										
At 1 January 2018	28,435	12,887	4,625	95,825	72,181	6,349	55,627	–	12,870	288,799
Additions	790	4,028	734	846	7,163	2,774	297	–	15,364	31,996
Acquisition of subsidiaries	20	367	36	13,730	9,439	330	13,951	–	6	37,879
Disposals	–	(217)	(246)	(1)	(369)	(577)	–	–	(13)	(1,423)
Write offs	(1,999)	(548)	(137)	(18)	(2,097)	–	–	–	(52)	(4,851)
Transfer to plantation related properties (Note 16)	–	–	–	–	–	–	–	–	(1,545)	(1,545)
Transfer to intangible assets (Note 11)	–	–	–	–	–	–	–	–	(1,109)	(1,109)
Reclassifications	(24,437)	786	209	29,141	2,647	(264)	56	–	(8,138)	–
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	149	269	9,483	7,631	166	2,773	8,981	297	29,749
Exchange difference	(232)	(303)	(477)	(1,550)	(6,916)	(1,978)	(3,609)	–	(1,273)	(16,338)
At 31 December 2018 and 1 January 2019	2,577	17,149	5,013	147,456	89,679	6,800	69,095	8,981	16,407	363,157
Additions	650	1,337	709	331	4,048	639	256	–	22,375	30,345
Finalisation of purchase price allocation review (Note 14(a)(i))	–	–	–	–	333	–	–	–	–	333
Disposals	–	(62)	(171)	(135)	(1,036)	(1,358)	–	–	–	(2,762)
Write offs	–	(98)	–	(34)	(3,262)	(133)	–	–	(13)	(3,540)
Transfer to plantation related properties (Note 16)	–	–	–	–	–	–	–	–	(85)	(85)
Transfer to intangible assets (Note 11)	–	–	(2,531)	–	–	–	–	–	–	(2,531)
Transfer to right-of-use assets (Note 12(b))	–	–	–	–	–	(219)	–	–	–	(219)
Reclassifications	49	2,633	(541)	(2,902)	7,895	158	(353)	361	(7,300)	–
Exchange difference	138	97	89	2,159	3,242	1,693	1,701	971	137	10,227
At 31 December 2019	3,414	21,056	2,568	146,875	100,899	7,580	70,699	10,313	31,521	394,925

12. Property, plant and equipment (cont'd)

12(a) Property, plant and equipment (cont'd)

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment:										
At 1 January 2018	160	3,449	1,591	15,750	15,964	515	6,441	–	–	43,870
Disposals	–	(94)	(211)	–	(217)	(400)	–	–	–	(922)
Depreciation for the year (Note 8)	1,741	1,677	822	7,248	11,758	1,424	2,024	–	–	26,694
Write offs	(40)	(455)	(123)	(13)	(2,056)	–	–	–	–	(2,687)
Transfer to plantation related properties (Note 16)	–	697	33	545	708	312	–	–	–	2,295
Reclassifications	–	(213)	190	–	25	(2)	–	–	–	–
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	54	62	227	2,175	44	–	–	–	2,562
Exchange difference	(210)	(261)	(52)	(214)	(947)	(1,507)	(436)	–	–	(3,627)
At 31 December 2018 and 1 January 2019	1,651	4,854	2,312	23,543	27,410	386	8,029	–	–	68,185
Disposals	–	(54)	(139)	(100)	(864)	(1,347)	–	–	–	(2,504)
Depreciation for the year (Note 8)	996	1,697	586	8,182	11,821	1,497	2,072	–	–	26,851
Impairment	–	–	–	–	257	–	–	–	–	257
Write offs	–	(94)	–	(34)	(2,772)	(49)	–	–	–	(2,949)
Transfer to plantation related properties (Note 16)	–	346	–	516	746	295	–	–	–	1,903
Transfer to intangible assets (Note 11)	–	–	(1,144)	–	–	–	–	–	–	(1,144)
Transfer to right-of-use assets (Note 12(b))	–	–	–	–	–	(1)	–	–	–	(1)
Reclassifications	–	1,271	(412)	(2,780)	2,171	(250)	–	–	–	–
Exchange difference	56	206	80	743	2,533	1,888	302	–	–	5,808
At 31 December 2019	2,703	8,226	1,283	30,070	41,302	2,419	10,403	–	–	96,406
Net carrying amount:										
At 31 December 2018	926	12,295	2,701	123,913	62,269	6,414	61,066	8,981	16,407	294,972
At 31 December 2019	711	12,830	1,285	116,805	59,597	5,161	60,296	10,313	31,521	298,519

12. Property, plant and equipment (cont'd)

12(a) Property, plant and equipment (cont'd)

Company	Renovation	Computers	Office equipment	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:					
At 1 January 2018	201	210	18	856	1,285
Additions	13	51	–	253	317
Transfer to intangible assets (Note 11)	–	–	–	(1,109)	(1,109)
Reclassification	–	7	(7)	–	–
Write off	–	(90)	(7)	–	(97)
At 31 December 2018 and 1 January 2019	214	178	4	–	396
Additions	79	389	9	–	477
Disposal	–	(40)	–	–	(40)
At 31 December 2019	293	527	13	–	833
Accumulated depreciation:					
At 1 January 2018	63	186	11	–	260
Depreciation for the year	35	30	–	–	65
Write off	–	(90)	(7)	–	(97)
At 31 December 2018 and 1 January 2019	98	126	4	–	228
Depreciation for the year	40	81	2	–	123
Disposal	–	(38)	–	–	(38)
At 31 December 2019	138	169	6	–	313
Net carrying amount:					
At 31 December 2018	116	52	–	–	168
At 31 December 2019	155	358	7	–	520

Included within additions for the year ended 31 December 2018 are motor vehicles of US$219,000 that were acquired under finance lease. The carrying amount of motor vehicles acquired under finance lease as at 31 December 2018 amounted to US$218,000. These assets have been reclassified to right-of-use assets as at 1 January 2019.

Assets pledged as security

In addition to assets held under lease obligation, the Group has pledged certain property, plant and equipment with a carrying amount of US$71,043,000 (2018: US$59,933,000) to secure the Group's and the Company's loans and borrowings (Note 25).

12. Property, plant and equipment (cont'd)

12(b) Right-of-use assets

The Group has lease contracts for land, office, vehicles and other equipment used in its operations with predominantly fixed payments over the lease terms. Some of these leases have terms of renewal but no purchase options or escalation clauses.

Leases of land and office generally have lease terms between 1 and 92 years, machinery and other equipment generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of office and other equipment with lease terms of 12 months or less and leases of other equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases. The election of short-term lease and low-value-lease exemption is made on lease-by-lease basis.

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

Group	**Land and office**	**Office equipment and motor vehicles**	**Total**
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Transfer from property, plant and equipment (Note 12(a))	–	218	218
Adoption of SFRS(I) 16	11,066	425	11,491
At 1 January 2019 (revised)	11,066	643	11,709
Additions	4,146	90	4,236
Depreciation for the year	(2,653)	(145)	(2,798)
Exchange difference	(12)	(2)	(14)
At 31 December 2019	12,547	586	13,133
Net carrying amount:			
At 31 December 2019	12,547	586	13,133

Company	**Land and office**	**Office equipment and motor vehicles**	**Total**
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Adoption of SFRS(I) 16	2,400	190	2,590
At 1 January 2019 (revised)	2,400	190	2,590
Additions	1,021	–	1,021
Depreciation for the year	(822)	(38)	(860)
Exchange difference	46	3	49
At 31 December 2019	2,645	155	2,800
Net carrying amount:			
At 31 December 2019	2,645	155	2,800

Motor vehicles with carrying amount of US$198,000 is secured over the lease liabilities of US$145,000 as at 31 December 2019.

The carrying amounts of lease liabilities are disclosed in Note 30.

13. Investment properties

	Group 2019 US$'000	Group 2018 US$'000
Statement of financial position:		
At 1 January	46,799	25,256
Additions	–	30
Fair value gain recognised in profit or loss (Note 5)	80	4,515
Acquisition of subsidiaries (Note 14(a)(i))	–	3,616
Disposal/write off	–	(1,712)
Reclassification (to)/from assets of disposal group classified as held-for-sale (Note 22)	(4,820)	16,656
Exchange difference	2,659	(1,562)
At 31 December	44,718	46,799
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	17	20
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	9	7

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

<u>Valuation of investment properties</u>

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2019 and 31 December 2018. The valuations were performed by independent valuers with recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 35.

13. Investment properties (cont'd)

Valuation of investment properties (cont'd)

The investment properties held by the Group as at 31 December 2019 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, Indonesia	Residential	Leasehold	15 - 24 years
Lands in Palembang, Indonesia	Vacant land	Leasehold	12 - 20 years
Offices in Palembang, Indonesia	Offices	Leasehold	2 - 20 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	2 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	3 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	10 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	19 years
Lands in Pontianak, Indonesia	Vacant land	Leasehold	17 - 18 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	12 years
Land in Riau, Indonesia	Vacant land	Leasehold	3 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	15 years
Commercial offices in Hainan, China	Commercial office	Leasehold	17 - 18 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	3 – 7 years
Land in Songkhla, Thailand	Vacant land	Freehold	–
Land in Pattani, Thailand	Vacant land	Freehold	–
Residential houses and offices in Pattani, Thailand	House and office	Freehold	–
Land in Chantaburi, Thailand	Vacant land	Freehold	–
Factory buildings in Chantaburi, Thailand	Vacant factory	Freehold	–
Land in Nakornsri, Thailand	Vacant land	Freehold	–
Factory buildings in Nakornsri, Thailand	Vacant factory	Freehold	–
Land in Krabi, Thailand	Vacant land	Freehold	–
Land in Trang, Thailand	Vacant land	Freehold	–
Residential houses in Trang, Thailand	Residential	Freehold	–
Land in Yala, Thailand	Vacant land	Freehold	–
Land in Narathiwas, Thailand	Vacant land	Freehold	–
Residential houses and offices in Narathiwas, Thailand	House and office	Freehold	–

14. Investment in subsidiaries and associates

14(a) Investment in subsidiaries

	Company	
	2019	**2018**
	US$'000	US$'000
At 1 January	680,010	600,824
Additions	5,661	78,936
Incorporation of a new subsidiary	–	250
At 31 December	685,671	680,010

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Held by the Company				
Halcyon Rubber Company Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. (1)	Singapore	Natural rubber trading and investment holding	100.00	100.00
HAC Capital Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Limited (4)	United Kingdom	Investment holding	100.00	100.00
HeveaConnect Pte. Ltd. (1)	Singapore	Natural rubber trading and supply chain platform	71.09	90.10
Subsidiaries of Halcyon Rubber Company Pte. Ltd.				
Anson Company (Private) Limited (1)	Singapore	Investment holding	100.00	100.00
Hevea Global Pte. Ltd. (1)	Singapore	Natural rubber trading	100.00	100.00
Subsidiaries of Anson Company (Private) Limited				
Halcyon Agri Indonesia Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
PT. Hok Tong (2)	Indonesia	Natural rubber processing	99.99	99.99
PT. Remco (2)	Indonesia	Natural rubber processing	75.00	75.00

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.				
PT. Hevea MK (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Hevea GE (2)	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of PT. Hok Tong				
PT. Bumi Jaya (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Sunan Rubber (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Rubber Hock Lie (2)	Indonesia	Natural rubber processing	99.91	99.91
PT. GMG Sentosa (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Pulau Bintan Djaya (2)	Indonesia	Natural rubber processing	80.00	80.00
PT. Sumber Alam (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Djantin (2)	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of Corrie MacColl Pte. Ltd.				
G.P. Sentosa Enterprises Co., Ltd.(2)	Thailand	Investment holding	100.00	100.00
Teck Bee Hang Co., Ltd. (2)	Thailand	Natural rubber processing	55.00	55.00
Ivoirienne de Traitement du Caoutchouc S.A. (2)	Ivory Coast	Dormant (2018: Natural rubber processing)	60.00	60.00
GMG Investment Congo SARL (3)	Democratic Republic of Congo	In liquidation	100.00	100.00
JFL Agro Sdn. Bhd. (2)	Malaysia	Dormant	100.00	100.00
Centrotrade Minerals and Metals, Inc (3) (6)	United States	Natural rubber trading and distribution	100.00	–

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Teck Bee Hang Co., Ltd.				
Techem Industries Co., Ltd. (3)	Thailand	Manufacture & distribution of plastic products	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. (3)	Thailand	Natural rubber processing	47.30	47.30
Subsidiary of JFL Agro Sdn. Bhd.				
Halcyon Rubber Estates Sdn. Bhd. (2)	Malaysia	In the process of strike off	100.00	100.00
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.				
New Continent Enterprises (Private) Limited (1)	Singapore	Natural rubber trading and distribution	100.00	100.00
SINRIO Malaysia Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Hainan Sinochem Rubber Co., Ltd (2)	People's Republic of China	Natural rubber processing	99.71	99.71
SDCI Singapore Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
SINRIO Thailand Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Subsidiary of New Continent Enterprises (Private) Limited				
Halcyon Agri Natural Rubber (Shanghai) Limited (2)	People's Republic of China	Natural rubber trading and distribution	100.00	100.00
Subsidiary of SINRIO Malaysia Pte. Ltd.				
SINRIO (Malaysia) Sdn. Bhd. (2)	Malaysia	Investment holding	100.00	100.00
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd.				
Hevea KB Sdn. Bhd. (2)	Malaysia	Natural rubber processing	100.00	100.00
Euroma Rubber Industries Sendirian Berhad (2)	Malaysia	Natural rubber processing	100.00	100.00

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Hainan Sinochem Rubber Co., Ltd.				
Xishuangbanna Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	96.67	96.67
Baisha Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber procurement	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00
Subsidiaries of SDCI Singapore Pte. Ltd.				
Société de Développement du Caoutchouc Ivoirien S.A. (2)	Ivory Coast	Natural rubber processing	100.00	100.00
Tropical Rubber Côte d'Ivoire S.A.(2)	Ivory Coast	Natural rubber plantation	70.00	70.00
Subsidiaries of Corrie MacColl Limited				
Corrie MacColl International Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Plantations Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Subsidiaries of Corrie MacColl International Pte. Ltd.				
Centrotrade Deutschland GmbH (2)	Germany	Natural rubber trading and distribution	100.00	100.00
Centrotrade Minerals and Metals, Inc. (3) (6)	United States	Natural rubber trading and distribution	–	100.00
Centrotrade Commodities Malaysia Sdn. Bhd. (2)	Malaysia	Natural rubber trading and distribution	100.00	100.00
Wurfbain Polymer B.V. (2)	The Netherlands	Investment holding, trading and distribution of natural rubber and latex	100.00	100.00

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Corrie MacColl International Pte. Ltd. (cont'd)				
Kelvin Terminals B.V. (4)	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	100.00
Centrotrade (Thailand) Co., Ltd. (3)	Thailand	Investment holding	49.00	49.00
Shanghai CMI Rubber Co., Ltd. (3)	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	100.00
Subsidiaries of Wurfbain Polymer B.V.				
Corrie MacColl Rubber Ltd (3)	United Kingdom	Other business support service activities	100.00	100.00
Corrie MacColl North America, Inc. (2)	United States	Investment holding	100.00	100.00
Wurfbain Polymer İthalat ve İhracat Anonim Şirketi (4) (5)	Republic of Turkey	Trading and distribution of natural rubber	100.00	–
Subsidiaries of Corrie MacColl North America, Inc.				
Alan L Grant Polymer, Inc. (2)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Momentum Technologies Laboratories, Inc. (2)	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	100.00
Centrotrade Rubber, Inc. (2)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Subsidiary of Centrotrade (Thailand) Co., Ltd.				
Centrotrade Hatyai Co., Ltd. (3)	Thailand	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest	
			2019	**2018**
Subsidiaries of Corrie MacColl Plantations Pte. Ltd.				
Société de Développement du Caoutchouc Camerounais S.A. [2]	Cameroon	Investment holding	100.00	100.00
JFL Agro Pte. Ltd. [1]	Singapore	Investment holding	100.00	100.00
Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.				
Hevea Cameroun S.A. [2]	Cameroon	Natural rubber plantation and processing	90.00	90.00
Sud Cameroun Hevea S.A. [2]	Cameroon	Natural rubber plantation and processing	80.00	80.00
Subsidiary of JFL Agro Pte. Ltd.				
JFL Holdings Sdn. Bhd. [2]	Malaysia	Natural rubber and oil palm plantation	100.00	100.00

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firms of EY Global in the respective countries.
(3) Audited by other firms of Certified Public Accountants.
(4) No statutory audit required in the country of incorporation.
(5) Newly incorporated during the year.
(6) Intra-group transfer of shareholding during the year.

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries

Corrie MacColl

On 9 January 2018, the Group completed the acquisition of all of the rubber trading and distribution business of RCMA Group in Europe, the United States, Singapore and Thailand for a purchase consideration of US$31,759,000 which have been fully satisfied in cash. With the completion of the acquisition, Kelvin Terminals B.V. and Centrotrade Hatyai Co. Ltd. became subsidiaries of the Group. The acquired businesses based in Europe, United States and United Kingdom have been included into Wurfbain Polymer B.V., Alan L Grant Polymer, Inc. and Corrie MacColl Rubber Ltd. respectively.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date with respect to Corrie MacColl acquisition, were as follows:

	Fair value recognised on acquisition
	US$'000
Intangible asset	2,100
Property, plant and equipment	2,082
Trade and other receivables	1,267
Inventories	3
Cash and bank balances	887
Total assets	6,339
Derivative financial instruments – liabilities	(2)
Trade and other payables	(1,397)
Deferred tax liabilities	(845)
Total liabilities	(2,244)
Total identifiable net assets at fair value	4,095
Add: Goodwill arising from acquisition (Note 11)	27,664
Purchase consideration	31,759

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	31,759
Less: Cash and bank balances of business acquired	(887)
Net cash outflow on acquisition of Corrie MacColl	30,872

The purchase price allocation review ("PPA review") was finalised as at 31 December 2018.

Transaction costs

Transaction costs related to the acquisition of US$553,000 have been recognised in the Group's profit or loss for the year ended 31 December 2018.

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

Corrie MacColl (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, Corrie MacColl has contributed revenue of US$362,332,000 and profit of US$4,490,000 to the Group for the year ended 31 December 2018. As the business combination had taken place at the beginning of the financial year 2018, the full year impact to the Group's revenue and Group's loss in the year ended 31 December 2018 is not expected to be material.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,161,000. Their gross proceeds amount of US$1,161,000 are expected to be collected.

Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited) ("CML")

On 26 February 2018, the Group acquired 100% of the issued and paid-up share capital in CML, a limited liability company incorporated in England and Wales, for a total cash consideration of £91,502 (equivalent to approximately US$129,000).

	Fair value recognised on acquisition
	US$'000
Other assets	129
Total identifiable net assets at fair value	129
Purchase consideration	129

	Effects on cash flows of the Group
	US$'000
Purchase consideration	129
Less: Consideration payable	(129)
Net cash outflow on acquisition of subsidiary	–

Corrie MacColl Limited is an investment holding company and hence the impact of acquisition on the Group's revenue and profit or loss is immaterial.

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Pulau Bintan Djaya ("PBD")

On 27 February 2018, PT. Hok Tong (a 99.99% owned subsidiary of the Company) ("Hok Tong") completed the acquisition of 80% of the issued and paid-up share capital of PBD, which owns a natural rubber processing factory (together with all associated land, buildings, plant and machinery) located in Bintan Timur, Indonesia.

In conjunction with the aforesaid acquisition, Hok Tong has granted an irrevocable put option to one of the vendors for a period of two (2) years (effective from 27 February 2018), entitling the right to the vendor to require Hok Tong to acquire all its remaining 20% equity interest in PBD on the same terms and conditions of the said acquisition.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	6,837
Investment property	184
Trade and other receivables	3,614
Inventories	406
Cash and bank balances	955
Total assets	11,996
Derivative financial instruments – liabilities	(105)
Trade and other payables	(1,458)
Loan payables	(7,578)
Retirement benefit obligations	(341)
Deferred tax liabilities	(1,225)
Total liabilities	(10,707)
Total identifiable net assets at fair value	1,289
Less: Non-controlling interest measured at the non-controlling interest's proportionate share of PBD's net identifiable assets	(258)
Net assets acquired	1,031
Add: Goodwill arising from acquisition (Note 11)	13,644
Purchase consideration	14,675

	Effects on cash flows of the Group
	US$'000
Purchase consideration	14,675
Less: Cash and bank balances of a subsidiary acquired	(955)
Net cash outflow on acquisition of a subsidiary	13,720

The PPA review was finalised as at 31 December 2018.

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Pulau Bintan Djaya ("PBD") (cont'd)

Transaction costs

Transaction costs related to the acquisition of US$86,000 have been recognised in the Group's profit or loss for the year ended 31 December 2018.

Impact of the acquisition on profit or loss

From the acquisition date, PBD has contributed revenue of US$24,967,000 and loss of US$420,000 to the Group for the year ended 31 December 2018. If the business combination had taken place at the beginning of the financial year 2018, the Group's revenue would have been US$2,146,080,000 and the Group's loss for the year ended 31 December 2018 would have been US$13,781,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,402,000. Their gross proceeds amount of US$1,402,000 are expected to be collected.

PT. Sumber Djantin ("PTSD") and PT. Sumber Alam ("PTSA")

On 23 April 2018, the Group acquired 100% of the issued and paid-up share capital of PTSD and PTSA for purchase consideration of US$65,503,227. Both PTSD and PTSA own four natural rubber processing factories in West Kalimantan, Indonesia.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	28,960
Investment property	3,432
Trade and other receivables	1,936
Inventories	18,663
Cash and bank balances	517
Total assets	53,508
Derivative financial instruments – liabilities	(572)
Trade and other payables	(15,028)
Loan payables	(21,486)
Retirement benefit obligations	(4,579)
Deferred tax liabilities	(2,544)
Total liabilities	(44,209)
Total identifiable net assets at fair value	9,299
Add: Goodwill arising from acquisition (Note 11)	56,204
Purchase consideration	65,503

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	65,503
Less: Cash and bank balances of subsidiaries acquired	(516)
Net cash outflow on acquisition of subsidiaries	64,987

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Sumber Djantin ("PTSD") and PT. Sumber Alam ("PTSA") (cont'd)

The PPA review of PTSD and PTSA is deemed to be provisional as at 31 December 2018 as the valuation of the retirement benefit had not been completed by the date the financial statements was authorised for issue.

During the year, the Group has finalized the PPA review of PTSD and PTSA. There has been new information obtained about the facts and circumstances relating to the fair value of the assets and liabilities acquired as at the acquisition date, which the Group did not adjust for retrospectively due to the immateriality of the adjustment.

As a result of finalization of PPA, the Group made an adjustment of US$1,020,000 to reduce goodwill (Note 11) and recognised additional amount of deferred tax assets and retirement benefit obligations.

Transaction costs

Transaction costs related to the acquisition of US$150,000 have been recognised in the Group's profit or loss for the year ended 31 December 2018.

Impact of the acquisition on profit or loss

From the acquisition date, PTSD and PTSA have contributed revenue of US$59,649,000 and profit of US$348,000 to the Group for the year ended 31 December 2018. If the business combination had taken place at the beginning of 2018, the Group's revenue would have been US$2,158,464,000 and the Group's loss for the year ended 31 December 2018 would have been US$20,093,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,275,000. Their gross proceeds amount of US$1,275,000 are expected to be collected.

14. Investment in subsidiaries and associates (cont'd)

14(a) Investment in subsidiaries (cont'd)

(ii) Transaction with non-controlling interests, without loss of control

During the financial year, the Group has issued shares of a subsidiary to non-controlling interests:

1) HeveaConnect Pte. Ltd. ("HeveaConnect")

On 7 March 2019, HeveaConnect has issued and allotted 74,147 new shares to the non-controlling interests for US$2,200,000. Following which, the Group's total equity interest in HeveaConnect has changed from 90.10% to 71.09%.

For the financial year ended 31 December 2018, the Group has increased in its shareholding in the following subsidiaries:

1) PT. GMG Sentosa ("GMG Sentosa")

On 11 February 2018, Hok Tong has acquired 25% of the issued and paid-up share capital in GMG Sentosa from the non-controlling interests for a cash consideration of US$1. Subsequent to the acquisition, the Group's total equity interest in GMG Sentosa has increased from 75% to 100%. The carrying amount of the net liabilities of GMG Sentosa at February 2018 was US$25,484,000.

2) PT. Sunan Rubber ("Sunan")

On 28 February 2018, Hok Tong completed the acquisition of 46.25% of the issued and paid-up share capital of Sunan from the non-controlling interests, for total cash consideration of approximately US$15,260,000. Subsequent to the acquisition, the Group's total equity interest in Sunan has increased from 53.75% to 100%. The carrying amount of the net assets of Sunan at February 2018 was US$29,202,000.

Summary of the effect of change in the Group's ownership interest in the above subsidiaries on the equity attributable to owners of the Company are as follow:

	Consideration received/(paid)	**Increase/ (Decrease) in equity attributable to non-controlling interests**	**Decrease in equity attributable to owners of the Company**
	US$'000	US$'000	US$'000
At 31 December 2019			
HeveaConnect	2,200	843	1,357
At 31 December 2018			
GMG Sentosa	*	6,371	(6,371)
Sunan	(15,260)	(13,510)	(1,750)
Total	(15,260)	(7,139)	(8,121)

* Consideration paid for acquisition of non-controlling interests is US$1.

(iii) Striking-off a subsidiary

In previous financial year, the Group struck off its wholly-owned dormant subsidiary, GMG Holdings Ltd. As a result of the deregistration, realisation of cumulative foreign currency translation gain upon liquidation of the subsidiary US$5,333,000 was recognised.

14. Investment in subsidiaries and associates (cont'd)

14(b) Investment in an associate

The Group's investment in an associate are summarised as below:

	Group 2019	Group 2018
	US$'000	US$'000
Feltex Co., Ltd.	1,035	1,190

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019	Proportion (%) of ownership interest 2018
Held through subsidiaries				
Feltex Co., Ltd [(1)]	Thailand	Natural rubber processing	24.80	24.80

[(1)] Audited by other firms of Certified Public Accountants.

Aggregate information about the Group's investments in an associate are as follows:

	Group 2019	Group 2018
	US$'000	US$'000
Total comprehensive loss, net of tax	(581)	(367)

15. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group: Statement of financial position 2019	Group: Statement of financial position 2018	Group: Consolidated income statement 2019	Group: Consolidated income statement 2018	Company: Statement of financial position 2019	Company: Statement of financial position 2018
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Differences in depreciation for tax purposes	(144)	3,330	156	(55)	(66)	(36)
Tax losses carry forward	22,983	12,138	7,092	4,994	–	–
Retirement benefit liabilities	3,893	3,475	(445)	367	–	–
Fair value uplift of biological assets	(10,064)	(1,268)	(8,786)	7	–	–
Fair value uplift of investment properties	(3,677)	(3,395)	73	(160)	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(31,549)	(31,572)	190	185	–	–
Unremitted foreign source income	(6,032)	(4,502)	128	909	(5)	–
Forward currency contracts	(3,556)	(2,126)	(1,088)	998	–	–
Others	1,393	333	(147)	(563)	–	–
Tax (expense)/credit			(2,827)	6,682		
Net deferred tax liabilities	(26,753)	(23,587)			(71)	(36)
Reflected in the statement of financial position as follows:						
Deferred tax assets	21,259	15,056			–	–
Deferred tax liabilities	(48,012)	(38,643)			(71)	(36)
Deferred tax liabilities, net	(26,753)	(23,587)			(71)	(36)

15. Deferred tax (cont'd)

	Group	
	2019	**2018**
	US$'000	US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(23,587)	(16,436)
Tax (expense)/credit during the year recognised in profit or loss	(2,827)	6,682
Tax expense during the year recognised in other comprehensive income	(215)	(1,040)
Reclassification of net deferred tax liabilities of disposal group classified as held-for-sale (Note 22)	–	(6,858)
Deferred taxes arising from business combinations (Note 14(a)(i))	–	(4,614)
Utilisation of Group relief	(280)	(2,384)
Exchange difference	156	1,063
At 31 December	(26,753)	(23,587)

Unrecognised tax losses and unabsorbed capital allowances

At the end of reporting period, the Group has tax losses and unabsorbed capital allowances amounting to US$87,156,000 and US$10,121,000 (2018: US$59,226,000 and US$10,071,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US$69,208,000 which will expire in five years (2018: US$50,668,000) and US$11,775,000 which will expire after five years (2018: US$Nil).

The related deferred tax benefits of US$17,944,000 (2018: US$16,518,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$28,616,000 (2018: US$30,863,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2019 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation and biological assets

	Plantation related properties								
	Leasehold land use rights	Freehold land use rights	Plantation	Plantation establishment costs	Other plantation related costs	Total plantation related properties	Non-current biological assets	Consumable biological assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group									
Cost									
At 1 January 2018	86,233	58,108	32,248	155,517	–	332,106	8,861	49	341,016
Additions	–	–	–	50,156	–	50,156	1,522	–	51,678
Capitalisation of depreciation	–	–	–	359	–	359	–	–	359
Reclassification	–	–	14,918	(14,918)	–	–	–	–	–
Transfer to property, plant and equipment (Note 12)	–	–	1,545	2,295	–	3,840	–	–	3,840
Fair value adjustment (Note 5)	–	–	–	–	–	–	33	(32)	1
Exchange difference	(628)	–	(1,774)	(7,987)	–	(10,389)	(208)	–	(10,597)
At 31 December 2018	85,605	58,108	46,937	185,422	–	376,072	10,208	17	386,297
Additions	–	–	–	36,662	–	36,662	728	–	37,390
Capitalisation of depreciation	–	–	–	348	–	348	–	–	348
Transfer to biological assets	–	–	(41,180)	(204,353)	–	(245,533)	245,533	–	–
Reclassification	–	–	–	(15,108)	15,108	–	–	–	–
Transfer from/(to) property, plant and equipment (Note 12)	–	–	–	1,988	–	1,988	–	–	1,988
Fair value adjustment (Note 5)	–	–	–	–	–	–	52,709	(11)	52,698
Exchange difference	379	–	10	161	–	550	(4,076)	–	(3,526)
At 31 December 2019	85,984	58,108	5,767	5,120	15,108	170,087	305,102	6	475,195
Accumulated depreciation									
At 1 January 2018	1,389	–	2,553	–	–	3,942	–	–	3,942
Depreciation for the year (Note 8)	359	–	1,785	–	–	2,144	–	–	2,144
Exchange difference	(36)	–	(161)	–	–	(197)	–	–	(197)
At 31 December 2018	1,712	–	4,177	–	–	5,889	–	–	5,889
Depreciation for the year (Note 8)	1,013	–	1,805	–	–	2,818	46	–	2,864
Transfer to biological assets	–	–	(5,659)	–	–	(5,659)	5,659	–	–
Transfer to inventory	–	–	402	–	–	402	–	–	402
Exchange difference	23	–	(5)	–	–	18	(63)	–	(45)
At 31 December 2019	2,748	–	720	–	–	3,468	5,642	–	9,110
Carrying amount									
At 31 December 2018	83,893	58,108	42,760	185,422	–	370,183	10,208	17	380,408
At 31 December 2019	83,236	58,108	5,047	5,120	15,108	166,619	299,460	6	466,085

The basis of classification of rubber trees is disclosed in Note 2.12 and Note 3.1(a).

16. Plantation and biological assets (cont'd)

Details of the Group's plantation assets are summarised as follows:

Country	Malaysia	Cameroon	Cameroon	Ivory Coast
Type of ownership	Leasehold	Freehold	Land use rights	Land use rights
Total land area (hectares)	9,844	58,932	52,607	1,581

The Group's biological assets mainly consist of rubber trees in Malaysia and Cameroonian plantations and produce that grows on oil palm trees in Malaysia plantation, all of which are grown for commercial sales as part of normal business operations.

Interest expense amounting to US$11,085,000 was capitalised in 2019 (2018: US$11,906,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.81% - 7.15% (2018: 3.00% - 7.15%), which is the effective interest rate of borrowings.

A review of the recoverable amount for the plantation in Cameroon was determined based on the value in use calculation and the discount rate used is 13.0% (2018: 13.0%).

17. Cash and bank balances

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	54,500	65,323	369	770
Short term deposits	1,127	57,608	–	–
Cash and cash equivalents	55,627	122,931	369	770
Short term deposits – pledged	2,278	2,283	–	–
Total cash and bank balances	57,905	125,214	369	770

Cash and bank balances comprise cash held by the Group and Company and short term bank deposits. The carrying amounts of these assets approximate their fair value.

Fixed deposits were made for varying periods, depending on immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2019 for the Group is 3.63% per annum (2018: -0.34%).

Cash and bank balances of US$2,278,000 (2018: US$2,283,000) of the Group have been charged as security for the Group's general banking facilities (Note 25) and performance guarantee.

As at each reporting date, the carrying amounts of cash and bank balances denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	9,089	9,021	–	–
Singapore Dollar	1,141	724	170	35
Euro	888	1,974	122	56
Pound Sterling	949	437	5	7
Swedish Krona	–	706	–	–

18. Trade receivables

	Group	
	2019	2018
	US$'000	US$'000
External parties	133,753	146,745

Trade receivables are repayable within the normal trade credit terms of 2 days to 90 days.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was granted up to the end of the reporting period.

Trade receivables of US$31,887,000 of the Group have been charged as security for the Group's banking facilities (Note 25).

As at each reporting date, the carrying amounts of trade receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group	
	2019	2018
	US$'000	US$'000
United States Dollar	16,209	13,352
Euro	10,502	14,904
Pound Sterling	2,648	3,033
Swedish Krona	1,181	1,127

(a) Expected credit losses ("ECL")

The movement in allowance for expected credit losses of trade receivables computed based on ECL are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Adjusted loss allowances as at 1 January	611	1,248
Charge for the year	81	144
Written off	–	(746)
Exchange difference	8	(35)
At 31 December	700	611

19. Loans and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Non-current:				
Loan to non-controlling interests of a subsidiary	3,425	3,491	–	–
Current:				
Loan to a third party	52,298	50,623	–	–
Other receivables	17,710	17,389	1	71
Amounts due from subsidiaries	–	–	861,101	807,912
Deposits	20,491	17,701	392	314
	90,499	85,713	861,494	808,297
Non-financial assets				
Current:				
Prepayments	34,212	26,237	375	317
Other tax receivables	34,989	34,236	55	112
Total non-financial assets	69,201	60,473	430	429
Total current loan and other receivables	159,700	146,186	861,924	808,726
Total non-current loan and other receivables	3,425	3,491	–	–

The loan to non-controlling interests of a subsidiary is unsecured, repayable in 2025 and earns interest at 5% per annum (2018: 5%).

The loan to a third party was secured by the borrower's equity interest in a company, and receivables and bank balances of the borrower, with interest at 10% per annum (2018: 6.5%). The loan was restructured during the year, and as at the date of the financial statement, it is overdue for repayment. The loan is recoverable and no impairment is required.

Included within other receivables is corporate social responsibility receivable ("CSR receivable") amounting to US$7,640,000 (2018: US$3,185,000 net, inclusive of allowance for CSR receivable of US$7,210,000) which relates to receivable from a local government of a country where the Group's subsidiaries operate in. The receivable arose from the costs incurred by the Group in building community for its workforce, such as: costs incurred in building hospital or school, which is co-funded by the local government. During the year, there is reversal of impairment of doubtful CSR receivable, previously recorded as part of the purchase price allocation review, of US$7,171,000 after considering the evidence of amount collected during the year.

As at 31 December 2019, amounts due from subsidiaries amounting to US$52,889,000 are unsecured bears an average interest of 4.91% per annum, repayable on demand and are expected to be settled in cash. The remaining amounts are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

As at 31 December 2018, amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

19. Loans and other receivables (cont'd)

Expected credit losses ("ECL")

The movement in allowance for expected credit losses of loans and other receivables computed based on ECL are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Opening loss allowance as at 1 January	668	227	61	5
Charge for the year	2,741	441	105	56
Exchange difference	(16)	–	–	–
At 31 December	3,393	668	166	61

As at each reporting date, the carrying amounts of loans and other receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	1	341	–	–
Singapore Dollar	69	1,411	55	112
Euro	1,703	2,358	–	–
Chinese Yuan Renminbi	1,875	–	–	–
Japanese Yen	1,462	–	–	–

20. Derivative financial instruments

	Group			
	2019		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	1,774	(1,801)	5,867	(1,920)
Forward commodity (natural rubber) contracts	18,749	(8,733)	38,323	–
Total	20,523	(10,534)	44,190	(1,920)

	Company			
	2019		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	928	(507)	670	(670)

The Group utilises forward commodity (natural rubber) contracts and forward currency contracts to manage the fluctuations in natural rubber prices or exposure arising from foreign currencies.

20. Derivative financial instruments (cont'd)

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the Group is committed to are as follows:

	Notional amount		Positive fair value		Negative fair value	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodity (natural rubber):						
- Sales	523,677	483,738	–	33,411	(8,733)	–
- Purchases	187,473	177,891	18,749	4,912	–	–
Forward currency contracts	697,236	419,857	1,774	5,867	(1,801)	(1,920)
			20,523	44,190	(10,534)	(1,920)

The maturity period for forward commodity (natural rubber) contracts ranges from one to twelve months.

21. Inventories

	Group	
	2019	**2018**
	US$'000	US$'000
At cost:		
- Consumables	26,767	29,965
At fair value:		
- Raw materials	103,209	54,180
- Work-in-progress	30,208	23,959
- Finished goods held for resale	215,210	189,837
	348,627	267,976
	375,394	297,941

The inventories as at the end of each reporting period in 2019 and 2018 include fair value upward/(downward) adjustments of US$26,615,000 and US$(10,085,000) respectively.

Inventories with carrying amount of US$132,856,000 (2018: US$43,949,000) have been pledged as security for a trade financing facility (Note 25).

22. Assets classified as held-for-sale

a) Non-current asset classified as held-for-sale

During the year, the Group has decided to sell offices located in Indonesia. There is an interested party who has placed deposit and the sale is expected to be completed before the end of financial year 2020. These properties amounting to US$4,820,000 have been reclassified from investment properties to assets classified as held for sale.

b) Disposal group classified as held-for-sale

As at 31 December 2017, discontinued operation refers to the Group's processing business in Thailand, Teck Bee Hang Co., Ltd and its subsidiaries ("TBH Group"), which was classified as asset held-for-sale under SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*, following the Group's strategic review undertaken during the financial year ended 31 December 2017. The decision was made at that time on the basis of the poor financial performance of TBH Group and also, unfavourable market environment in Thailand.

22. Assets classified as held-for-sale (cont'd)

b) Disposal group classified as held-for-sale (cont'd)

In 2018, positive changes have been made to TBH's business and operations leading to improvement in TBH's financial performance. As part of the Group's continuous assessment of its key business segments, it determined that TBH Group fits into the Group's business strategy and initial plan to dispose/discontinue the operations of TBH Group has changed significantly and an immediate sale is unlikely. As such, the Group decided to reclassify TBH Group from discontinued operations to continuing operations.

Accordingly, the comparative figures in the consolidated income statement and consolidated cash flow statement for financial year ended 31 December 2018 have been re-presented to reflect TBH Group as continuing operations.

23. Trade payables

	Group	
	2019	**2018**
	US$'000	US$'000
External parties	38,331	34,570

These amounts are non-interest bearing. Trade payables are normally settled on 60 days term.

As at each reporting date, the carrying amounts of trade payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
United States Dollar	6,044	4,300
Euro	1,344	1,802

24. Other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Financial liabilities				
Current:				
Other payables	17,802	14,917	184	105
Accrued operating expenses	20,209	20,576	1,541	1,377
Accrued interest expense	2,848	2,903	699	591
Amounts due to subsidiaries	–	–	255,490	120,997
	40,859	38,396	257,914	123,070
Non-financial liabilities				
Current:				
Other tax payables	7,413	7,577	77	80
Advances from customers	6,804	9,709	–	–
	14,217	17,286	77	80
Total current other payables	55,076	55,682	257,991	123,150
Non-current:				
Other payables	8,228	4,263	–	–
Total non-current other payables	8,228	4,263	–	–

24. Other payables (cont'd)

Current other payables are non-interest bearing and have an average term of six months.

As at 31 December 2019, certain amounts due to subsidiaries amounting to US$18,952,000 bears an average interest of 4.23% per annum, unsecured and repayable on demand. The remaining amounts due to subsidiaries are non-interest bearing, unsecured and repayable on demand.

As at 31 December 2018, the amounts due to subsidiaries are non-interest bearing, unsecured and repayable in demand.

As at each reporting date, the carrying amounts of other payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	37	42	–	–
Singapore Dollar	6	48	–	–
Euro	2,624	2,358	–	–

25. Loan payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current:				
- Working capital loans	572,644	519,091	317,375	293,750
- Term loans	39,177	1,309	29,672	–
	611,821	520,400	347,047	293,750
Non-current:				
- Working capital loans	–	1,375	–	1,375
- Term loans	511,912	390,265	342,454	296,442
	511,912	391,640	342,454	297,817
Total loan payables	1,123,733	912,040	689,501	591,567

As at each reporting date, the carrying amounts of loan payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	39,260	20,263	–	–

Working capital loans bear average interest rates of 5.13% (2018: 3.59%) per annum. Certain working capital loans amounting to US$205,084,000 (2018: US$78,412,000) are secured by a charge over certain of the Group's inventories (Note 21), property, plant and equipment (Note 12), and certain cash and bank balances (Note 17), and certain trade receivables (Note18).

25. Loan payables (cont'd)

The Group and the Company has the following term loans:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Loan A	2,140	1,309	–	–
Loan C	4,282	–	–	–
Loan D	3,083	–	–	–
Loan F	29,672	–	29,672	–
	39,177	1,309	29,672	–
Non-current				
Loan A	21,443	24,001	–	–
Loan B	297,642	296,442	297,642	296,442
Loan C	64,223	69,822	–	–
Loan D	16,186	–	–	–
Loan E	67,605	–	–	–
Loan F	44,813	–	44,812	–
	511,912	390,265	342,454	296,442

Details of the term loans are as follow:

a) Loan A bears an average effective interest of 6.00% (2018: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.

b) Loan B bears an effective interest rate of 4.06% (2018: 3.93%) and is repayable in 2021. This loan is unsecured.

c) Loan C bears an average effective interest rate of 7.15% (2018: 7.15%) per annum. Repayment will commence in 2020 on semi-annual instalments until 2027. This loan is unsecured.

d) Loan D bears an average effective interest rate of 9.00% per annum. Repayment has commenced during the year on quarterly instalments until 2026. This loan is secured on certain property, plant and equipment and inventories.

e) Loan E bears an average effective interest rate of 4.05% per annum and is repayable in 2021. The loan is secured on certain property, plant and equipment, pledged deposit, trade receivables and inventories.

f) Loan F bears an average effective interest rate of 3.03% per annum and is repayable on quarterly instalments until 2021. This loan is unsecured.

26. Retirement benefit obligations

The Group provides defined post-employment benefits for its qualifying employees in accordance with relevant labour laws and regulations in Indonesia, Thailand, Cameroon and Ivory Coast.

Changes in retirement benefit obligations are as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
At 1 January	19,024	19,024
Acquisition of subsidiaries	–	4,920
Benefit paid for the year	(3,253)	(6,283)
Changes charged to profit or loss		
- Current service costs	2,708	1,999
- Interest cost on benefit obligations	1,255	1,238
- Past service costs	64	664
- Net actuarial gain recognised during the year	97	240
- Provision of long term employee benefit	1,362	73
- Excess benefit	1,530	476
Re-measurement losses/(gain) in other comprehensive income		
- Actuarial changes arising from changes in demographic assumptions	117	(108)
- Actuarial changes arising from changes in financial assumptions	(312)	(2,615)
- Experience adjustments	(717)	(1,441)
Exchange difference	666	(1,280)
	22,541	16,907
Reclassification from assets of disposal group classified as held-for-sale	–	2,117
At 31 December	22,541	19,024

The cost of providing post-employment benefits is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions:

	2019	**2018**
	%	%
Indonesia (Headcount: 2019- 4,435, 2018- 4,844)		
Discount rate	5.42 – 8.19	8.32
Future salary increment rate	5.00 – 9.00	7.00 – 9.00
Thailand (Headcount: 2019- 1,038, 2018- 1,037)		
Discount rate	1.45	2.56
Future salary increment rate	1.00 – 4.00	1.00 – 4.00
Cameroon (Headcount: 2019- 6,798, 2018- 7,259)		
Discount rate	3.50	3.50
Future salary increment rate	1.00 – 2.99	2.71 – 7.95
Ivory Coast (Headcount: 2019- 998, 2018- 1,008)		
Discount rate	3.50 – 6.00	3.50 – 6.00
Future salary increment rate	3.50 – 5.00	3.50 – 5.00

Three other assumptions: mortality rate, disability rate and voluntary resignation rate are not significant assumptions for these plans as there are insignificant changes in retirement benefit obligations arising from them.

26. Retirement benefit obligations (cont'd)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Increase in assumption 2019 US$'000	Decrease in assumption 2019 US$'000	Increase in assumption 2018 US$'000	Decrease in assumption 2018 US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(238)	275	(301)	292
- (Decrease)/Increase on retirement benefit obligation	(1,434)	1,663	(1,227)	1,501
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	372	(298)	314	(217)
- Increase/(Decrease) on retirement benefit obligation	1,816	(1,485)	1,465	(1,324)

The above sensitivity analysis is based on a change in an assumption while holding other assumptions constant. Changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions, the same method (present value of the retirement benefit obligations calculated with the Projected Unit Credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligations recognised within the statement of financial position.

Through its retirement benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed as below:

Changes in bond yields
A decrease in government bond yield will increase plan liabilities.

Inflation risk
The majority of the plan's benefit obligations are linked to inflation which higher inflation will lead to higher liabilities.

The weighted average duration of the retirement benefits obligation is 18.1 years (2018: 18.5 years).

27. Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
Balance at beginning and end of financial year	1,595,012	603,874	1,595,012	603,874

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares of the Company have no par value.

28. Perpetual securities

During the financial year ended 31 December 2017, the Company issued perpetual securities with principal amount of US$150,000,000 bearing distributions at rate of 4.5% per annum. An amount of US$148,690,000 net of issuance costs, was recognised in equity.

The perpetual securities bear distributions which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer or not making distributions on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual securities is classified as equity and distributions are treated as dividends. This is due to the reason that the Company has no contractual obligations to repay its principal or to pay any distributions, which means the instrument does not meet the definition as a financial liability under *SFRS(I) 1-32 Financial Instruments: Disclosure and Presentation*.

During the current financial year, the Board of Directors have approved to distribute payment amounting to US$3,375,000 (2018: US$6,750,000) to the holders of the securities.

On 26 April 2019, the Group has redeemed all the principal amount of the perpetual securities of US$150,000,000.

29. Other reserves

a) Capital reserve

Capital reserves pertain to the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder for the swap of the shares in the Company.

Capital reserve also includes funds arising from the Group's People's Republic of China ("PRC") subsidiaries which are required to transfer 10% of the net income to the reserve fund in accordance with PRC Articles of Association.

b) Other reserves

Other reserves pertain to fair value adjustments on derivative financial instruments, premium paid by non-controlling interests for interest in a subsidiary and redemption amount for put option issued to non-controlling interest of a subsidiary.

c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

30. Lease liabilities

Group	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Finance lease liabilities under SFRS(I) 1-17	–	174	174
Adoption of SFRS(I) 16	11,066	425	11,491
	11,066	599	11,665
Additions	4,120	91	4,211
Interest expense	467	12	479
Lease payment	(2,856)	(199)	(3,055)
Exchange difference	10	17	27
At 31 December 2019	12,807	520	13,327

Company	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Additions	3,395	190	3,585
Interest expense	80	6	86
Lease payment	(865)	(41)	(906)
Exchange difference	75	4	79
At 31 December 2019	2,685	159	2,844

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Current	3,124	42	1,021	–
Non-current	10,203	132	1,823	–
	13,327	174	2,844	–

As at 31 December 2019, the average incremental borrowing rate applied and average interest rate in the lease were 5.16% and 3.78% respectively. As at 31 December 2018, the Group leases motor vehicles under finance lease and average discount rate in finance lease was 1.89%.

The Group lease liabilities of US$145,000 (2018: US$174,000) was secured over motor vehicles (Note 12(b)).

As at each reporting date, the carrying amounts of lease liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	3,187	–	2,844	–

31. Commitments and contingencies

(a) Commitment for sales, purchases and forward currency contracts

The Group has committed sales, purchases and currency contracts that are entered into for the use of the Group. The contractual or notional amounts of the committed contracts with fixed pricing terms that was outstanding as at 31 December 2019 and 31 December 2018 are as disclosed in Note 20.

(b) Corporate guarantees

The following are the corporate guarantees given by the Company for the credit facilities extended by banks to:

	Company	
	2019	**2018**
	US$'000	US$'000
Subsidiaries	373,496	369,159

(c) Contingent liabilities

One of the subsidiaries in the Group has received claims of under-payment of direct or indirect tax by the Customs department amounting to approximately US$13,700,000. A lawyer has been engaged to assist in reviewing the claims and the lawyer is of the view that the Customs has no valid basis in pursuing the claim against the subsidiary. Management is of the view that the likelihood of Customs in succeeding their claim is remote. Accordingly, no accrual has been made for the claim from the Customs.

32. Financial risks and management

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		US$'000	US$'000	US$'000	US$'000
Financial assets					
Cash and bank balances	17	57,905	125,214	369	770
Trade receivables	18	133,753	146,745	–	–
Loans and other receivables	19	93,924	89,204	861,494	808,297
Derivative financial instruments	20	20,523	44,190	928	670
		306,105	405,353	862,791	809,737
Financial liabilities					
Trade payables	23	38,331	34,570	–	–
Other payables	24	40,859	38,396	257,914	123,070
Loan payables	25	1,123,733	912,040	689,501	591,567
Lease liabilities	30	13,327	174	2,844	–
Derivative financial instruments	20	10,534	1,920	507	670
		1,226,784	987,100	950,766	715,307

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

As disclosed in Note 2.7 of the financial statements, the functional currency of the Company is the United States Dollar.

The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain purchases are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar, Euro, Indonesian Rupiah, Malaysian Ringgit, Chinese Yuan Renminbi, CFA Franc and Thai Baht. The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

The Group enters into foreign currency forward contracts to hedge the foreign currency exposure for some of its receivables.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, income will increase/(decrease) by:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	(1,002)	(2,095)	–	–
Singapore Dollar	60	104	11	7
Euro [1]	456	754	6	3
Pound Sterling	180	174	–	–
Swedish Krona	59	92	–	–
Chinese Yuan Renminbi	99	4	–	–
Japanese Yen	75	17	–	–

[1] It excludes the effect of foreign currency exposure that has been materially hedged.

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's primary interest rate risk arises from its loan payables.

The Group's exposures to interest rates are set out below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's income for the financial year would decrease/increase by US$4,540,000 (2018: decrease/increase by US$3,351,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the banks and financial institutions, and certain loan receivables.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are creditworthy entities.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days of when they fall due, which are derived based on the Group's historical information.

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Credit risk (cont'd)

To assess whether there is significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation
- There is disappearance of an active market for the financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and qualitative information about amount arising from expected credit losses for each class of financial assets.

(i) Trade receivables

The Group provides for expected credit losses ("ECL") for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analyse in accordance to days past due by grouping of customers which are:

- HRC Group
- Corrie MacColl Group

(ii) Other receivables

The Group provides for ECL for all financial assets based on general approach of 12-months ECL either individual or collective basis.

The Group has performed specific credit risk assessment on the loan to a third party.

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of impairment loss on receivables) at the statement of financial position date is as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
By country:		
Singapore	3,793	4,110
Asia (excluding Singapore and China)	30,742	36,445
China	21,845	13,806
United States of America ("USA")/Canada	40,878	44,373
Europe	28,692	39,603
Others	7,803	8,408
	133,753	146,745

Further details of credit risks on trade receivables are disclosed in Note 18 to the financial statements.

(iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 maintains sufficient liquidity at all times by efficient cash and working capital management.

The Group's ability to meet its obligations is managed by maintaining appropriate level of cash balance and working capital balances.

<u>Non-derivative financial instruments</u>

The following tables detail the remaining contractual maturity for non-derivative financial instruments.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The adjustment column represents the possible future interest cash outflow attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset or liabilities on the statement of financial position.

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32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments (cont'd)

	31 December 2019 US$'000						31 December 2018 US$'000					
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Group												
Financial assets:												
Trade and other receivables- interest bearing	9.69	51,708	–	4,454	(1,028)	55,134	6.50	53,407	3,491	–	(2,784)	54,114
Trade and other receivables- non-interest bearing		172,543	–	–	–	179,543		181,835	–	–	–	181,835
Cash at banks and in hand		54,500	–	–	–	54,500		65,323	–	–	–	65,323
Short term deposits	3.63	1,127	–	–	–	1,127	(0.34)[1]	57,412	–	–	196	57,608
Total undiscounted financial assets		279,878	–	4,454	(1,028)	283,304		357,977	3,491	–	(2,588)	358,880
Financial liabilities:												
Trade and other payables		79,190	–	–	–	79,190		72,966	–	–	–	72,966
Lease liabilities	3.78	3,532	4,975	13,099	(8,279)	13,327	1.89	48	139	–	(13)	174
Loan payables- variable rate	3.73	500,617	460,001	–	(51,497)	909,121	3.61	456,379	325,658	–	(54,182)	727,855
Loan payables- fixed rate	7.92	129,762	42,672	90,028	(47,851)	214,611	7.76	104,632	23,542	100,752	(44,741)	184,185
Total undiscounted financial liabilities		713,101	507,648	103,127	(107,627)	1,216,249		634,025	349,339	100,752	(98,936)	985,180

[1] Current Euro interbank offered rate ("Euribor") is a negative interest rate.

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments (cont'd)

	31 December 2019 US$'000						31 December 2018 US$'000					
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Company												
Financial assets:												
Trade and other receivables – non-interest bearing		808,605	–	–	–	808,605		808,297	–	–	–	808,297
Trade and other receivables – interest bearing	4.91	55,487	–	–	(2,598)	52,889		–	–	–	–	–
Cash at banks and in hand		369	–	–	–	369		770	–	–	–	770
Total undiscounted financial assets		864,461	–	–	(2,598)	861,863		809,067	–	–	–	809,067
Financial liabilities:												
Trade and other payables – non-interest bearing		238,962	–	–	–	238,962		123,070	–	–	–	123,070
Trade and other payables – interest bearing	4.23	19,754	–	–	(802)	18,952		–	–	–	–	–
Lease liabilities (Note 30)	3.27	1,088	1,801	56	(101)	2,844		–	–	–	–	–
Loan payables- variable rate	3.67	342,787	389,628	–	(42,914)	689,501	3.66	315,456	325,658	–	(49,547)	591,567
Total undiscounted financial liabilities		602,591	391,429	56	(43,817)	950,259		438,526	325,658	–	(49,547)	714,637

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk (cont'd)

Derivative financial instruments

The liquidity analysis for derivative financial instruments has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

Please refer to Note 20 for more details.

(v) Commodity price risk

Due to the nature of the Group's operations, the Group is exposed to changes in agricultural commodity prices.

At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have increased/decreased profit before income tax by US$1,172,000 (2018: increased/decreased profit before income tax by US$151,000) and increased/decreased equity by US$1,172,000 (2018: increased/decreased equity by US$151,000).

33. Related party transactions

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

The Group entities entered into the following transactions with related parties:

	Group	
	2019	**2018**
	US$'000	US$'000
Sale of goods to penultimate holding company	–	388
Banking facilities covered by letter of comfort from penultimate holding company	490,000	420,000

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
Directors' fees (Note 8)	446	457
Short-term benefits		
- Directors of the Company	1,145	1,156
- Other key management personnel	1,056	1,139
	2,647	2,752

34. Segment information

The Group is a global leader in natural rubber industry, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources a broad range of grades from all major origins globally, operates 38 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China, Cameroon and Ivory Coast, and distributes to an international customer base through its network of warehouses and sales offices in South East Asia, China, the United States of America and Europe.

On 1 January 2018, the Group has streamlined its operating structure into four key segments comprises Corrie MacColl Group, HRC Group, SINRIO Group and Corporate Segment.

During the year, the operating structure has been further streamlined and the Group has consolidated its global tyre-maker processing and supply platform, under the HRC Group, in view of the recent developments in natural rubber market, as well as convergence in quality requirement at consumers' end. Following which, the key segments of the Group comprises the following:

(a) Corrie MacColl Group – This business segment includes our plantation and processing business in Cameroon and Malaysia and our distribution business under the brand name of Centrotrade, Wurfbain, Corrie MacColl, Alan L. Grant, Momentum Technologies and Kelvin Terminals.

(b) HRC Group - This business segment includes our processing factories in Indonesia, China, Malaysia, Thailand and Ivory Coast, and distribution business in Singapore and China, whose customers are predominantly top-tier global tyre makers.

(c) Corporate segment - covers group strategic management, corporate finance, group administration and legal matters, treasury, and taxation.

Segmental performance is continuously monitored to optimise the allocation of resources between segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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34. Segment information (cont'd)

	Corrie MacColl Group		HRC Group		Corporate		Elimination			Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018		2019	2018
	US$'000	US$'000 (Restated)	US$'000	US$'000 (Restated)	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue to third party	594,967	626,337	1,312,721	1,514,697	59	–	–	–		1,907,747	2,141,034
Inter-segment revenue	1,791	5,102	61,333	41,664	14,961	20,073	(78,085)	(66,839)	A	–	–
Total revenue	596,758	631,439	1,374,054	1,556,361	15,020	20,073	(78,085)	(66,839)		1,907,747	2,141,034
Gross profit	30,697	46,275	76,595	72,224	15,021	20,073	(14,961)	(20,129)	B	107,352	118,443
Operating profit	45,382	14,277	(6,696)	(17,813)	(537)	8,069	171	(58)		38,320	4,475
Finance income										6,069	4,900
Finance costs										(40,826)	(26,174)
Share of result of associates										(252)	(165)
Profit/(Loss) before taxation										3,311	(16,964)
Income tax (expense)/ credit										(7,041)	3,551
Loss for the financial year										(3,730)	(13,413)
Segment assets	1,271,969	1,008,340	1,054,205	979,004	1,637,419	1,494,485	(2,048,636)	(1,667,209)	C	1,914,957	1,814,620
Segment liabilities	808,246	579,356	866,140	774,970	1,029,239	716,085	(1,377,656)	(991,678)	D	1,325,969	1,078,733
Other information:											
Management fee expense/(income)	–	–	14,702	20,064	(14,702)	(20,064)	–	–		–	–
Depreciation expense (include right-of-use assets)	9,108	6,814	21,993	21,600	1,064	65	–	–		32,165	28,479
Fair value gain on investment properties	–	–	(80)	(4,515)	–	–	–	–		(80)	(4,515)
Fair value gain on biological assets	52,698	–	–	–	–	–	–	–		52,698	–
Unrealised fair value (gain)/loss on open forward commodity contracts and adjustment on inventories	5,917	(13,519)	(13,797)	13,465	–	–	–	–		(7,880)	(54)
Capital expenditure	56,750	67,150	10,424	11,147	1,071	417	–	–		68,245	78,714

34. Segment information (cont'd)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.
B. Management fee is eliminated on consolidation.
C. Elimination on investment in subsidiaries and intercompany balances.
D. Elimination on intercompany balances.

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including intangible assets, property, plant and equipment, plantation related properties, biological assets, investment properties, deferred charges and other assets) by geographical location are detailed below:

	Group	
	2019	**2018**
	US$'000	US$'000
Sales of natural rubber		
Singapore	27,026	49,115
Asia (excluding Singapore and China)	562,731	621,232
China	507,329	538,993
USA/Canada	396,217	392,764
Europe	374,241	491,203
Others	40,203	47,727
	1,907,747	2,141,034

The table above shows the Group's revenue by geographical locations based on the origin of the customers' ultimate parent company.

	Group	
	2019	**2018**
	US$'000	US$'000
Non-current assets		
Singapore	22,226	18,900
Asia	562,382	562,273
Africa	500,614	410,576
Europe	28,842	26,161
Others	15,835	11,975
	1,129,901	1,029,885

Non-current assets presented above includes intangible assets, property, plant and equipment, plantation related properties, biological assets, investment properties, deferred charges, loans and other receivables, investment in associates and other assets as presented in the consolidated statement of financial position.

35. Fair value of assets and liabilities

(a) Fair value hierarchies

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

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

Level 3 – Unobservable inputs for the asset or liability.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2019 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	20,523	–	–	20,523
Financial assets as at 31 December 2019	**20,523**	**–**	**–**	**20,523**
Non-financial assets:				
Inventories	–	348,627	–	348,627
Biological assets	–	–	299,466	299,466
Investment properties	–	–	44,718	44,718
Non-financial assets as at 31 December 2019	**–**	**344,627**	**344,184**	**692,811**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	10,534	–	–	10,534
Financial liabilities as at 31 December 2019	**10,534**	**–**	**–**	**10,534**

35. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Group			
	2018			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	44,190	–	–	44,190
Financial assets as at 31 December 2018	**44,190**	**–**	**–**	**44,190**
Non-financial assets:				
Inventories	–	267,976	–	267,976
Biological assets	–	–	10,225	10,225
Investment properties	–	–	46,799	46,799
Non-financial assets as at 31 December 2018	**–**	**267,976**	**57,024**	**325,000**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	1,920	–	–	1,920
Financial liabilities as at 31 December 2018	**1,920**	**–**	**–**	**1,920**

35. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Company 2019			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	928	–	–	928
Financial assets as at 31 December 2019	**928**	**–**	**–**	**928**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	507	–	–	507
Financial liabilities as at 31 December 2019	**507**	**–**	**–**	**507**

	Company 2018			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	670	–	–	670
Financial assets as at 31 December 2018	**670**	**–**	**–**	**670**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	670	–	–	670
Financial liabilities as at 31 December 2018	**670**	**–**	**–**	**670**

35. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The fair value of inventories (except consumables) are calculated using quoted prices in relevant commodity exchanges at the end of the reporting period, making adjustments according to the stage of production of the inventories, port of loading, and grades of products. Where such prices are not available, the Group uses valuation models to determine the fair values based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by an independent professional valuer using the discounted cash flow valuation approach. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate. The fair value of biological assets is computed using average annual yield of 1.7 metric tonne per hectare (2018: 1.6 metric tonne), and discount rate of 11% (2018: 11%) for oil palm and rubber trees in Malaysia plantation, average annual yield of 1.7 to 2.0 metric tonne per hectare (2018: Nil), and discount rate of 13% (2018: Nil) for rubber trees in Cameroonian plantations, average yield per tapping cycle of 7.42 metric tonne per hectare (2018: 7.42 metric tonne per hectare), and 0.02 metric tonne per hectare (2018: 0.01 metric tonne per hectare) for oil palm in Malaysia and rubber latex in Ivory Coast plantation respectively.

An increase in average annual yield per hectare will result in an increase to the fair value of biological assets, while an increase in discount rate will result in a decrease of estimated fair value.

At the end of the reporting period, a 1% increase/decrease in average annual yield will increase/decrease the fair value of biological asset by US$6,488,000 and a 0.5% increase/decrease in discount rate will decrease/increase the fair value of biological asset by US$19,577,000 for Cameroonian plantations.

Investment properties

The fair value of the Group's investment properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property location, accessibility, topography, facilities and utilities, size and date of transaction.

(ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

		2019	
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	10,225	46,799	57,024
Fair value gain recognised in profit or loss	52,698	80	52,778
Additions	728	–	728
Depreciation for the year	(46)	–	(46)
Reclassification to assets of disposal classified as held-for-sale (Note 22)	–	(4,820)	(4,820)
Reclassification	239,874	–	239,874
Exchange differences	(4,013)	2,659	(1,354)
Closing balance	299,466	44,718	344,184

35. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(ii) Movements in Level 3 assets measured at fair value (cont'd)

	2018		
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	8,910	25,256	34,166
Fair value gain recognised in profit or loss	1	4,515	4,516
Additions	1,522	30	1,552
Acquisition of subsidiaries	–	3,616	3,616
Disposals	–	(1,712)	(1,712)
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	16,656	16,656
Exchange differences	(208)	(1,562)	(1,770)
Closing balance	10,225	46,799	57,024

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2019 and 31 December 2018.

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation of biological assets and investment properties. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(e) Fair value of financial instruments not measured at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances (Note 17), trade receivable (Note 18), loans and other receivables (Note 19), trade payables (Note 23), other payables (Note 24), and loan payables (Note 25) approximate their respective fair values due to the relatively short-term maturity of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the statement of financial position date.

36. Dividends on ordinary shares

	Group and Company	
	2019	**2018**
	US$'000	US$'000
Paid during the financial year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2018: S$Nil (2017: S$0.01) per share	–	12,044
- Special exempt (one-tier) dividend for 2018: S$Nil (2017: S$0.01) per share	–	12,044
Total	–	24,088

37. Capital management

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group is required to comply with loan covenants imposed by the lenders, unless it is specifically waived by the lenders. This externally imposed requirement has been complied with by the Group in financial year ended 31 December 2018 and 31 December 2019, with the exception of a loan in a subsidiary company for financial year ended 31 December 2019. As at 31 December 2019, the subsidiary obtained a waiver from the bank for a bank loan with carrying amount of US$97,540,000 for the non-fulfilment of financial covenants. The Company has obtained waiver from the bank to test certain financial covenants for a bank loan amounting to US$74,485,000 as at 31 December 2019.

The capital structure of the Group comprises only of issued capital and retained earnings. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net borrowing divided by total equity. The Group includes within net borrowing, loans and borrowings, lease liabilities, adjusted for working capital items.

	Group	
	2019	**2018**
	US$'000	US$'000
Loan payables (Note 25)	1,123,733	912,040
Lease liabilities (Note 30)	13,327	174
Total borrowing	1,137,060	912,214
Adjust for: Working capital items		
- Trade receivables (Note 18)	(133,753)	(146,745)
- Inventories (Note 21)	(375,394)	(297,941)
- Cash and bank balances (Note 17)	(57,905)	(125,214)
- Trade payables (Note 23)	38,331	34,570
Adjusted net borrowing	608,339	376,884
Total equity	588,988	735,886
Adjusted gearing ratio	1.03	0.51

38. Comparative figures

The financial effects arising from first-time adoption of SFRS(I) to the consolidated statement of financial position and income statement of the Group as follows:

	Group		
	1 January 2018 (SFRS(I))	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Trade receivables	121,689	(337)	121,352
Loans and other receivables	111,058	(227)	110,831
Accumulated profits	5,694	564	6,258

38. Comparative figures (cont'd)

	Company		
	31 December 2017 (SFRS(I))	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000
Statement of financial position			
Loans and other receivables	671,089	(5)	671,084
Accumulated profits	62,609	(5)	62,604

39. Event occurring after the reporting period

a) Completion of Put Option exercised by minority shareholder of PT. Pulau Bintan Djaya ("PBD")

In January 2020, the Group's subsidiaries, PT. Hok Tong ("Hok Tong") and Anson Company (Private) Limited ("Anson") had completed the acquisition of 20% of the issued and paid-up share capital of PBD from Global Key Holdings Limited ("GKHL") for a consideration of US$4,850,000.

With the completion of the acquisition, PBD has become a 100% owned subsidiary of the Group, and is 99% owned by Hok Tong and 1% owned by Anson.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

Opinion

We have audited the financial statements of Halcyon Agri Corporation 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 income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"s). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

1. Impairment of goodwill and process know-how

As at 31 December 2018, the Group's goodwill and process know-how amounted to US$287,399,000 and US$10,000,000 respectively. They represent approximately 40% of the Group's net assets.

We focused on the impairment assessment of goodwill and process know-how because the impairment testing of the cash generating units ("CGUs") attributable to these intangibles rely on estimates of value-in-use ("VIU") based on the CGU's expected future cash flows. We considered audit of these cash flow projections to be a key audit matter as these involved significant management judgment, and are based on assumptions that are affected by expected future market and economic conditions. In addition, judgment has also been exercised by management in identifying the appropriate CGUs for the impairment test.

The Group uses assumptions in respect of future market and economic conditions such as forecasted rubber price, forecasted sales volume, growth rates and pre-tax discount rates. We assessed and tested these assumptions which the outcome of the impairment test is most sensitive and data inputs by comparing them to historical performance of the CGU and industry outlook reports. We engaged our valuation specialists to assist us with the audit of the reasonableness of management's valuation methodologies and certain assumptions used.

We also reviewed the Group's process in identifying changes to CGUs to which goodwill and/or intangible assets have been allocated to. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in an impairment.

We also assessed the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive, as well as changes to CGUs during the year. The disclosures on goodwill and process know-how and key assumptions are included in Note 11.

2. Accounting for acquisitions

During the financial year ended 31 December 2018, the Group completed three acquisitions as disclosed in Note 14(a)(i).

We considered the audit of accounting for these acquisitions to be a key audit matter as these are significant transactions during the year which require significant management judgment regarding the allocation of the purchase price to the assets and liabilities acquired, including: identifying intangible assets acquired in the acquisitions and estimating the value of such intangible assets.

We have, amongst others, read the sales and purchase agreements in relation to these acquisitions to obtain an understanding of the transactions and the key terms. We tested the identification and fair valuation of the acquired assets and liabilities by corroborating the result of the identification against our discussion with management and understanding of the businesses of the newly acquired entities. We involved our internal specialist to assist us in reviewing the valuation methodologies used by management and the external valuation expert engaged by management in the fair valuation of acquired assets and liabilities. We assessed the reasonableness of the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data. We have also assessed the competence and relevant experience of the experts engaged by management.

We also assessed the adequacy of the related disclosures in the financial statements regarding these acquisitions in Note 14(a).

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of 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 SFRS(1), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lai Hiang.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 March 2019

Consolidated Income Statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
Revenue	4	2,141,034	2,158,383
Cost of sales		(2,022,591)	(2,007,825)
Gross profit		118,443	150,558
Other income	5	6,655	24,920
Selling expenses		(43,859)	(49,295)
Administrative expenses		(81,521)	(79,610)
Administrative expenses – foreign exchange gain		5,342	12,783
Impairment losses on financial assets		(585)	(107)
Operating profit		4,475	59,249
Finance income	6(a)	4,900	2,950
Finance costs	6(b)	(26,174)	(25,674)
Share of (loss)/profit of associates		(165)	10,043
(Loss)/Profit before tax	8	(16,964)	46,568
Income tax credit/(expense)	7	3,551	(12,038)
(Loss)/Profit for the financial year		(13,413)	34,530
(Loss)/Profit attributable to:			
Owners of the Company		(8,484)	31,027
Non-controlling interests		(4,929)	3,503
		(13,413)	34,530
(Loss)/Earnings per share ("LPS/EPS"):			
Basic and diluted (cents per share)	10	(0.53)	1.95

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
(Loss)/Profit for the financial year		(13,413)	34,530
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(31,711)	45,723
Realisation of foreign currency translation reserve upon liquidation of a subsidiary		(5,333)	–
Net fair value loss on derivative financial instruments at fair value through other comprehensive income		(315)	–
Net fair value loss on equity instruments at fair value through other comprehensive income		(4)	–
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation (net of tax)		3,132	(1,197)
Other comprehensive (loss)/income for the financial year net of tax		(34,231)	44,526
Total comprehensive (loss)/income for the financial year net of tax		(47,644)	79,056
Attributable to:			
– Owners of the Company		(40,766)	72,725
– Non-controlling interests		(6,878)	6,331
Total comprehensive (loss)/income for the financial year net of tax		(47,644)	79,056

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position

As at 31 December 2018

	Note	Group			Company		
		2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS							
Non-current assets							
Intangible assets	11	300,903	200,416	200,496	1,164	–	–
Property, plant and equipment	12	294,972	244,929	244,781	168	1,025	207
Plantation related properties	16	370,183	328,164	281,703	–	–	–
Biological assets	16	10,208	8,861	6,821	–	–	–
Investment properties	13	46,799	25,256	39,791	–	–	–
Deferred tax assets	15	15,056	14,346	13,227	–	–	–
Deferred charges		352	531	207	–	–	–
Other assets		1,787	1,793	259	–	–	–
Loans and other receivables	19	3,491	3,641	3,209	–	–	–
Investment in subsidiaries	14(a)	–	–	–	680,010	600,824	615,640
Investment in associates	14(b)	1,190	–	189,700	–	–	–
Total non-current assets		1,044,941	827,937	980,194	681,342	601,849	615,847
Current assets							
Cash and bank balances	17	125,214	152,229	66,625	770	706	430
Trade receivables	18	146,745	121,689	98,066	–	–	–
Loans and other receivables	19	146,186	111,058	51,874	808,726	671,089	372,056
Tax receivables		9,386	2,175	1,767	–	–	–
Derivative financial instruments	20	44,190	22,885	30,889	670	–	–
Inventories	21	297,941	305,347	319,973	–	–	–
Consumable biological assets	16	17	49	134	–	–	–
		769,679	715,432	569,328	810,166	671,795	372,486
Assets of disposal group classified as held-for-sale	22	–	89,384	–	–	–	–
Total current assets		769,679	804,816	569,328	810,166	671,795	372,486
Total assets		1,814,620	1,632,753	1,549,522	1,491,508	1,273,644	988,333
LIABILITIES AND EQUITY							
Current liabilities							
Derivative financial instruments	20	1,920	145	58,786	670	–	–
Trade payables	23	34,570	38,757	46,265	–	–	–
Other payables	24	55,682	60,443	42,699	123,150	155,335	33,776
Loan payables	25	520,400	207,551	244,645	293,750	2,750	2,750
Provision for taxation		12,418	21,040	19,813	1	412	412
Finance lease obligation	30(b)	42	496	497	–	496	465
		625,032	328,432	412,705	417,571	158,993	37,403
Liabilities of disposal group classified as held-for-sale	22	–	16,463	–	–	–	–
Total current liabilities		625,032	344,895	412,705	417,571	158,993	37,403
Net current assets		144,647	459,921	156,623	392,595	512,802	335,083

Statements of Financial Position
As at 31 December 2018

	Note	Group 2018 US$'000	Group 31 Dec 2017 US$'000	Group 1 Jan 2017 US$'000	Company 2018 US$'000	Company 31 Dec 2017 US$'000	Company 1 Jan 2017 US$'000
Non-current liabilities							
Loan payables	25	391,640	402,960	460,372	297,817	299,367	357,654
Retirement benefit obligations	26	19,024	19,024	17,153	–	–	–
Deferred tax liabilities	15	38,643	30,782	38,710	36	25	25
Finance lease obligation	30(b)	132	86	600	–	86	581
Other payables	24	4,263	1,843	1,850	–	–	–
Total non-current liabilities		453,702	454,695	518,685	297,853	299,478	358,260
Net assets		735,886	833,163	618,132	776,084	815,173	592,670
Capital and reserves							
Share capital	27	603,874	603,874	603,874	603,874	603,874	603,874
Perpetual securities	28	148,690	148,690	–	148,690	148,690	–
Capital reserve	29(a)	1,617	711	455	–	–	–
Other reserves	29(b)	(3,313)	–	–	–	–	–
Accumulated (losses)/profits		(51,651)	(5,694)	(33,279)	23,520	62,609	(11,204)
Foreign currency translation reserve	29(c)	7,749	42,672	–	–	–	–
Equity attributable to owners of the Company		706,966	790,253	571,050	776,084	815,173	592,670
Non-controlling interests		28,920	42,910	47,082	–	–	–
Total equity		735,886	833,163	618,132	776,084	815,173	592,670
Total liabilities and equity		1,814,620	1,632,753	1,549,522	1,491,508	1,273,644	988,333

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2018

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2018 *		603,874	148,690	711	–	(5,694)	42,672	790,253	42,910	833,163
Effect of adopting SFRS(I) 9		–	–	–	–	(564)	–	(564)	–	(564)
At 1 January 2018 (SFRS(I) framework)		603,874	148,690	711	–	(6,258)	42,672	789,689	42,910	832,599
Loss for the year		–	–	–	–	(8,484)	–	(8,484)	(4,929)	(13,413)
Other comprehensive (loss)/income		–	–	–	(315)	2,956	(34,923)	(32,282)	(1,949)	(34,231)
Total comprehensive loss for the year		–	–	–	(315)	(5,528)	(34,923)	(40,766)	(6,878)	(47,644)
Contributions by and distributions to owners										
Dividends on ordinary shares	35	–	–	–	–	(24,088)	–	(24,088)	–	(24,088)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(354)	(354)
Statutory reserve fund		–	–	906	–	(906)	–	–	–	–
Non-controlling interests arising from acquisition of a subsidiary	14(a)	–	–	–	–	–	–	–	258	258
Distribution to perpetual securities holders	28	–	–	–	–	(6,750)	–	(6,750)	–	(6,750)
Total contributions by and distributions to owner		–	–	906	–	(31,744)	–	(30,838)	(96)	(30,934)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	877	–	–	877	123	1,000
Acquisition of non-controlling interest without a change in control	14(a)	–	–	–	–	(8,121)	–	(8,121)	(7,139)	(15,260)
Total changes in ownership interests in subsidiaries		–	–	–	877	(8,121)	–	(7,244)	(7,016)	(14,260)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2018

		Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
Others										
Changes to reserve		–	–	–	(208)	–	–	(208)	–	(208)
Put option granted to non-controlling interest of a subsidiary		–	–	–	(3,667)	–	–	(3,667)	–	(3,667)
Total others		–	–	–	(3,875)	–	–	(3,875)	–	(3,875)
At 31 December 2018		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886

*Reconciliation between 1 January 2018 balance under FRS framework, as previously reported, to 1 January 2018 balance prepared based on SFRS(I) framework prior to adopting SFRS(1) 9 has been disclosed in Note 37.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2018

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2017 (FRS framework)		603,874	–	455	–	48,116	(77,448)	574,997	47,082	622,079
Cumulative effects of adopting of SFRS(I)		–	–	–	–	(81,395)	77,448	(3,947)	–	(3,947)
At 1 January 2017 (SFRS(I) framework)		603,874	–	455	–	(33,279)	–	571,050	47,082	618,132
Profit for the year		–	–	–	–	31,027	–	31,027	3,503	34,530
Other comprehensive (loss)/income		–	–	–	–	(1,042)	42,740	41,698	2,828	44,526
Total comprehensive income for the year		–	–	–	–	29,985	42,740	72,725	6,331	79,056
Contributions by and distributions to owners										
Issuance of perpetual securities (net of transaction costs)	28	–	148,690	–	–	–	–	148,690	–	148,690
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(183)	(183)
Statutory reserve fund		–	–	256	–	(256)	–	–	–	–
Distribution to perpetual securities holders	28	–	–	–	–	(3,375)	–	(3,375)	–	(3,375)
Disposal of a group of subsidiaries		–	–	–	–	–	(68)	(68)	(1,082)	(1,150)
Total contributions by and distributions to owner		–	148,690	256	–	(3,631)	(68)	145,247	(1,265)	143,982
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests without a change in control		–	–	–	–	1,746	–	1,746	(9,753)	(8,007)
Effect of additional investment in a subsidiary		–	–	–	–	(515)	–	(515)	515	–
Total changes in ownership interests in subsidiaries		–	–	–	–	1,231	–	1,231	(9,238)	(8,007)
At 31 December 2017		603,874	148,690	711	–	(5,694)	42,672	790,253	42,910	833,163

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 December 2018

	Note	Share capital	Perpetual securities	Accumulated profits/(losses)	Total equity
		US$'000	US$'000	US$'000	US$'000
Company					
At 1 January 2017 (FRS and SFRS(I) framework)		603,874	–	(11,204)	592,670
Profit for the year representing total comprehensive income for the year		–	–	77,188	77,188
Contributions by and distributions to owners					
Issuance of perpetual securities (net of transaction costs)	28	–	148,690	–	148,690
Distribution to perpetual securities holders		–	–	(3,375)	(3,375)
Total transactions with owners in their capacity as owners		–	148,690	(3,375)	145,315
At 31 December 2017 (FRS and SFRS(I) framework)		603,874	148,690	62,609	815,173
Impact of adopting of SFRS(I) 9		–	–	(5)	(5)
At 1 January 2018		603,874	148,690	62,604	815,168
Loss for the year representing total comprehensive loss for the year		–	–	(8,246)	(8,246)
Contributions by and distributions to owners					
Dividends on ordinary shares	35	–	–	(24,088)	(24,088)
Distribution to perpetual securities holders	28	–	–	(6,750)	(6,750)
Total transactions with owners in their capacity as owners		–	–	(30,838)	(30,838)
At 31 December 2018		603,874	148,690	23,520	776,084

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
Operating activities			
(Loss)/Profit before tax		(16,964)	46,568
Adjustments for:			
Depreciation expense		28,479	26,792
Amortisation of intangible assets		372	79
Retirement benefit expense		4,690	3,521
Interest income		(4,900)	(2,950)
Interest expense		26,174	25,674
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised		(54)	2,026
Fair value gain on investment properties	5	(4,515)	(1,258)
Fair value gain on biological assets	5	(1)	(259)
Unrealised foreign exchange loss/(gain)		1,730	(10,508)
Loss on disposal of property, plant and equipment and investment properties		79	173
Write off of property, plant and equipment		2,781	95
Gain on realisation of foreign currency translation reserve upon liquidation of a subsidiary		(5,333)	–
Gain on disposal of an associate	14(b)	–	(18,130)
Gain on disposal of a group of subsidiaries		–	(3,406)
Impairment loss on financial assets		585	107
Share of loss/(profit) of associates		165	(10,043)
Operating cash flows before changes in working capital		33,288	58,481
Trade and other receivables		(50,340)	(44,887)
Inventories		22,453	(49,839)
Trade and other payables		(29,711)	10,029
Cash used in operations		(24,310)	(26,216)
Interest received		4,371	2,407
Interest paid		(18,828)	(9,641)
Tax paid		(14,165)	(9,229)
Net cash used in operating activities		(52,932)	(42,679)
Investing activities			
Proceeds from disposal of property, plant and equipment and investment properties		1,517	708
Acquisition of subsidiaries (net of cash acquired)		(109,579)	–
Acquisition of non-controlling interests		(15,260)	(8,007)
Payment on transaction cost		(208)	–
Proceeds from issuance of shares of a subsidiary to non-controlling interests		1,000	–
Proceeds from disposal of subsidiaries		–	10
Proceeds from disposal of an associate		–	225,053
Loan extended to a third party		–	(49,911)
Capital expenditure on property, plant and equipment and plantation assets		(78,714)	(54,493)
Net cash (used in)/generated from investing activities		(201,244)	113,360

Consolidated Cash Flow Statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
Financing activities			
Net proceeds/(repayment) of borrowings		280,593	(113,310)
Net (repayment)/proceeds of term loans and syndicated loan facility		(15,330)	19,427
Net proceeds/(repayment) of other working capital loans		295,923	(45,446)
Net repayment of Medium Term Notes ("MTN")		–	(87,291)
Repayment of obligation under finance lease arrangement		(582)	(568)
Net proceeds from issuance of perpetual securities	28	–	148,690
Interest paid on term loans and syndicated facility		(12,356)	(9,727)
Interest paid on MTN and advance to MTN Trust Account		–	(5,820)
Dividend distributed to perpetual securities holders	28	(6,750)	(3,375)
Dividend paid on ordinary shares	35	(24,088)	–
Repayment of shareholder loan for newly acquired subsidiaries		(10,306)	–
Dividend paid to non-controlling interests		(354)	(183)
Decrease/(increase) in pledged deposits		2,288	(4,480)
Net cash generated from financing activities		228,445	11,227
Net (decrease)/increase in cash and cash equivalents		(25,731)	81,908
Cash and cash equivalents at the beginning of year		153,372	66,625
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,710)	4,839
Cash and cash equivalents at the end of year		122,931	153,372
Cash and cash equivalents:			
– from continuing operations	17	122,931	149,056
– from disposal group classified as held-for-sale		–	4,316
Cash and cash equivalents at the end of year		122,931	153,372
Fixed deposits – pledged:			
– from continuing operations	17	2,283	3,173
– from disposal group classified as held-for-sale		–	1,516
Fixed deposits – pledged at the end of year		2,283	4,689
		125,214	158,061

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables	**Finance lease**
	US$'000 (Note 25)	US$'000 (Note 30(b))
At 1 January 2017	705,017	1,097
Net repayment of borrowings	(113,310)	(568)
Non-cash items:		
– Foreign exchange movement	17,251	–
– Others	1,553	53
Total non-cash items	18,804	53
At 31 December 2017	610,511	582
Net proceeds/(repayment) of borrowings	280,593	(582)
Non-cash items:		
– Acquisition of subsidiaries	29,064	–
– Foreign exchange movement	(9,328)	–
– Others	1,200	174
Total non-cash items	20,936	174
At 31 December 2018	912,040	174

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

Halcyon Agri Corporation Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The registered office of the Company is located at 250 North Bridge Road, #12-01 Raffles City Tower, Singapore 179101.

As at 31 December 2018, the Company is 54.99% owned by Sinochem International (Overseas) Pte. Ltd, a company incorporated and domiciled in Singapore. The penultimate holding company is Sinochem International Corporation Co., Ltd. ("SIC"), which is domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. SIC is 55.76% indirectly owned by 中国中化集团公司 (also known as Sinochem Group), a state-owned enterprise of the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are disclosed in Note 14(a) and Note 14(b) to the financial statements respectively.

2. Summary of significant accounting policies

2.1 (a) Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.1 (b) for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") unless otherwise indicated.

(b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statement of financial positions were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

<u>Deferred tax on unremitted foreign sourced income</u>

With the adoption of SFRS(I) by the Group from 1 January 2018 onwards, the Group will no longer be able to apply the Recommended Accounting Practice 8 exemption of not providing deferred tax liability for unremitted foreign sourced income which it has no intention of remitting into Singapore. As a result, the Group recognised deferred tax liabilities of US$4,668,000 and deferred tax expense of US$720,000 with a corresponding decrease in the opening retained earnings of US$3,947,000 as of 1 January 2017.

<u>Exemptions applied on adoption of SFRS(I)</u>

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

i) Exemption for cumulative translation differences

   Cumulative currency translation differences for foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of US$77,448,000 of foreign currency translation reserve was adjusted against the opening retained earnings as at 1 January 2017.

ii) The comparative information do not comply with SFRS(I) 9 Financial Instruments: Disclosures to the extent the disclosures relate to item within the scope of SFRS(I) 9.

2. Summary of significant accounting policies (cont'd)

2.1 (b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the matters described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

iii) SFRS(I) 9 Financial instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirement of FRS39.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or fair value through other comprehensive income ("FVOCI"). The Group previously recorded impairment based on the incurred loss model where there is objective evidence that a financial asset is impaired.

Under adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivable of US$337,000 and other receivables of US$227,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of US$564,000 as at 1 January 2018.

The Company recognised an additional impairment on the Company's amounts due from subsidiaries of US$4,000 and other receivables of US$1,000 upon adoption of SFRS(I) 9 as at 1 January 2018.

The reconciliation for loss allowances for the Group are as follows:

	Group		
	Trade receivables	**Other receivables**	**Total**
	US$'000	US$'000	US$'000
Opening loss allowances as at 1 January 2018	911	–	911
Amount restated through opening retained earnings	337	227	564
Adjusted loss allowances (Note 18(c)/19)	1,248	227	1,475

The reconciliation for loss allowances for the Company are as follows:

	Company		
	Amounts due from subsidiaries	**Other receivables**	**Total**
	US$'000	US$'000	US$'000
Opening loss allowances as at 1 January 2018	–	–	–
Amount restated through opening retained earnings	4	1	5
Adjusted loss allowances (Note 19)	4	1	5

Refer to Note 37 for reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the consolidated statement of financial position and consolidated income statement of the Group.

2. **Summary of significant accounting policies (cont'd)**

2.1 (b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

iv) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 established a five-step model to account for revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has assessed the impact of adopting SFRS(I) 15 and concluded the financial impact is not material to the Group.

2.2 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1 -28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

<u>SFRS(I) 16 Leases</u>

SFRS(I) 16 requires lessees to recognise most leases on statement of financial positions to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the right-of-use assets is recognised at the date of initial application (1 January 2019) at an amount equal to the lease liability, using the Group's current incremental borrowing rates.

In addition, the Group plans to elect the following practical expedients:

(i) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

(ii) to apply single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from the ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of approximately US$11,000,000 and lease liabilities of approximately US$11,000,000 for its leases previously classified as operating leases.

2. **Summary of significant accounting policies (cont'd)**

2.3 Basis of consolidation and business combinations

(A) Basis of 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.

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 within a subsidiary are attributed 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 at the 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.

(B) Business combinations and goodwill

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method. Acquisition method is applied when the transaction has substance from the perspective of the Group in accordance with SFRS(I) 3.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2. **Summary of significant accounting policies (cont'd)**

2.4 Transactions with non-controlling interests

Non-controlling interests represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.5 Subsidiaries

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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.7 Foreign currency

The financial statements are presented in United States Dollar ("USD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling as at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the statement of financial position date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements and renovation	–	10 years
Office equipment	–	2 years
Computers and software	–	1 to 5 years
Leasehold buildings	–	20 years
Plant and machinery	–	10 years
Vehicles	–	4 to 10 years
Leasehold land	–	20 to 95 years

Freehold land is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Plantation establishment costs, consisting of costs directly incurred during the period of plantation development, are not depreciated. The establishment costs will be transferred to plantation assets and will be subject to depreciation upon commencement of rubber tapping activities.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2. **Summary of significant accounting policies (cont'd)**

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other 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 carried 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.

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 de-recognition 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.

(i) Process know-how

The useful life of the process know-how was estimated to be indefinite because based on the current demand for rubber, management believes there is no foreseeable limit to the period over which the process know-how are expected to generate net cash inflows for the Group.

(ii) Customer relationship

Customer relationship acquired was initially recognised at cost and was subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 10 years.

(iii) Computer software

Acquired computer software licences are initially capitalised at cost and was subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 5 years.

2. Summary of significant accounting policies (cont'd)

2.11 Land use rights

Certain plantation lands in Cameroon were given land use rights by the State of Cameroon in 1996 for a period of 50 years plus 50 years, renewable at a nominal value to the Group. With the Group's continuing investment in replanting and extension on the plantation land, the Group is of the view that it is not likely that the land use rights will not be renewed at the expiry of its current term. As such, land use rights for those lands are deemed to have a perpetual life and no depreciation has been provided.

2.12 Bearer plants and biological assets

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant local market or industry considerations. Rubber trees are not considered bearer plant when there is commercial viable plan to sell the rubber tree as lumber at the end of the rubber production life to an established market.

Bearer plants consist of rubber trees in African plantations and the oil palm trees. Cultivation of seedlings is stated at cost. The accumulated cost will be classified as immature plantations at the time of planting. Mature plantations are stated at cost less accumulated depreciation and impairment. The Group has reassessed its depreciation methodology for plantation assets as its significant investment in bearer plants over the last few years is starting to reach maturity. The Group concluded that depreciating the mature plantations by the expected yield pattern of the bearer plants over their useful lives, estimated at 30 years, is more reflective of the pattern in which the assets future benefit are expected to be consumed. The carrying value of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss when the bearer plant is derecognised.

Biological assets consist of rubber trees in the Malaysian plantations and produce that grows on oil palm trees in the Malaysian plantations, rubber latex in the African plantation and bud wood nursery. These are measured at fair value less estimate costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of plantations at each reporting date are included in profit or loss for the period in which they arise.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of 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 party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

(i) Amortised cost

Financial assets 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. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date of derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Gain/loss on commodity contracts

Commodity contracts to buy and sell natural rubber commodities can be subject to net settlement if market conditions are favourable. Such commodity contracts and derivative financial instruments are marked to market at market rates prevailing at the end of the reporting period. Unrealised gains or losses are taken to profit or loss. Market value is generally based on listed market prices. If listed market prices are not available, market value is determined based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and price quotations for similar commodities traded in different markets, including markets located in different geographical areas.

2.15 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. 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 resulted 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 exposures, irrespective of timing of the default (an 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 ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, 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 reassess 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 90 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal and 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.

2.16 Cash and cash equivalents

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

2. Summary of significant accounting policies (cont'd)

2.17 Inventories

Inventories except consumables are carried at the fair market value at the end of each reporting period, whereby the resulting unrealised gain or loss is recognised in profit or loss. This is an alternative policy allowed by SFRS(I) 1-2 Inventories for commodity broker or trader, as this better reflect the performance of the Group. The Group's operating activities, including procurement of raw materials, selling of finished goods and entering into forward commodity (natural rubber) contracts are subject to movements in the market prices of natural rubber. The Group has two main types of sales contracts and purchase contracts; long term contracts ("LTCs") and spot contracts ("Spot"). The prices for LTCs are usually determined based on the average market price for the delivery months, whereas the prices for Spot contracts are usually agreed on the day the Spot contracts are entered. In addition to the management of the price risk between the sales and purchase activities, which is the key driver and contributor to the Group's profitability, the Group also provided other ancillary services such as processing and distribution. The profit for these ancillary services is recognised in the profit or loss only when these services are performed by the Group.

Consumables are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 Employee benefits

(a) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service costs which include current service cost, past service cost and gains or losses on non-routine settlement are recognised as expense in profit or loss. Net interest is calculated by applying the discount rate based on high quality long term bonds at the beginning of the period to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

(a) Retirement benefit costs (cont'd)

Defined benefit costs are categorised as follows:
- Service cost;
- Net interest expense or income of the net retirement benefit obligation; and
- Re-measurements of net retirement benefit obligation

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefit expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) Employee leave entitlement

Employees' entitlement to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer 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. The accounting policy for rental income is set out in Note 2.23(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

2. Summary of significant accounting policies (cont'd)

2.23 Revenue

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 satisfies a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. **Summary of significant accounting policies (cont'd)**

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

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

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

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Fair valuation of shares are based on the prevailing market price as at the date of issuance.

2.26 Perpetual securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer or not making a distribution subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

On the election of the Company to repay the perpetual securities, the perpetual securities will be reclassified as a financial liability under SFRS(I) 1-39. The financial liability is initially recognised at fair value and any difference between the carrying amount of the liability and the previously recognised equity instrument is recognised in equity.

No gain or loss is recognised in the profit or loss on the reclassification.

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. **Summary of significant accounting policies (cont'd)**

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their business units Management regularly reviews 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 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. **Significant accounting judgements and estimates**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

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

(a) Classification of rubber trees as bearer plants or non-bearer plants

The Group has rubber plantations in Malaysia and Africa.

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant local market or industry considerations. Rubber trees are not considered bearer plant when there is commercially viable plan to sell the rubber tree as lumber to an established market.

The Group has assessed that there is an established lumber market for rubber trees in Malaysia and it is the Group's business plan to sell the rubber trees as lumber at the end of the rubber production life.

Therefore, the Group has accounted for:

i) the rubber trees in its Malaysia plantations as biological assets, which is within the scope of SFRS(I) 1-41, and are stated at fair value less estimated costs to sell; and

ii) the rubber trees in its African plantations as bearer plant which are measured under SFRS(I) 1-16 at accumulated cost (before maturity) and using cost model (after maturity).

(b) Impairment of goodwill and process know-how

Judgement has been made by the Group to identify the cash-generating units and assess the future market and economic assumptions, such as forecasted rubber price, forecasted sales volume, growth rate and pre-tax discount rates. The Group has estimated the recoverable amounts of cash-generating units to which goodwill and process know-how has been allocated to, based on value-in-use approach. Estimates used in deriving the value-in-use, are disclosed in Note 3.2(a).

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of goodwill and process know-how

Determining whether goodwill and process know-how is impaired requires an estimation of the value in use of the cash-generating-unit to which the goodwill and process know-how have been allocated.

The value in use calculation requires the Group to estimate the future cash flows expected to arise, the growth rate used for extrapolation purposes and a suitable discount rate in order to calculate present value. The key assumptions applied in the determination of the value in use including a sensitivity analysis are disclosed and further explained in Note 11 to the financial statements. The Group's carrying amount of goodwill and process know-how at 31 December 2018 is US$297,399,000 (2017: US$199,887,000).

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Purchase price allocation

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair values of the assets and liabilities acquired, including intangible assets. The Group has exercised judgement to determine the fair value adjustments required during the purchase price allocation review. Significant estimates have been made to determine the fair value adjustments amount. Details of purchase price allocation are disclosed in to Note 14(a)(i).

4. Revenue

	Group	
	2018	**2017**
	US$'000	US$'000
Sale of goods	2,141,034	2,158,383

Sales of rubber is recognised at point in time. Please refer to Note 33 for disaggregation of revenue.

5. Other income

	Group	
	2018	**2017**
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	4,515	1,258
Fair value gain on biological assets (Note 16)	1	259
Gain on disposal of an associate (Note 14(b))	–	18,130
Gain on disposal of subsidiaries	–	3,406
Others	2,139	1,867
	6,655	24,920

6. (a) Finance income

	Group	
	2018	**2017**
	US$'000	US$'000
Interest income:		
– Loans and receivables	3,797	542
– Deposits	1,103	2,408
	4,900	2,950

6. (b) Finance costs

	Group	
	2018	**2017**
	US$'000	US$'000
Interest expense on:		
– Term loans	19,364	18,431
– Medium term notes ("MTN")	–	4,951
– Working capital loans	18,694	8,715
– Finance lease obligation	22	52
	38,080	32,149
Less: interest expense capitalised in:		
– Plantation and biological assets (Note 16)	(11,906)	(6,475)
Total finance costs	26,174	25,674

7. Income tax credit/(expense)

	Group	
	2018	**2017**
	US$'000	US$'000
Consolidated income statement		
Current tax		
Current tax expense	(5,383)	(13,371)
Over/(under) provision in prior years	2,252	(51)
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences (Note 15)	6,682	1,384
Income tax credit/(expense) recognised in profit or loss	3,551	(12,038)

Relationship between tax credit/(expense) and accounting (loss)/profit

Reconciliation between tax credit/(expense) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
(Loss)/Profit before taxation	(16,964)	46,568
Tax at the domestic income tax rate of 17% (2017: 17%)	2,884	(7,917)
Effect of non-deductible expenses	(7,715)	(4,434)
Effect of non-taxable income	7,551	3,166
Effect of tax exempt income	78	83
Interest income deducted at source	–	286
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,059	(2,385)
Deferred tax asset not recognised	(6,550)	(3,435)
Utilisation of previously unrecognised deferred tax asset	2,175	2,858
Reversal of temporary differences relating to deferred tax liability for foreign sourced income	1,539	–
Effect of tax incentive at lower rate	(691)	(189)
Share of result of associates	28	–
Over/(under) provision in prior years	2,252	(51)
Others	(59)	(20)
Income tax credit/(expense) recognised in profit or loss	3,551	(12,038)

Two of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG") and New Continent Enterprises (Private) Limited ("NCE") were granted the Global Trader Programme ("GTP") Incentive subject to the fulfilment of certain conditions. The GTP award was granted to HG from 1 July 2016 for a period of 4 years and 6 months and NCE's GTP was renewed from 1 January 2019 for a period of 5 years. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10%.

8. (Loss)/Profit before tax

	Group	
	2018	**2017**
	US$'000	US$'000
(a) (Loss)/Profit before tax has been arrived at after charging/(crediting):		
Non-recurring expenses (included within administrative expenses):		
– Acquisition related expenses	460	764
Depreciation of property, plant and equipment and plantation related properties included in:		
– Cost of sales	21,602	20,484
– Selling expenses	94	98
– Administrative expenses	6,783	6,210
	28,479	26,792
Foreign exchange gain included in:		
– Cost of sales	(1,750)	(175)
– Administrative expenses	(5,342)	(12,783)
	(7,092)	(12,958)
Amortisation of intangible assets (Note 11)	372	79
Professional fees	7,301	5,117
Directors' remuneration	1,156	4,093
Directors' fees (Note 32)	457	355
Audit fees:		
– paid to auditors of the Company	1,220	880
– paid to other auditors	172	106
Non-audit fees:		
– paid to auditors of the Company	285	124
Operating lease expense (Note 30)	2,685	2,693
Loss on disposal of property, plant and equipment and investment properties	79	173
Write off of property, plant and equipment	2,781	95
Impairment losses on financial assets	585	107
Inventories recognised as an expense in cost of sales [(1)]	2,022,591	2,007,825

[(1)]Included unrealised fair value loss on open forward commodity contracts and adjustment on inventories of US$8,052,000 (2017: US$2,026,000)

(b) Employee benefits expenses (including directors' remuneration):		
– Defined benefit plan	4,690	3,521
– Defined contribution plans	2,702	2,070
– Staff welfare	5,757	4,908
– Staff salaries	94,897	87,529
	108,046	98,028
Included in:		
– Cost of sales	59,782	50,445
– Selling expenses	7,145	6,209
– Administrative expenses	41,119	41,374
	108,046	98,028

9. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

	Group	
	2018	**2017**
	US$'000	US$'000
(Loss)/Profit before taxation	(16,964)	46,568
Adjustments for:		
Depreciation expense (Note 8)	28,479	26,792
Finance costs (Note 6(b))	26,174	25,674
Loss on disposal of investment properties and property, plant and equipment and write off of property, plant and equipment	2,860	268
Interest income	(4,900)	(2,950)
Amortisation of intangible assets (Note 8)	372	79
Share of loss/(profit) of associates	165	(10,043)
Gain on disposal of an associate (Note 5)	–	(18,130)
Gain on disposal of subsidiaries (Note 5)	–	(3,406)
EBITDA	36,186	64,852
Add: Non-recurring expenses (Note 8)	460	764
Less: Fair value gain on investment properties (Note 5)	(4,515)	(1,258)
Adjusted EBITDA	32,131	64,358

10. (Loss)/Earnings per share ("LPS/EPS")

	Group Basic and diluted	
	2018	**2017**
	US$'000	US$'000
(Loss)/Profit for the year attributable to owners of the Company	(8,484)	31,027
	Number of ordinary shares '000 Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
(Loss)/Earnings per share (US Cents)	(0.53)	1.95

11. Intangible assets

Group	Process know-how	Goodwill	Customer related intangibles	Trademark	Computer software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At 1 January 2017	10,000	189,887	700	34	–	200,621
Exchange difference	–	–	–	(1)	–	(1)
At 31 December 2017 and 1 January 2018	10,000	189,887	700	33	–	200,620
Additions	–	–	–	–	138	138
Acquisition of subsidiaries (Note 14(a)(i))	–	97,512	2,100	–	–	99,612
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,109	1,109
At 31 December 2018	10,000	287,399	2,800	33	1,247	301,479
Accumulated amortisation:						
At 1 January 2017	–	–	123	2	–	125
Amortisation for the year (Note 8)	–	–	70	9	–	79
As at 31 December 2017 and 1 January 2018	–	–	193	11	–	204
Amortisation for the year (Note 8)	–	–	280	9	83	372
At 31 December 2018	–	–	473	20	83	576
Net carrying amount:						
At 1 January 2017	10,000	189,887	577	32	–	200,496
At 31 December 2017	10,000	189,887	507	22	–	200,416
At 31 December 2018	10,000	287,399	2,327	13	1,164	300,903

The amortisation of customer related intangibles, trademark and computer software is included in administrative expenses in the consolidated income statement.

Company	Computer software
	US$'000
Cost:	
At 1 January 2018	–
Additions	138
Transfer from property, plant and equipment (Note 12)	1,109
At 31 December 2018	1,247
Accumulated amortisation:	
At 1 January 2018	–
Amortisation for the year	83
At 31 December 2018	83
Net carrying amount:	
At 31 December 2018	1,164

11. Intangible assets (cont'd)

Process know-how

Process know-how relates to the production of a certain grade of rubber and has been allocated to the HRC Group. As explained in Note 2.10(b)(i), the intangible asset has been assessed as having indefinite life so long as there is a demand for such rubber. The Group expects continuance for such demand.

Goodwill

Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:

	Group
	2018
	US$'000
A CGU within HRC Group	253,130
A CGU within SINRIO Group	4,491
A CGU within Corrie MacColl Group	29,778
	287,399

Changes to CGU

With effect from 1 January 2018, the Group restructured the Group's operation into 3 main business segments after carrying out review of its operations to streamline its operating structure. Similarly, the CGU to which goodwill and intangible assets have been allocated to, have been reallocated in 2018 to different CGUs, which are certain business units within each business segment.

Customer related intangibles

Customer related intangibles relates to non-contractual customer relationships acquired through business combination. The intangible asset has a remaining amortisation period of 6 to 9 years (31 December 2017: 7 years, 1 January 2017: 8 years).

Computer software

Computer software has a remaining amortisation period of 4 years.

Trademark

Trademark has a remaining amortisation period of 2 years.

Impairment testing of goodwill and process know-how with indefinite life

The above goodwill and process know-how was tested for impairment as at 31 December 2018. No impairment loss was recognised as at 31 December 2018 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGUs have been determined based on value in use calculations using five years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	**Carrying amount as at 31 December 2018**	**Discount rate (pre-tax)**	**Growth rate**
	US$'000		
HRC Group:			
-Goodwill	253,130	10%	2%
-Process know-how	10,000	10%	2%
SINRIO Group:			
-Goodwill	4,491	10%	2%
Corrie MacColl Group:			
-Goodwill	29,778	10%	2%
Total	297,399		

11. Intangible assets (cont'd)

Key assumptions used in the value in use calculations (cont'd)

Cash generating units/intangible assets	Carrying amount as at 31 December 2017	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
-Goodwill	183,282	10%	2%
-Process know-how	10,000	10%	2%
Distribution segment:			
-Goodwill	6,605	10%	5%
Total	199,887		

Cash generating units/intangible assets	Carrying amount as at 1 January 2017	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
-Goodwill	183,282	10%	1% to 2%
-Process know-how	10,000	10%	2%
Distribution segment:			
-Goodwill	6,605	10%	2% - 3%
Total	199,887		

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Rubber price – The forecasted rubber price is based on estimated rubber price published by one external industry report.

Sensitivity to changes in assumptions

Changes to the assumptions used by management to determine the recoverable value, in particular the pre-tax discount rate and growth rate, can have significant impact on the results of the assessment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

Additions of goodwill arising from acquisitions

HRC Group

The goodwill of US$69,848,000 from the acquisition of PT Pulau Bintan Djaya, PT Sumber Djantin and PT Sumber Alam comprises of the value to continue growing the HAC Group's business acquisitions and investments, thereby establishing itself as a leading global natural rubber supply chain manager. This increases the scale and scope of HAC Group's HRC Group segment and propels the HAC Group to be the largest crumb rubber producer and exporter in Indonesia. The acquisitions derive synergic benefits through common corporate infrastructure, supplier consolidation and sharing best practices and economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Corrie MacColl Group

The goodwill of US$27,664,000 comprises the heritage and strong reputations of Wurfbain, RCMA Americas, Corrie MacColl & Son Ltd and Alan L. Grant Rubber. Newly acquired or incorporated assets and subsidiaries, namely Wurfbain Polymer B.V., Alan L Grant Polymer, Inc., Corrie MacColl Rubber Ltd., Centrotrade Hatyai Co. Ltd., and Kelvin Terminals B.V. (collectively known as "Corrie MacColl") participates actively throughout the value chain, from sourcing of raw materials to marketing, transporting, importing and exporting all leading grades of natural rubber, latex and synthetic rubber. Its business operations are backed by strategically located warehouses and experienced teams, offering seamless supply chain solutions that meet the needs of its clients globally. None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of goodwill arising from acquisitions are disclosed in Note14(a)(i).

12. Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software
	US$'000	US$'000	US$'000
Cost:			
At 1 January 2017	7,032	7,758	4,272
Additions	120	1,222	367
Disposals	–	(414)	(122)
Write offs	(761)	(513)	–
Transfer from plantation related properties (Note 16)	–	–	–
Reclassifications	21,411	4,106	109
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(149)	(269)
Exchange difference	633	877	268
At 31 December 2017 and 1 January 2018	28,435	12,887	4,625
Additions	790	4,028	734
Acquisition of subsidiaries	20	367	36
Disposals	–	(217)	(246)
Write offs	(1,999)	(548)	(137)
Transfer to plantation related properties (Note 16)	–	–	–
Transfer to intangible assets (Note 11)	–	–	–
Reclassifications	(24,437)	786	209
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	149	269
Exchange difference	(232)	(303)	(477)
At 31 December 2018	2,577	17,149	5,013
Accumulated depreciation and impairment:			
At 1 January 2017	552	2,633	1,009
Disposals	–	(350)	(121)
Depreciation for the year (Note 8)	793	1,516	726
Write offs	(715)	(487)	–
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(54)	(62)
Exchange difference	(470)	191	39
At 31 December 2017 and 1 January 2018	160	3,449	1,591
Disposals	–	(94)	(211)
Depreciation for the year (Note 8)	1,741	1,677	822
Write offs	(40)	(455)	(123)
Transfer to plantation related properties (Note 16)	–	697	33
Reclassifications	–	(213)	190
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	54	62
Exchange difference	(210)	(261)	(52)
At 31 December 2018	1,651	4,854	2,312
Net carrying amount:			
At 1 January 2017	6,480	5,125	3,263
At 31 December 2017	28,275	9,438	3,034
At 31 December 2018	926	12,295	2,701

Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Asset under construction	Total
US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
97,353	71,873	6,686	56,888	8,300	11,056	271,218
4,545	3,645	2,123	–	–	5,908	17,930
(731)	(2,611)	(2,936)	–	–	(7)	(6,821)
(1)	(47)	–	–	–	(10)	(1,332)
14,566	–	–	–	–	5,934	20,500
(18,298)	3,606	2	28	–	(10,964)	–
(9,483)	(7,631)	(166)	(2,773)	(8,981)	(297)	(29,749)
7,874	3,346	640	1,484	681	1,250	17,053
95,825	72,181	6,349	55,627	–	12,870	288,799
846	7,163	2,774	297	–	15,364	31,996
13,730	9,439	330	13,951	–	6	37,879
(1)	(369)	(577)	–	–	(13)	(1,423)
(18)	(2,097)	–	–	–	(52)	(4,851)
–	–	–	–	–	(1,545)	(1,545)
–	–	–	–	–	(1,109)	(1,109)
29,141	2,647	(264)	56	–	(8,138)	–
9,483	7,631	166	2,773	8,981	297	29,749
(1,550)	(6,916)	(1,978)	(3,609)	–	(1,273)	(16,338)
147,456	89,679	6,800	69,095	8,981	16,407	363,157
6,989	9,133	1,851	4,270	–	–	26,437
(498)	(2,610)	(2,775)	–	–	–	(6,354)
7,109	11,472	1,237	2,189	–	–	25,042
–	(35)	–	–	–	–	(1,237)
(227)	(2,175)	(44)	–	–	–	(2,562)
2,377	179	246	(18)	–	–	2,544
15,750	15,964	515	6,441	–	–	43,870
–	(217)	(400)	–	–	–	(922)
7,248	11,758	1,424	2,024	–	–	26,694
(13)	(2,056)	–	–	–	–	(2,687)
545	708	312	–	–	–	2,295
–	25	(2)	–	–	–	–
227	2,175	44	–	–	–	2,562
(214)	(947)	(1,507)	(436)	–	–	(3,627)
23,543	27,410	386	8,029	–	–	68,185
90,364	62,740	4,835	52,618	8,300	11,056	244,781
80,075	56,217	5,834	49,186	–	12,870	244,929
123,913	62,269	6,414	61,066	8,981	16,407	294,972

12. Property, plant and equipment (cont'd)

Company	Renovation	Computers	Office equipment	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:					
At 1 January 2017	189	199	11	–	399
Additions	12	11	7	856	886
At 31 December 2017 and 1 January 2018	201	210	18	856	1,285
Additions	13	51	–	253	317
Transfer to intangible assets (Note 11)	–	–	–	(1,109)	(1,109)
Reclassification	–	7	(7)	–	–
Write off	–	(90)	(7)	–	(97)
At 31 December 2018	214	178	4	–	396
Accumulated depreciation:					
At 1 January 2017	30	151	11	–	192
Depreciation for the year	33	35	–	–	68
At 31 December 2017 and 1 January 2018	63	186	11	–	260
Depreciation for the year	35	30	–	–	65
Write off	–	(90)	(7)	–	(97)
At 31 December 2018	98	126	4	–	228
Net carrying amount:					
At 1 January 2017	159	48	–	–	207
At 31 December 2017	138	24	7	856	1,025
At 31 December 2018	116	52	–	–	168

Assets held under finance lease

As at 31 December 2017, the Company pledged plant and equipment with an aggregate cost of US$2,200,000 under a finance lease agreement. These plant and equipment were subsequently sub-leased to a subsidiary in Indonesia for use in the natural rubber processing. The carrying amount of the plant and equipment held under finance lease at the end of 2017 was US$931,000 (1 January 2017: US$1,097,000). The finance lease has been fully repaid during the financial year.

During the financial year, a subsidiary of the Group pledged vehicles with an aggregate cost of US$219,000 under a finance lease agreement. The carrying amount of the vehicles held under finance lease at the end of the financial year was US$218,000.

Assets pledged as security

In addition to assets held under finance lease, the Group has pledged certain property, plant and equipment with a carrying amount of US$59,933,000 (31 December 2017: US$38,702,000, 1 January 2017: US$30,764,000) to secure the Group's and the Company's loans and borrowings (Note 25).

13. Investment properties

	Group 2018 US$'000	Group 2017 US$'000
Statement of financial position:		
At 1 January	25,256	39,791
Additions	30	–
Fair value gain recognised in profit or loss (Note 5)	4,515	1,258
Acquisition of subsidiaries (Note 14(a)(i))	3,616	–
Disposal/write off	(1,712)	(414)
Reclassification from/(to) assets of disposal group classified as held-for-sale (Note 22)	16,656	(16,656)
Exchange difference	(1,562)	1,277
At 31 December	46,799	25,256
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	20	27
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	7	27

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2018, 31 December 2017 and 1 January 2017. The valuations were performed by independent valuers with recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 34.

The investment properties held by the Group as at 31 December 2018 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, Indonesia	Residential	Leasehold	1 – 25 years
Lands in Palembang, Indonesia	Vacant land	Leasehold	1 – 16 years
Offices in Palembang, Indonesia	Offices	Leasehold	1 – 15 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	3 years
Offices in Medan, Indonesia	Offices	Leasehold	4 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	4 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	11 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	20 years
Land in Pontianak, Indonesia	Vacant land	Leasehold	18 – 19 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	13 years
Land in Riau, Indonesia	Vacant land	Leasehold	4 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	16 years
Commercial offices in Hainan, China	Commercial office	Leasehold	18 – 19 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	4 – 8 years
Land in Songkhla, Thailand	Vacant land	Freehold	–
Land in Pattani, Thailand	Vacant land	Freehold	–
Residential houses and offices in Pattani, Thailand	House and office	Freehold	–
Land and building in Chantaburi, Thailand	Vacant land	Freehold	–
Land and building in Nakornsri, Thailand	Vacant land	Freehold	–
Factory buildings in Nakornsri, Thailand	Vacant factory	Freehold	–
Land in Krabi, Thailand	Vacant land	Freehold	–
Land in Trang, Thailand	Vacant land	Freehold	–
Residential houses in Trang, Thailand	Residential	Freehold	–
Land in Yala, Thailand	Vacant land	Freehold	–
Land in Narathiwas, Thailand	Vacant land	Freehold	–
Residential houses and offices in Narathiwas, Thailand	House and office	Freehold	–

14. Investment in subsidiaries and associates

(a) Investment in subsidiaries

	Company		
	2018	**2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
At 1 January	600,824	615,640	168,008
Additions	78,936	1,184	447,632
Disposals	–	(16,000)	–
Incorporation of a new subsidiary	250	–	–
At 31 December/1 January 2017	680,010	600,824	615,640

During the financial year ended 31 December 2017, the Company has disposed off equity interest in Hevea Global Pte Ltd to Halcyon Rubber Company Pte Ltd, a wholly owned subsidiary of the Company.

Details of the subsidiaries are as follows:

Name	**Country of incorporation**	**Principal activities**	**Proportion (%) of Group effective ownership interest**		
			2018	**31 Dec 2017**	**1 Jan 2017**
Held by the Company					
Halcyon Rubber Company Pte. Ltd. [(1)]	Singapore	Investment holding	100.00	100.00	100.00
Corrie MacColl Pte. Ltd. (formerly known as Halcyon Rubber & Plantations Pte. Ltd.) [(1)]	Singapore	Investment holding	100.00	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. [(1)]	Singapore	Natural rubber trading and investment holding	100.00	100.00	100.00
HAC Capital Pte. Ltd. [(1) (6)]	Singapore	Investment holding	100.00	100.00	–
Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited) [(4)]	United Kingdom	Investment holding	100.00	–	–
HeveaConnect Pte. Ltd. [(1) (5)]	Singapore	Natural rubber trading and supply chain platform	90.10	–	–
Hevea Global Pte. Ltd. [(1) (6)]	Singapore	Natural rubber trading	–	–	100.00
Halcyon Agri Indonesia Pte. Ltd. [(1) (6)]	Singapore	Investment holding	–	–	100.00
SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.) [(1) (6)]	Singapore	Investment holding	–	–	100.00

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Halcyon Rubber Company Pte. Ltd.					
Anson Company (Private) Limited [(1)]	Singapore	Investment holding	100.00	100.00	100.00
Hevea Global Pte. Ltd. [(1)]	Singapore	Natural rubber trading	100.00	100.00	–
Subsidiaries of Anson Company (Private) Limited					
Halcyon Agri Indonesia Pte. Ltd. [(1) (6)]	Singapore	Investment holding	100.00	100.00	–
PT. Hok Tong [(2)]	Indonesia	Natural rubber processing	99.99	99.99	99.99
PT. Remco [(2)]	Indonesia	Natural rubber processing	75.00	75.00	75.00
PT. Sunan Rubber [(2) (6)]	Indonesia	Natural rubber processing	–	53.75	53.75
PT. Rubber Hock Lie [(2) (6)]	Indonesia	Natural rubber processing	–	99.91	77.78
SDCI Singapore Pte. Ltd. [(1) (6)]	Singapore	Investment holding	–	100.00	–
Subsidiary of Hevea Global Pte. Ltd.					
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) [(1) (6)]	Singapore	Investment holding	–	–	100.00
Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.					
PT. Hevea MK [(2)]	Indonesia	Natural rubber processing	100.00	100.00	95.00
PT. Hevea GE [(2)]	Indonesia	Natural rubber processing	100.00	100.00	95.00
Subsidiary of PT. Hok Tong					
PT. Bumi Jaya [(2) (6)]	Indonesia	Natural rubber processing	100.00	100.00	–
PT. Sunan Rubber [(2) (6)]	Indonesia	Natural rubber processing	100.00	–	–
PT. Rubber Hock Lie [(2) (6)]	Indonesia	Natural rubber processing	99.91	–	–
PT. GMG Sentosa [(2) (6)]	Indonesia	Natural rubber processing	100.00	–	–
PT. Pulau Bintan Djaya [(2)]	Indonesia	Natural rubber processing	80.00	–	–
PT. Sumber Alam [(2)]	Indonesia	Natural rubber processing	100.00	–	–
PT. Sumber Djantin [(2)]	Indonesia	Natural rubber processing	100.00	–	–

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl Pte. Ltd. (formerly known as Halcyon Rubber & Plantations Pte. Ltd.)					
G.P. Sentosa Enterprises Co., Ltd. (3)	Thailand	Investment holding	100.00	100.00	100.00
Teck Bee Hang Co., Ltd. (3)	Thailand	Natural rubber processing	55.00	55.00	55.00
Ivoirienne de Traitement de Caoutchouc S.A. (2)	Ivory Coast	Natural rubber processing	60.00	60.00	60.00
GMG Investment Congo SARL (3)	Democratic Republic of Congo	In liquidation	100.00	100.00	100.00
JFL Agro Sdn. Bhd. (2) (6)	Malaysia	Investment holding	100.00	–	–
PT. GMG Sentosa (2) (6)	Indonesia	Natural rubber processing	–	75.00	75.00
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	100.00	–
Corrie MacColl Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	100.00	100.00
GMG Holdings Ltd (3)	Singapore	Struck off during the year	–	100.00	100.00
GMG Côte d'Ivorie (3)	Ivory Coast	Liquidated during the year	–	100.00	100.00
PT. Bumi Jaya (2) (6)	Indonesia	Natural rubber processing	–	–	95.00
Subsidiaries of Teck Bee Hang Co., Ltd.					
Techem Indusries Co., Ltd. (3)	Thailand	Manufacture & distribution of plastic products	54.10	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. (3)	Thailand	Natural rubber processing	47.30	47.30	47.30

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiary of JFL Agro Sdn. Bhd.					
Halcyon Rubber Estate Sdn. Bhd. (2) (6)	Malaysia	Dormant	100.00	–	–
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.					
New Continent Enterprises (Private) Limited (1) (6)	Singapore	Natural rubber trading and distribution	100.00	100.00	–
SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	100.00	–
Hainan Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	99.71	99.71	97.37
SDCI Singapore Pte. Ltd. (1) (6)	Singapore	Investment holding	100.00	–	–
SINRIO Thailand Pte. Ltd. (1) (5)	Singapore	Investment holding	100.00	–	–
Euroma Rubber Industries Sendirian Berhad (2) (6)	Malaysia	Natural rubber processing	–	–	97.50
Subsidiaries of New Continent Enterprises (Private) Limited					
Halcyon Agri Natural Rubber (Shanghai) Limited (2)	People's Republic of China	Natural rubber trading and distribution	100.00	100.00	100.00
New Continent Enterprises GmbH (4)	Germany	Dissolved during the year	–	100.00	100.00
New Continent Enterprises B.V. (4)	Netherlands	Dissolved during the year	–	100.00	100.00
Subsidiary of New Continent Enterprises B.V.					
New Continent Enterprises Inc. (4)	United States	Dissolved during the year	–	100.00	100.00
Subsidiaries of SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.)					
SINRIO (Malaysia) Sdn. Bhd. (formerly known as Halcyon Agri (Malaysia) Sdn. Bhd.) (2)	Malaysia	Investment holding	100.00	100.00	100.00
JFL Agro Pte. Ltd. (1) (6)	Singapore	Investment holding	–	100.00	100.00

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd. (formerly known as Halcyon Agri (Malaysia) Sdn. Bhd.)					
Hevea KB Sdn. Bhd. (2)	Malaysia	Investment holding	100.00	100.00	100.00
Euroma Rubber Industries Sendirian Berhad (2) (6)	Malaysia	Natural rubber processing	100.00	100.00	–
Halcyon Rubber Estates Sdn. Bhd. (2) (6)	Malaysia	Dormant	–	100.00	100.00
Subsidiaries of Hainan Sinochem Rubber Co., Ltd.					
Xishuangbanna Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	96.67	96.67	96.67
Baisha Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	100.00	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00	100.00
Subsidiaries of SDCI Singapore Pte. Ltd.					
Société de Développement du Caoutchouc Ivoirien S.A. (2)	Ivory Coast	Investment holding	100.00	100.00	–
Tropical Rubber Côte d'Ivoire S.A. (2) (6)	Ivory Coast	Natural rubber plantation and processing	70.00	70.00	–
Subsidiaries of Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited)					
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	–	–
Corrie Maccoll Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	–	–
Subsidiaries of Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.)					
Centrotrade Deutschland GmbH (2)	Germany	Natural rubber trading and distribution	100.00	100.00	100.00
Centrotrade Minerals and Metals, Inc. (3)	United States	Natural rubber trading and distribution	100.00	100.00	100.00
Centrotrade Malaysia Commodities Sdn. Bhd. (2)	Malaysia	Natural rubber trading and distribution	100.00	100.00	100.00
Wurfbain Polymer B.V. (2)	The Netherlands	Investment holding, trading and distribution of natural rubber and latex	100.00	100.00	–

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (cont'd)					
Kelvin Terminals B.V. (formerly known as RCMA Terminals B.V.) (4)	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	–	–
New Continent Enterprises (Private) Limited (1) (6)	Singapore	Natural rubber trading and distribution	–	–	100.00
HAC Capital Pte. Ltd. (1) (6)	Singapore	Investment holding	–	–	100.00
Centrotrade (Thailand) Co., Ltd. (3) (5)	Thailand	Investment holding	49.00	–	–
Shanghai CMI Rubber Co., Ltd. (5)	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	–	–
Subsidiaries of Wurfbain Polymer B.V.					
Corrie Maccoll Rubber Ltd (4)	United Kingdom	Other business support service activities	100.00	100.00	–
Corrie Maccoll North America, Inc.(4) (5)	United States	Investment holding	100.00	–	–
Alan L Grant Polymer, Inc. (2) (6)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	–	100.00	–
Subsidiaries of Corrie MacColl North America, Inc.					
Alan L Grant Polymer, Inc. (2) (6)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–
Momentum Technologies Laboratories, Inc. (4) (5)	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	–	–
Centrotrade Rubber, Inc. (4) (5)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–
Subsidiaries of Centrotrade (Thailand) Co., Ltd					
Centrotrade Hatyai Co., Ltd. (formerly known as RCMA (Hatyai) Limited) (3)	Thailand	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.)					
Societe de Development Du Caoutchouc Camerounais S.A. [(2)]	Cameroon	Investment holding	100.00	100.00	100.00
JFL Agro Pte. Ltd. [(1)(6)]	Singapore	Investment holding	100.00	–	–
Tropical Rubber Côte d'Ivoire S.A. [(2)(6)]	Ivory Coast	Natural rubber plantation and processing	–	–	51.20
Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.					
Hevea Cameroun S.A. [(2)]	Cameroon	Natural rubber plantation and processing	90.00	90.00	90.00
Sud Cameroun Hevea S.A. [(2)]	Cameroon	Natural rubber plantation and processing	80.00	80.00	80.00
Subsidiaries of JFL Agro Pte. Ltd.					
JFL Holdings Sdn. Bhd. [(2)]	Malaysia	Natural rubber and oil palm plantation	100.00	100.00	100.00
JFL Agro Sdn. Bhd. [(2)(6)]	Malaysia	Investment holding	–	100.00	100.00

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by member firms of EY Global in the respective countries.
(3) Audited by other firms of Certified Public Accountants.
(4) Not required for statutory audit in the country of incorporation.
(5) Newly incorporated during the year.
(6) Intra-group transfer of shareholding.

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries

Corrie MacColl

On 9 January 2018, the Group completed the acquisition of all of the rubber trading and distribution business of RCMA Group in Europe, the United States, Singapore and Thailand for a purchase consideration of US$31,759,000 which have been fully satisfied in cash. With the completion of the acquisition, Kelvin Terminals B.V. and Centrotrade Hatyai Co. Ltd. became subsidiaries of the Group. The acquired businesses based in Europe, United States and United Kingdom have been included into Wurfbain Polymer B.V., Alan L Grant Polymer, Inc. and Corrie MacColl Rubber Ltd. respectively.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date with respect to Corrie MacColl acquisition, were as follows:

	Fair value recognised ton acquisition
	US$'000
Intangible asset	2,100
Property, plant and equipment	2,082
Trade and other receivables	1,267
Inventories	3
Cash and bank balances	887
Total assets	6,339
Derivative financial instruments – liabilities	(2)
Trade and other payables	(1,397)
Deferred tax liabilities	(845)
Total liabilities	(2,244)
Total identifiable net assets at fair value	4,095
Add: Goodwill arising from acquisition (Note 11)	27,664
Purchase consideration	31,759

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	31,759
Less: Cash and bank balances of business acquired	(887)
Net cash outflow on acquisition of Corrie MacColl	30,872

The purchase price allocation review is finalised as at 31 December 2018.

Transaction costs

Transaction costs related to the acquisition of US$553,000 have been recognised in the Group's profit or loss.

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

Corrie MacColl (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, Corrie MacColl has contributed revenue of US$362,332,000 and profit of US$4,490,000 to the Group for the year. As the business combination had taken place at the beginning of the year, the full year impact to the Group's revenue & Group's loss is not expected to be material.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,161,000. Their gross proceeds amounts of US$1,161,000 are expected to be collected.

Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited) ("CML")

On 26 February 2018, the Group acquired 100% of the issued and paid-up share capital in CML, a limited liability company incorporated in England and Wales, for a total cash consideration of £91,502 (equivalent to approximately US$129,000).

	Fair value recognised on acquisition
	US$'000
Other assets	129
Total identifiable net assets at fair value	129
Purchase consideration	129

	Effects on cash flows of the Group
	US$'000
Purchase consideration	129
Less: Consideration payable	(129)
Net cash outflow on acquisition of subsidiary	–

Corrie MacColl Limited is an investment holding company and hence the impact of acquisition on the Group's revenue and profit or loss is immaterial.

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Pulau Bintan Djaya ("PBD")

On 27 February 2018, PT. Hok Tong (a 99.99% owned subsidiary of the Company) ("Hok Tong") completed the acquisition of 80% of the issued and paid-up share capital of PBD, which owns a natural rubber processing factory (together with all associated land, buildings, plant and machinery) located in Bintan Timur, Indonesia.

In conjunction with the aforesaid acquisition, Hok Tong has granted an irrevocable put option to one of the vendors for a period of two (2) years (effective from 27 February 2018), entitling the right to the vendor to require Hok Tong to acquire all its remaining 20% equity interest in PBD on the same terms and conditions of the said acquisition.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	6,837
Investment property	184
Trade and other receivables	3,614
Inventories	406
Cash and bank balances	955
Total assets	11,996
Derivative financial instruments – liabilities	(105)
Trade and other payables	(1,458)
Loan payables	(7,578)
Retirement benefit obligations	(341)
Deferred tax liabilities	(1,225)
Total liabilities	(10,707)
Total identifiable net assets at fair value	1,289
Less: Non-controlling interest measured at the non-controlling interest's proportionate share of PBD's net identifiable assets	(258)
Net assets acquired	1,031
Add: Goodwill arising from acquisition (Note 11)	13,644
Purchase consideration	14,675

	Effects on cash flows of the Group
	US$'000
Purchase consideration	14,675
Less: Cash and bank balances of a subsidiary acquired	(955)
Net cash outflow on acquisition of a subsidiary	13,720

The purchase price allocation review is finalised as at 31 December 2018.

Transaction costs

Transaction costs related to the acquisition of US$86,000 have been recognised in the Group's profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, PBD has contributed revenue of US$24,967,000 and loss of US$420,000 to the Group for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been US$2,146,080,000 and the Group's loss for the year would have been US$13,781,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,402,000. Their gross proceeds amounts of US$1,402,000 are expected to be collected.

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Sumber Djantin ("PTSD") and PT. Sumber Alam ("PTSA")

On 23 April 2018, the Group acquired 100% of the issued and paid-up share capital of PTSD and PTSA for purchase consideration of US$65,503,227. Both PTSD and PTSA own four natural rubber processing factories in West Kalimantan, Indonesia.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	28,960
Investment property	3,432
Trade and other receivables	1,936
Inventories	18,663
Cash and bank balances	517
Total assets	53,508
Derivative financial instruments – liabilities	(572)
Trade and other payables	(15,028)
Loan payables	(21,486)
Retirement benefit obligations	(4,579)
Deferred tax liabilities	(2,544)
Total liabilities	(44,209)
Total identifiable net assets at fair value	9,299
Add: Goodwill arising from acquisition (Note 11)	56,204
Purchase consideration	65,503

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	65,503
Less: Cash and bank balances of subsidiaries acquired	(516)
Net cash outflow on acquisition of subsidiaries	64,987

The purchase price allocation review of PTSD and PTSA is deemed to be provisional as at 31 December 2018 as the valuation of the retirement benefit had not been completed by the date the financial statements was authorised for issue. Goodwill arising from this acquisition and the affected accounts will be adjusted accordingly on a retrospective basis when the valuation is completed.

Transaction costs

Transaction costs related to the acquisition of US$150,000 have been recognised in the Group's profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, PTSD and PTSA have contributed revenue of US$59,649,000 and profit of US$348,000 to the Group for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been US$2,158,464,000 and the Group's loss for the year would have been US$20,093,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,275,000. Their gross proceeds amounts of US$1,275,000 are expected to be collected.

14. Investment in subsidiaries and associates (cont'd)

(a) Investment in subsidiaries (cont'd)

(ii) Acquisition of minority interest in subsidiaries, without change in control

During the financial year, the Group has increased in its shareholding in the following subsidiaries:

1) PT. GMG Sentosa ("GMG Sentosa")

On 11 February 2018, Hok Tong has acquired 25% of the issued and paid-up share capital in GMG Sentosa from the non-controlling interests for a cash consideration of US$1. Subsequent to the acquisition, the Group's total equity interest in GMG Sentosa has increased from 75% to 100%. The carrying amount of the net liabilities of GMG Sentosa at February 2018 was US$25,484,000.

2) PT. Sunan Rubber ("Sunan")

On 28 February 2018, Hok Tong completed the acquisition of 46.25% of the issued and paid-up share capital of Sunan from the non-controlling interests, for total cash consideration of approximately US$15,260,000. Subsequent to the acquisition, the Group's total equity interest in Sunan has increased from 53.75% to 100%. The carrying amount of the net assets of Sunan at February 2018 was US$29,202,000.

Summary of the effect of change in the Group's ownership interest in the above subsidiaries on the equity attributable to owners of the Company are as follow:

	Consideration paid for acquisition of non-controlling interests	Increase/(Decrease) in equity attributable to non-controlling interests	Decrease in equity attributable to owners of the Company
	US$'000	US$'000	US$'000
At 31 December 2018			
GMG Sentosa	*	6,371	(6,371)
Sunan	15,260	(13,510)	(1,750)
Total	15,260	(7,139)	(8,121)

** Consideration paid for acquisition of non-controlling interests is US$1.*

(iii) Striking-off a subsidiary

During the financial year, the Group struck off its wholly-owned dormant subsidiary, GMG Holdings Ltd. As a result of the deregistration, realisation of cumulative foreign currency translation gain upon liquidation of the subsidiary US$5,333,000 was recognised.

(b) Investment in associates

The Group's material investment in associates are summarised below:

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
SIAT S.A.	–	–	188,605
Feltex Co., Ltd	1,190	–	1,095
	1,190	–	189,700

In 2017, the Group has disposed of its investment in an associate, SIAT S.A. and its subsidiaries ("SIAT") for a net sales consideration of US$223,653,000. The carrying amount of the investment in SIAT as date of disposal was US$205,523,000. The resulting gain on disposal of US$18,130,000 was included in other income (Note 5).

Investment in Feltex Co., Ltd. amounting to US$1,348,000 which is held through Teck Bee Hang Co., Ltd. was reclassified to assets of disposal group classified as held-for-sale as at 31 December 2017. In 2018, following the positive changes in TBH's business and operations, the Group reassessed that TBH Group fits into the Group's latest business strategy and there will be no immediate plan to dispose/discontinue the operations of TBH Group. Therefore, in 2018, Feltex Co., Ltd. has been reclassified back into investment in associate.

14. Investment in subsidiaries and associates (cont'd)

(b) Investment in associates (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	31 Dec 2017	1 Jan 2017
Held through subsidiaries					
Feltex Co., Ltd [1]	Thailand	Natural rubber processing	24.80	24.80	24.80
SIAT S.A. [2]	Belgium	Investment holding	–	–	35.00

[1] *Audited by other firms of Certified Public Accountants.*
[2] *SIAT S.A. and its subsidiaries were disposed on 31 October 2017.*

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	Group 2018	2017
	US$'000	US$'000
Total comprehensive (loss)/income net of tax	(367)	34,578

15. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group					Company		
	Statement of financial position			Consolidated income statement		Statement of financial position		
	2018	31 Dec 2017	1 Jan 2017	2018	2017	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Differences in depreciation for tax purposes	3,330	3,298	358	(55)	266	(36)	(25)	(25)
Tax losses carry forward	12,138	10,216	2,763	4,994	876	–	–	–
Retirement benefit liabilities	3,475	3,960	2,961	367	528	–	–	–
Fair value uplift of biological assets	(1,268)	(1,299)	(717)	7	(89)	–	–	–
Fair value uplift of investment properties	(3,395)	(1,135)	(2,004)	(160)	(158)	–	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(31,572)	(20,534)	(20,141)	185	951	–	–	–
Unremitted foreign source income	(4,502)	(5,411)	(3,947)	909	(720)	–	–	–
Forward currency contracts	(2,126)	(5,140)	(4,327)	998	(649)	–	–	–
Others	333	(391)	(429)	(563)	379	–	–	–
Tax credit				6,682	1,384			
Net deferred tax liabilities	(23,587)	(16,436)	(25,483)			(36)	(25)	(25)
Reflected in the statement of financial position as follows:								
Deferred tax assets	15,056	14,346	13,227			–	–	–
Deferred tax liabilities	(38,643)	(30,782)	(38,710)			(36)	(25)	(25)
Deferred tax liabilities, net	(23,587)	(16,436)	(25,483)			(36)	(25)	(25)

15. Deferred tax (cont'd)

	Group 2018	Group 2017
	US$'000	US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(16,436)	(25,484)
Tax credit during the year recognised in profit or loss	6,682	1,384
Tax (credit)/expense during the year recognised in other comprehensive income	(1,040)	328
Reclassification of net deferred tax liabilities of disposal group classified as held-for-sale (Note 22)	(6,858)	6,858
Deferred taxes arising from business combinations (Note 14(a)(i))	(4,614)	–
Utilisation of Group relief	(2,384)	–
Exchange difference	1,063	478
At 31 December	(23,587)	(16,436)

Unrecognised tax losses and unabsorbed capital allowances

At the end of reporting period, the Group has tax losses and unabsorbed capital allowances amounting to US$59,226,000 and US$10,071,000 (31 December 2017: US$49,914,000 and US$7,269,000, 1 January 2017: US$43,892,000 and US$3,308,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US$50,668,000 which will expire in five years (31 December 2017: US$24,192,000, 1 January 2017: US$26,472,000) and US$Nil which will expire after five years (31 December 2017: US$2,279,000, 1 January 2017: US$8,376,000).

The related deferred tax benefits of US$16,518,000 (31 December 2017: US$11,524,000, 1 January 2017: US$10,820,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$30,863,000 (31 December 2017: US$32,403,000, 1 January 2017: US$22,950,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2018 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation and biological assetst

	Plantation related properties							
	Prepaid land leases	Land use rights	Plantation	Plantation establistment costs	Total plantation related properties	Non-current biological assets	Consumable biological assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
Cost								
At 1 January 2017	31,117	101,639	40,276	110,030	283,062	6,821	134	290,017
Additions	–	–	816	34,857	35,673	890	–	36,563
Capitalisation of depreciation	–	–	–	336	336	–	–	336
Transfer to property, plant and equipment (Note 12)	–	–	(14,222)	(6,278)	(20,500)	–	–	(20,500)
Reclassification	–	–	1,045	(1,045)	–	–	–	–
Fair value adjustment (Note 5)	–	–	–	–	–	370	(111)	259
Exchange difference	3,243	8,342	4,333	17,617	33,535	780	26	34,341
At 31 December 2017	34,360	109,981	32,248	155,517	332,106	8,861	49	341,016
Additions	–	–	–	50,156	50,156	1,522	–	51,678
Capitalisation of depreciation	–	–	–	359	359	–	–	359
Transfer from/(to) property, plant and equipment (Note 12)	–	–	16,463	(12,623)	3,840	–	–	3,840
Fair value adjustment (Note 5)	–	–	–	–	–	33	(32)	1
Exchange difference	(628)	–	(1,774)	(7,987)	(10,389)	(208)	–	(10,597)
At 31 December 2018	33,732	109,981	46,937	185,422	376,072	10,208	17	386,297

16. Plantation and biological assets (cont'd)

	Plantation related properties							
	Prepaid land leases	**Land use rights**	**Plantation**	**Plantation establistment costs**	**Total plantation related properties**	**Non-current biological assets**	**Consumable biological assets**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation								
At 1 January 2017	937	–	422	–	1,359	–	–	1,359
Depreciation for the year (Note 8)	336	–	1,750	–	2,086	–	–	2,086
Exchange difference	116	–	381	–	497	–	–	497
At 31 December 2017	1,389	–	2,553	–	3,942	–	–	3,942
Depreciation for the year (Note 8)	359	–	1,785	–	2,144	–	–	2,144
Exchange difference	(36)	–	(161)	–	(197)	–	–	(197)
At 31 December 2018	1,712	–	4,177	–	5,889	–	–	5,889
Carrying amount								
At 1 January 2017	30,180	101,639	39,854	110,030	281,703	6,821	134	288,658
At 31 December 2017	32,971	109,981	29,695	155,517	328,164	8,861	49	337,074
At 31 December 2018	32,020	109,981	42,760	185,422	370,183	10,208	17	380,408

The basis of classification of rubber trees is disclosed in Note 2.12 and Note 3.1(a).

Details of the Group's plantation assets are summarised as follows:

Country	Malaysia	Cameroon	Cameroon	Ivory Coast
Type of ownership	Leasehold	Freehold	Land use rights	Land use rights
Total land area (hectares)	9,844	45,200	66,339	1,581

The Group's biological assets mainly consist of rubber trees in Malaysia plantations and produce that grows on oil palm trees in Malaysia plantation and latex in trees in Africa plantations, all of which are grown for commercial sales as part of normal business operations.

Interest expense amounting to US$11,906,000 was capitalised in 2018 (31 December 2017: US$6,475,000, 1 January 2017: US$749,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.00% - 7.15% (31 December 2017: 6.00% - 8.25%, 1 January 2017: 6.00% - 8.25%), which is effective interest rate of borrowings.

A review of the recoverable amount for the plantation in Cameroon was determined based on the value in use calculation and the discount rate used is 13.0% (31 December 2017: 15.4%, 1 January 2017: 15.4%).

Change in estimates

During the financial year, the Group has reassessed its depreciation methodology for plantation assets as its significant investment in bearer plants, made over the last few years, is starting to reach maturity. The Group concluded that depreciating the mature plantation by the expected yield pattern of the bearer plants over their useful lives, which are estimated at 30 years, are more reflective of the pattern in which the assets future benefit are expected to be consumed. The revision in estimate has been applied on a prospective basis from 1 January 2018. The effect of the above revision on depreciation charge in current year and future periods as follows:

	2018	**2019**	**2020**	**Later**
	US$'000	US$'000	US$'000	US$'000
Decrease/(Increase) in depreciation expense	227	260	189	(676)

17. Cash and bank balances

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	65,323	112,461	58,532	770	706	430
Short term deposits	57,608	36,595	8,093	–	–	–
Cash and cash equivalents	122,931	149,056	66,625	770	706	430
Short term deposits – pledged	2,283	3,173	–	–	–	–
Total cash and bank balances	125,214	152,229	66,625	770	706	430

Cash and bank balances comprise cash held by the Group and Company and short term bank deposits. The carrying amounts of these assets approximate their fair value.

Fixed deposits were made for varying periods, depending on immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2018 for the Group is (0.34%) per annum (31 December 2017: 5.05%, 1 January 2017: 2.84%).

Cash and bank balances of US$2,283,000 (31 December 2017: US$3,173,000, 1 January 2017: US$1,618,000) of the Group have been charged as security for the Group's general banking facilities (Note 25) and performance guarantee.

As at each reporting date, the carrying amounts of cash and bank balances denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	9,021	11,691	15,574	–	–	–
Singapore Dollar	724	1,468	1,162	35	–	–
Euro	1,974	1,414	2,128	56	29	–
Pound Sterling	437	–	–	7	–	–
Swedish Krona	706	–	–	–	–	–

18. Trade receivables

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
External parties	146,745	121,689	98,066

Trade receivables are repayable within the normal trade credit terms of 2 days to 90 days.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was granted up to the end of the reporting period.

As at each reporting date, the carrying amounts of trade receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
United States Dollar	13,352	16,824	11,265
Euro	14,904	25	536
Pound Sterling	3,033	–	–
Swedish Krona	1,127	–	–

The table below is an analysis of trade receivables as at 31 December:

		Group	
	Note	31 Dec 2017	1 Jan 2017
		US$'000	US$'000
Total gross trade receivables		122,600	98,818
Allowance for impairment	(b)	(911)	(752)
Trade receivables, net		121,689	98,066

(a) Receivables that are past due but not impaired

The Group has trade receivables amounting to US$19,264,000 as at 31 December 2017 and US$28,289,000 as at 1 January 2017 that are past due but not impaired. These receivables are mainly secured with credit enhancement and the analysis of their aging at the statement of financial position date is as follows:

	Group	
	31 Dec 2017	1 Jan 2017
	US$'000	US$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	17,984	24,157
30 to 60 days	696	3,245
More than 61 days	584	887
	19,264	28,289

18. Trade receivables (cont'd)

(b) Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	31 Dec 2017	**1 Jan 2017**
	US$'000	US$'000
Trade receivables – nominal amounts	911	752
Less: Allowance for impairment	(911)	(752)
	–	–

	Group
	2017
	US$'000
Movement in allowance accounts:	
At 1 January	752
Charge for the year	107
Written off	(42)
Exchange difference	94
At 31 December	911

(c) Expected credit losses ("ECL")

The movement in allowance for expected credit losses of trade receivables computed based on ECL are as follows:

	Group
	2018
	US$'000
Opening loss allowance as at 1 January	911
Adoption of SFRS(I) 9 (Note 2.1(b)(iii))	337
Adjusted loss allowances as at 1 January	1,248
Charge for the year	144
Written off	(746)
Exchange difference	(35)
At 31 December	611

19. Loans and other receivables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
Non-current:						
Loan to non-controlling interests of a subsidiary	3,491	3,641	3,209	–	–	–
Current:						
Amount due from an associate	–	–	318	–	–	–
Loan to an associate	–	–	3,684	–	–	–
Loan to a third party	50,623	51,603	–	–	–	–
Other receivables	14,204	7,226	4,134	71	94	2
Amounts due from subsidiaries	–	–	–	807,912	670,440	368,317
Deposits	17,701	20,854	18,730	314	278	3,406
	82,528	79,683	26,866	808,297	670,812	371,725
Non-financial assets						
Current:						
Prepayments	29,422	16,193	10,704	317	232	256
Other tax receivables	34,236	15,182	14,304	112	45	75
Total non-financial assets	63,658	31,375	25,008	429	277	331
Total current loan and other receivables	146,186	111,058	51,874	808,726	671,089	372,056
Total non-current loan and other receivables	3,491	3,641	3,209	–	–	–

19. Loans and other receivables (cont'd)

The loan to non-controlling interests of a subsidiary is unsecured, repayable in 2025 and earns interest at 5% per annum (2017: 5%).

The loan to a third party was secured by the borrower's equity interest in a company, and receivables and bank balances of the borrower, with interest at 6.5% per annum (2017: 5.5%) and repayable in 2019.

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

Included in other tax receivables as at 31 December 2017 is value added tax receivables in certain subsidiaries amounting to US$26,053,000 for which the Group has made a fair value downward adjustment of US$16,449,000.

Expected credit losses ("ECL")

The movement in allowance for expected credit losses of loans and other receivables computed based on ECL are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Opening loss allowance as at 1 January	–	–	–	–
Adoption of SFRS(I) 9 (Note 2.1(b)(iii))	227	–	5	–
Adjusted loss allowance as at 1 January	227	–	5	–
Charge for the year	441	–	56	–
At 31 December	668	–	61	–

As at each reporting date, the carrying amounts of loans and other receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	341	–	2,176	–	–	–
Singapore Dollar	1,411	6,493	1,204	112	45	75
Euro	2,358	–	–	–	–	–

20. Derivative financial instruments

	Group					
	2018		31 Dec 2017		1 Jan 2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	5,867	(1,920)	32	(145)	626	(577)
Forward commodity (natural rubber) contracts	38,323	–	22,853	–	30,263	(58,209)
Total	44,190	(1,920)	22,885	(145)	30,889	(58,786)

	Company					
	2018		31 Dec 2017		1 Jan 2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	670	(670)	–	–	–	–
Total	670	(670)	–	–	–	–

The Group utilises forward commodity (natural rubber) contracts and forward currency contracts to manage the fluctuations in natural rubber prices or exposure arising from foreign currencies.

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the Group is committed to are as follows:

	Notional amount			Positive fair value			Negative fair value		
	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodity (natural rubber):									
– Sales	483,738	516,687	429,396	33,411	6,934	–	–	–	(58,209)
– Purchases	177,891	233,093	207,606	4,912	15,919	30,263	–	–	–
Forward currency contracts	419,857	118,925	85,432	5,867	32	626	(1,920)	(145)	(577)
				44,190	22,885	30,889	(1,920)	(145)	(58,786)

The maturity period for forward commodity (natural rubber) contracts ranges from one to twelve months.

21. Inventories

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
At cost:			
– Consumables	29,965	23,796	20,580
At fair value:			
– Raw materials	54,180	91,717	128,141
– Work-in-progress	23,959	25,114	36,749
– Finished goods held for resale	189,837	164,720	134,503
	267,976	281,551	299,393
	297,941	305,347	319,973

The inventories as at the end of each reporting period in 2018, 31 December 2017 and 1 January 2017 include fair value (downward)/upward adjustments of US$(10,085,000), US$4,311,000 and US$56,452,000 respectively.

Inventories with carrying amount of US$43,949,000 (31 December 2017: US$53,389,000, 1 January 2017: US$4,006,000) have been pledged as security for a trade financing facility (Note 25).

22. Assets and liabilities of disposal group classified as held-for-sale

Discontinued operation refers to the Group's processing business in Thailand, Teck Bee Hang Co., Ltd and its subsidiaries ("TBH Group"), which was classified as asset held-for-sale as at 31 December 2017 under SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations, following the Group's strategic review undertaken during the financial year ended 31 December 2017. The decision was made at that time on the basis of the poor financial performance of TBH Group and also, unfavourable market environment in Thailand.

During the current financial year, positive changes have been made to TBH's business and operations leading to improvement in TBH's financial performance in 2018. As part of the Group's continuous assessment of its key business segments, it now determines that TBH Group fits into the Group's latest business strategy and initial plan to dispose/discontinue the operations of TBH Group has changed significantly and an immediate sale is unlikely. As such, the Group decided to reclassify TBH Group from discontinued operations to continuing operations.

Accordingly, the comparative figures in the consolidated income statement and consolidated cash flow statement for financial year ended 31 December 2018 have been re-presented to reflect TBH Group as continuing operations.

Statement of financial position disclosures

The major classes of assets and liabilities of TBH Group classified as held-for-sale as at 31 December 2017 are as follows:

	Group
	2017
	US$'000
Assets:	
Investment in associate	1,348
Property, plant and equipment	27,187
Investment properties	16,656
Deferred tax assets	636
Cash and bank balances	5,832
Other working capital assets	37,725
Assets of disposal group classified as held-for-sale	89,384
Liabilities:	
Working capital liabilities	8,969
Deferred tax liabilities	7,494
Liabilities of disposal group classified as held-for-sale	16,463
Net assets of disposal group classified as held-for-sale	72,921

23. Trade payables

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
External parties	34,570	38,757	46,265

These amounts are non-interest bearing. Trade payables are normally settled on 60 days term.

As at each reporting date, the carrying amounts of trade payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
United States Dollar	4,300	7,478	–
Euro	1,802	–	–

24. Other payables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial liabilities						
Current:						
Other payables	14,917	24,357	17,849	105	914	910
Accrued operating expenses	20,576	26,041	16,393	1,377	4,109	2,020
Accrued interest expense	2,903	2,995	4,789	591	554	2,817
Amounts due to subsidiaries	–	–	–	120,997	149,590	27,873
Amounts due to non-controlling interests of a subsidiary	–	–	1,585	–	–	–
	38,396	53,393	40,616	123,070	155,167	33,620
Non-financial liabilities						
Current:						
Other tax payables	7,577	5,043	1,773	80	168	156
Advances from customers	9,709	2,007	310	–	–	–
	17,286	7,050	2,083	80	168	156
Non-current:						
Other payables	4,263	1,843	1,850	–	–	–
Total current other payables	55,682	60,443	42,699	123,150	155,335	33,776
Total non-current other payables	4,263	1,843	1,850	–	–	–

24. Other payables (cont'd)

Other payables are non-interest bearing and have an average term of six months.

As at 31 December 2017, certain amounts due to subsidiaries amounting to US$138,825,000 (1 January 2017: US$Nil) are non-trade related, unsecured, bears an average interest of 3.61% (1 January 2017: Nil) per annum and repayable on demand. The remaining amounts due to subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand. As at 31 December 2018, the amounts due to subsidiaries are non-interest bearing, unsecured and repayable in demand.

As at 1 January 2017, amounts due to non-controlling interests of a subsidiary arose mainly from payments made on behalf of a subsidiary and are unsecured, interest-free and repayable on demand.

As at each reporting date, the carrying amounts of other payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	42	4	8,483	–	–	–
Singapore Dollar	48	4,691	3,136	–	168	–
Euro	2,358	–	–	–	–	–

25. Loan payables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current:						
– Working capital loans	519,091	196,585	234,165	293,750	2,750	2,750
– Term loans	1,309	10,966	10,480	–	–	–
	520,400	207,551	244,645	293,750	2,750	2,750
Non-current:						
– Working capital loans	1,375	4,125	6,875	1,375	4,125	6,875
– Term loans	390,265	397,785	366,790	296,442	295,242	265,042
– MTN	–	–	85,737	–	–	85,737
– Loan from non-controlling interest of a subsidiary	–	1,050	970	–	–	–
	391,640	402,960	460,372	297,817	299,367	357,654
Total loan payables	912,040	610,511	705,017	591,567	302,117	360,404

As at each reporting date, the carrying amounts of loan payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	60,263	12,110	44,249	–	–	–
Singapore Dollar	–	1,050	970	–	–	–

25. Loan payables (cont'd)

Working capital loans bear average interest rates of 3.59% (31 December 2017: 4.34%, 1 January 2017: 3.43%) per annum. Certain working capital loans amounting to US$78,412,000 (31 December 2017: US$18,988,000, 1 January 2017: US$Nil) are secured by a charge over certain of the Group's inventories (Note 21), property, plant and equipment (Note 12), and certain cash and bank balances (Note 17).

Loan from non-controlling interest of a subsidiary is unsecured and bears an average interest rate of 4.00%. This amount has been repaid in February 2018.

The MTN with a face value of S$125 million was issued on 31 July 2014, unsecured and bear a fixed interest rate of 6.5% per annum. The MTN has been fully repaid as at 31 December 2017.

The Group and the Company has the following term loans:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current						
Loan A	–	9,136	9,960	–	–	–
Loan B	–	920	520	–	–	–
Loan C	1,309	910	–	–	–	–
	1,309	10,966	10,480	–	–	–
Non-current						
Loan A	–	3,322	12,450	–	–	–
Loan B	–	–	1,039	–	–	–
Loan C	24,001	26,398	24,070	–	–	–
Loan D	296,442	295,241	265,042	296,442	295,242	265,042
Loan E	69,822	72,824	64,189	–	–	–
	390,265	397,785	366,790	296,442	295,242	265,042

Details of the term loans are as follow:

a) Loan A bears average effective interest rate of 3.61% (31 December 2017: 3.61%, 1 January 2017: 3.61%) per annum and repayable on monthly instalments. This loan is unsecured and had been repaid during the current financial year.

b) Loan B bears an average effective interest rate of 8.25% (31 December 2017: 8.25%, 1 January 2017: 8.25%) per annum and repayable on semi-annual instalments. This loan is secured and had been repaid during the current financial year.

c) Loan C bears average effective interest of 6.00% (31 December 2017: 6.00%, 1 January 2017: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.

d) Loan D bears an effective interest rate of 3.93% (31 December 2017: 3.21%, 1 January 2017: 2.69%) and is repayable in 2021. This loan is unsecured.

e) Loan E bears average effective interest rate of 7.15% (31 December 2017: 7.15%, 1 January 2017: 7.15%) per annum. Repayment will commence in 2021 on semi-annual instalments until 2027. This loan is unsecured.

26. Retirement benefit obligations

The Group provides defined post-employment benefits for its qualifying employees in accordance with relevant labour laws and regulations in Indonesia, Thailand, Cameroon and Ivory Coast.

Changes in retirement benefit obligations are as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
At 1 January	19,024	17,153
Acquisition of subsidiaries	4,920	–
Benefit paid for the year	(6,283)	(1,500)
Changes charged/(credited) to profit or loss		
– Current service costs	1,999	2,034
– Interest cost on benefit obligations	1,238	1,091
– Past service costs	664	(5)
– Net actuarial gain recognised during the year	240	–
– Provision of long term employee benefit	73	124
– Excess benefit	476	277
Re-measurement losses/(gain) in other comprehensive income		
– Actuarial changes arising from changes in demographic assumptions	(108)	548
– Actuarial changes arising from changes in financial assumptions	(2,615)	1,171
– Experience adjustments	(1,441)	(195)
Exchange difference	(1,280)	404
Capitalised to plantation assets	–	39
	16,907	21,141
Reclassification from/(to) assets of disposal group classified as held-for-sale (Note 22)	2,117	(2,117)
At 31 December	19,024	19,024

The cost of providing post-employment benefits is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions:

	2018	**31 December 2017**	**1 January 2017**
	%	%	%
Indonesia (Headcount: 2018- 4,844, 31 December 2017- 3,805, 1 January 2017- 3,727)			
Discount rate	8.32	7.03	8.38
Future salary increment rate	7.00 – 9.00	8.00 – 10.00	8.25 – 10.00
Thailand (Headcount: 2018- 1,037, 31 December 2017- 987, 1 January 2017- 1,195)			
Discount rate	2.56	2.06	1.92
Future salary increment rate	1.00 – 4.00	1.00 – 4.00	1.60 – 3.00
Cameroon (Headcount: 2018- 7,259, 31 December 2017- 5,576, 1 January 2017- 4,637)			
Discount rate	3.50	3.50	3.50
Future salary increment rate	2.71 – 7.95	2.90 – 9.67	5.84
Ivory Coast (Headcount: 2018- 1,008, 31 December 2017- 1,003, 1 January 2017- 967)			
Discount rate	3.50 – 6.00	3.50 – 5.95	3.50 – 5.90
Future salary increment rate	3.50 – 5.00	2.00 – 3.50	2.00 – 3.50

26. Retirement benefit obligations (cont'd)

Three other assumptions: mortality rate, disability rate and voluntary resignation rate are not significant assumptions for these plans as there are insignificant changes in retirement benefit obligations arising from them.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
	2018	2018	2017	2017
	US$'000	US$'000	US$'000	US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(301)	292	(417)	400
- (Decrease)/Increase on retirement benefit obligation	(1,227)	1,501	(1,601)	1,994
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	314	(217)	432	(372)
- Increase/(Decrease) on retirement benefit obligation	1,465	(1,324)	1,921	(1,660)

The above sensitivity analysis is based on a change in an assumption while holding other assumptions constant. Changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions, the same method (present value of the retirement benefit obligations calculated with the Projected Unit Credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligations recognised within the statement of financial position.

Through its retirement benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed as below:

Changes in bond yields
A decrease in government bond yield will increase plan liabilities.

Inflation risk
The majority of the plan's benefit obligations are linked to inflation which higher inflation will lead to higher liabilities.

The weighted average duration of the retirement benefits obligation is 18.5 years (31 December 2017: 16.9 years, 1 January 2017: 15.0 years).

27. Share capital

	Group and Company			
	2018		2017	
	No. of shares		No. of shares	
	'000	US$'000	'000	US$'000
Issued and fully paid ordinary shares				
Balance at beginning and end of financial year	1,595,012	603,874	1,595,012	603,874

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares of the Company have no par value.

28. Perpetual securities

During the financial year ended 31 December 2017, the Company issued perpetual securities with principal amount of US$150,000,000 bearing distributions at rate of 4.5% per annum. An amount of US$148,690,000 net of issuance costs, was recognised in equity.

The perpetual securities bear distributions which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer or not making distributions on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual securities is classified as equity and distributions are treated as dividends. This is due to the reason that the Company has no contractual obligations to repay its principal or to pay any distributions, which means the instrument does not meet the definition as a financial liability under SFRS(I) 1-32 Financial Instruments: Disclosure and Presentation.

During the current financial year, the Board of Directors have approved to distribute payment amounting to US$6,750,000 (2017: US$3,375,000) to the holders of the securities.

In March 2019, the Group announced, of its intention to redeem all the perpetual securities on 26 April 2019 at 100% of the principal amount of the perpetual securities of US$150,000,000, together with distributions accrued to the redemption date.

29. Other reserves

a) **Capital reserve**

Capital reserves pertain to the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder for the swap of the shares in the Company.

Capital reserve also includes funds arising from the Group's People's Republic of China ("PRC") subsidiaries which are required to transfer 10% of the net income to the reserve fund in accordance with PRC Articles of Association.

b) **Other reserves**

Other reserves pertain to fair value adjustments on derivative financial instruments, premium paid by non-controlling interests for interest in a subsidiary and redemption amount for put option issued to non-controlling interest of a subsidiary.

c) **Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

30. Commitments and contingencies

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

	Group	
	2018	**2017**
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year (Note 8)	2,685	2,693

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

		Group	
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
Not later than one year	2,867	2,438	1,435
Later than one year but not later than five years	5,651	3,529	3,269
Later than five years	11,420	11,634	11,960
	19,938	17,601	16,664

Operating lease payments mainly represent rentals payable by the Group for its office premises and commercial leases on certain premises.

30. Commitments and contingencies (cont'd)

(b) **Finance lease commitments – as lessee**

The Group and the Company has finance leases for certain items of plant and equipment and furniture and fixtures. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group					
	2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	48	42	517	496	553	497
Later than one year but not later than five years	139	132	86	86	625	600
Total minimum lease payments	187	174	603	582	1,178	1,097
Less: Amounts representing finance charges	(13)	–	(21)	–	(81)	–
Present value of minimum lease payments	174	174	582	582	1,097	1,097

	Company					
	2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	–	–	517	496	517	465
Later than one year but not later than five years	–	–	86	86	603	581
Total minimum lease payments	–	–	603	582	1,120	1,046
Less: Amounts representing finance charges	–	–	(21)	–	(74)	–
Present value of minimum lease payments	–	–	582	582	1,046	1,046

This obligation is secured by a charge over the leased assets (Note 12).

(c) **Commitment for sales, purchases and forward currency contracts**

The Group has committed sales, purchases and currency contracts that are entered into for the use of the Group. The contractual or notional amounts of the committed contracts with fixed pricing terms that was outstanding as at 31 December 2018, 31 December 2017 and 1 January 2017 are as disclosed in Note 20.

(d) **Corporate guarantees**

The following are the corporate guarantees given by the Company for the credit facilities extended by banks to:

	Company		
	2018 US$'000	31 Dec 2017 US$'000	1 Jan 2017 US$'000
Subsidiaries	230,281	229,312	135,000

31. Financial risks and management

(a) **Categories of financial instruments**

The following table sets out the financial instruments as at the end of the reporting period:

		Group			Company		
	Note	**2018**	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Cash and bank balances	17	125,214	152,229	66,625	770	706	430
Trade receivables	18	146,745	121,689	98,066	–	–	–
Loans and other receivables	19	86,019	83,324	30,075	808,297	670,812	371,725
Derivative financial instruments	20	44,190	22,885	30,889	670	–	–
		402,168	380,127	225,655	809,737	671,518	372,155
Financial liabilities							
Trade payables	23	34,570	38,757	46,265	–	–	–
Other payables	24	38,396	53,393	40,616	123,070	155,167	33,620
Loan payables	25	912,040	610,511	705,017	591,567	302,117	360,404
Finance lease obligation	30(b)	174	582	1,097	–	582	1,046
Derivative financial instruments	20	1,920	145	58,786	670	–	–
		987,100	703,388	851,781	715,307	457,866	395,070

(b) **Financial risk management policies and objectives**

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

As disclosed in Note 2.7 of the financial statements, the functional currency of the Company is the United States Dollar.

The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain purchases are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar, Euro, Indonesian Rupiah, Malaysian Ringgit, Chinese Yuan Renminbi, CFA Franc and Thai Baht. The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

The Group enters into foreign currency forward contracts to hedge the foreign currency exposure for some of its receivables.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

31. Financial risks and management (cont'd)

(b) **Financial risk management policies and objectives (cont'd)**

(i) Foreign currency risk (cont'd)

Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, income will increase/(decrease) by:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	(2,095)	446	(1,186)	–	–	–
Singapore Dollar	104	111	(89)	7	(8)	1
Euro [1]	754	72	133	3	1	–
Pound Sterling	174	–	–	–	–	–
Swedish Krona	92	–	–	–	–	–

[1] It excludes the effect of foreign currency exposure that has been materially hedged.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's primary interest rate risk arises from its loan payables.

The Group's exposures to interest rates are set out below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's income for the financial year would decrease/increase by US$3,351,000 (31 December 2017: decrease/increase by US$2,004,000, 1 January 2017: US$2,438,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the banks and financial institutions, and certain loan receivables.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are creditworthy entities.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

31. Financial risks and management (cont'd)

(b) **Financial risk management policies and objectives (cont'd)**

(iii) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days of when they fall due, which are derived based on the Group's historical information.

To assess whether there is significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:
- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation
- There is disappearance of an active market for the financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and qualitative information about amount arising from expected credit losses for each class of financial assets.

(i) Trade receivables

The Group provides for expected credit losses ("ECL") for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analyse in accordance to days past due by grouping of customers which are:

- HRC Group
- Corrie MacColl Group and SINRIO Group

(ii) Other receivables

The Group provides for ECL for all financial assets based on general approach of 12-months ECL either individual or collective basis.

(iii) Credit risk

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of impairment loss on receivables) at the statement of financial position date is as follows:

31. Financial risks and management (cont'd)

(b) **Financial risk management policies and objectives (cont'd)**

(iii) Credit risk (cont'd)

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
By country:			
Singapore	4,110	3,459	12,457
Asia (excluding Singapore and China)	36,445	30,141	21,901
China	13,806	15,885	18,140
United States of America ("USA")/Canada	44,373	30,406	16,683
Europe	39,603	33,840	25,061
Others	8,408	7,958	3,824
	146,745	121,689	98,066

Further details of credit risks on trade receivables are disclosed in Note 18 to the financial statements.

(iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 maintains sufficient liquidity at all times by efficient cash and working capital management.

The Group's ability to meet its obligations is managed by maintaining appropriate level of cash balance and working capital balances.

Non-derivative financial instruments

The following tables detail the remaining contractual maturity for non-derivative financial instruments.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

31. Financial risks and management (cont'd)

(b) **Financial risk management policies and objectives (cont'd)**

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

	Weighted average effective interest rate	On demand or within one year	One to three years	Over three years
		31 December 2018		
		US$'000		
	%			
Group				
Financial assets:				
Trade and other receivables- interest bearing	6.50	53,407	–	–
Trade and other receivables- non-interest bearing		178,650	3,491	–
Cash at banks and in hand		65,323	–	–
Short term deposits	(0.34) [1]	57,412	–	–
Total undiscounted financial assets		354,792	3,491	–
Financial liabilities:				
Trade and other payables		72,966	–	–
Finance lease creditors	1.89	48	139	–
Loan payables- variable rate	3.61	456,379	325,658	–
Loan payables- fixed rate	7.76	104,632	23,542	100,752
Total undiscounted financial liabilities		634,025	349,339	100,752
Company				
Financial assets:				
Trade and other receivables		808,297	–	–
Cash at banks and in hand		770	–	–
		809,067	–	–
Financial liabilities:				
Trade and other payables		123,070	–	–
Finance lease creditors		–	–	–
Loan payables- variable rate	3.66	315,456	325,658	–
		438,526	325,658	–

[1] Current Euro interbank offered rate ("Euribor") is a negative interest rate.

		31 December 2017 US$'000					
Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
(2,784)	50,623	5.50	54,441	–	–	(2,838)	51,603
–	182,141		149,769	3,641	–	–	153,410
–	65,323		112,461	–	–	–	112,461
196	57,608	5.05	38,442	–	–	(1,847)	36,595
(2,588)	355,695		355,113	3,641	–	(4,685)	354,069
–	72,966		92,150	–	–	–	92,150
(13)	174	3.50	517	86	–	(21)	582
(54,182)	727,855	3.10	205,001	22,901	309,341	(48,261)	488,982
(44,741)	184,185	5.92	25,295	31,114	102,200	(37,080)	121,529
(98,936)	985,180		322,963	54,101	411,541	(85,362)	703,243
–	808,297		670,812	–	–	–	670,812
–	770		706	–	–	–	706
–	809,067		671,518	–	–	–	671,518
–	123,070		155,167	–	–	–	155,167
–	–	3.50	517	86	–	(21)	582
(49,547)	591,567	3.08	12,280	22,901	309,341	(42,405)	302,117
(49,547)	714,637		167,964	22,987	309,341	(42,426)	457,866

31. Financial risks and management (cont'd)

(b) **Financial risk management policies and objectives (cont'd)**

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

	1 January 2017 US$'000					
	Weighted average effective interest rate %	**On demand or within one year**	**One to three years**	**Over three years**	**Adjustment**	**Total**
Group						
Financial assets:						
Trade and other receivables-interest bearing		–	–	–	–	–
Trade and other receivables-non-interest bearing		124,932	3,209	–	–	128,141
Cash at banks and in hand		58,532	–	–	–	58,532
Short term deposits	2.84	8,322	–	–	(229)	8,093
Total undiscounted financial assets		191,786	3,209	–	(229)	194,766
Financial liabilities:						
Trade and other payables		86,881	–	–	–	86,881
Finance lease creditors	3.50	553	625	–	(81)	1,097
Loan payables- variable rate	2.49	236,179	19,978	280,694	(41,191)	495,660
Loan payables- fixed rate	5.80	28,447	116,033	123,228	(58,351)	209,357
Total undiscounted financial liabilities		352,060	136,636	403,922	(99,623)	792,995
Company						
Financial assets:						
Trade and other receivables		371,725	–	–	–	371,725
Cash at banks and in hand		430	–	–	–	430
		372,155	–	–	–	372,155
Financial liabilities:						
Trade and other payables		33,620	–	–	–	33,620
Finance lease creditors	3.50	517	603	–	(74)	1,046
Loan payables-variable rate	2.64	2,965	5,705	302,104	(36,107)	274,667
Loan payables – fixed rate	8.05	6,287	97,276	–	(17,826)	85,737
		43,389	103,584	302,104	(54,007)	395,070

Derivative financial instruments

The liquidity analysis for derivative financial instruments has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

Please refer to Note 20 for more details.

(v) Commodity price risk

Due to the nature of the Group's operations, the Group is exposed to changes in agricultural commodity prices.

At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have increased/decreased profit before income tax by US$151,000 (31 December 2017: increased/decreased profit before tax by US$834,000, 1 January 2017: increased/decreased profit before tax by US$2,647,000) and increased/decreased equity by US$151,000 (31 December 2017: increased/decreased equity by US$834,000, 31 December 2017: increased/decreased equity by US$2,647,000).

32. Related party transactions

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the year, Group entities entered into the following transactions with related parties:

	Group	
	2018	**2017**
	US$'000	US$'000
Sale of goods to penultimate holding company	388	78,169
Purchase of goods from penultimate holding company	–	(4,001)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
Directors' fees (Note 8)	457	355
Short-term benefits	2,295	5,619
	2,752	5,974

33. Segment information

The Group is a global leader in natural rubber, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources a broad range of grades from all major origins globally, operates 38 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China, Cameroon and Ivory Coast, and distributes to an international customer base through its network of warehouses and sales offices in South East Asia, China, the United States of America and Europe.

On 1 January 2018, the Group has streamlined its operating structure into the following key segments:

(a) Corrie MacColl Group – This business segment includes our plantation and processing business in Cameroon and Malaysia and our distribution business under the brand name of Centrotrade, Wurfbain, Corrie MacColl, Alan L. Grant, Momentum Technologies and Kelvin Terminals.

(b) HRC Group – This business segment includes our processing factories in Indonesia and Ivory Coast and distribution business in Singapore, whose customers are predominantly top-tier global tyre makers.

(c) SINRIO Group – This business segment includes our processing factories in China, Malaysia and Thailand, and our distribution business in Singapore and China, whose customers are predominantly tyre makers based in PRC.

(d) Corporate segment – covers group strategic management, corporate finance, group administration and legal matters, treasury, and taxation.

Segmental performance is continuously monitored to optimise the allocation of resources between segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

33. Segment information (cont'd)

	Corrie MacColl Group		HRC Group		SINRIO Group		Corporate		Elimination			Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue to third party	626,370	388,408	690,354	683,152	824,310	1,086,823	–	–	–	–		2,141,034	2,158,383
Inter-segment revenue	5,102	32,872	52,583	377,865	13,087	40,040	20,073	10,140	(90,845)	(460,917)	A	–	–
Total revenue	631,472	421,280	742,937	1,061,017	837,397	1,126,863	20,073	10,140	(90,845)	(460,917)		2,141,034	2,158,383
Gross profit	46,348	25,868	18,871	88,737	53,280	35,953	20,073	10,140	(20,129)	(10,140)	B	118,443	150,558
Operating profit/(loss)	14,186	9,169	(24,619)	45,423	6,897	(10,230)	8,069	14,887	(58)	–		4,475	59,249
Finance income												4,900	2,950
Finance costs												(26,174)	(25,674)
Share of result of associates												(165)	10,043
(Loss)/Profit before taxation												(16,964)	46,568
Income tax credit/(expense)												3,551	(12,038)
(Loss)/Profit for the financial year												(13,413)	34,530
Segment assets	1,008,340	915,516	614,540	661,887	367,984	464,188	1,494,485	1,326,362	(1,670,729)	(1,735,200)	C	1,814,620	1,632,753
Segment liabilities	579,356	477,152	551,178	543,782	227,277	402,350	716,085	510,606	(995,163)	(1,134,300)	D	1,078,733	799,590
Other information:													
Management fee expense/(income)	–	1,800	13,409	4,740	6,655	3,600	(20,064)	(10,140)	–	–		–	–
Depreciation expense	6,886	5,829	13,221	12,446	8,307	8,449	65	68	–	–		28,479	26,792
Fair value gain on investment properties	–	–	3,290	1,239	1,225	19	–	–	–	–		4,515	1,258
Unrealised fair value loss on open forward commodity contracts and adjustment on inventories	13,519	2,653	(14,351)	(6,011)	(7,220)	1,332	–	–	–	–		(8,052)	(2,026)
Capital expenditure	66,983	39,705	8,005	7,721	3,270	6,186	456	881	–	–		78,714	54,493

33. Segment information (cont'd)

As at 1 January 2017

	Corrie MacColl Group	HRC Group	SINRIO Group	Corporate	Elimination		Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000
Segment assets	373,749	824,176	351,626	1,655,727	(1,655,756)	C	1,549,522
Segment liabilities	147,606	492,751	229,717	649,612	(592,243)	D	927,443

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A. Inter-segment revenues are eliminated on consolidation.
B. Management fee is eliminated on consolidation.
C. Elimination on investment in subsidiaries and intercompany balances.
D. Elimination on intercompany balances.

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including intangible assets, property, plant and equipment, plantation related properties, biological assets, investment properties, deferred charges and other assets) by geographical location are detailed below:

	Group	
	2018	2017
	US$'000	US$'000
Sales of natural rubber		
Singapore	157,073	124,971
Asia (excluding Singapore and China)	533,166	621,705
China	579,636	679,677
USA/Canada	378,548	208,080
Europe	444,213	467,407
Others	48,398	56,543
	2,141,034	2,158,383

The table above shows the Group's revenue by geographical locations based on the origin of the customers' ultimate parent company.

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
Non-current assets			
Singapore	18,900	17,700	21,383
Asia	562,273	421,555	447,620
Africa	410,576	370,621	309,022
Europe	26,161	3,472	188,882
Others	11,975	243	60
	1,029,885	813,591	966,967

Non-current assets presented above includes intangible assets, property, plant and equipment, plantation related properties, biological assets, investment properties, deferred charges, loans and other receivables, investment in associates and other assets as presented in the consolidated statement of financial position.

34. Fair value of assets and liabilities

(a) ***Fair value hierarchies***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1
– Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

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

Level 3
– Unobservable inputs for the asset or liability.

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2018 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	44,190	–	–	44,190
Financial assets as at 31 December 2018	**44,190**	**–**	**–**	**44,190**
Non-financial assets:				
Inventories	–	267,976	–	267,976
Biological assets	–	–	10,225	10,225
Investment properties	–	–	46,799	46,799
Non-financial assets as at 31 December 2018	**–**	**267,976**	**57,024**	**325,000**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	1,920	–	–	1,920
Financial liabilities as at 31 December 2018	**1,920**	**–**	**–**	**1,920**

34. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
	31 Dec 2017			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	22,885	–	–	22,885
Financial assets as at 31 December 2017	**22,885**	–	–	**22,885**
Non-financial assets:				
Inventories	–	281,551	–	281,551
Biological assets	–	–	8,910	8,910
Investment properties	–	–	25,256	25,256
Non-financial assets as at 31 December 2017	–	**281,551**	**34,166**	**315,717**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	145	–	–	145
Financial liabilities as at 31 December 2017	**145**	–	–	**145**

34. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Group			
	1 Jan 2017			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	30,889	–	–	30,889
Financial assets as at 1 January 2017	**30,889**	–	–	**30,889**
Non-financial assets:				
Inventories	–	299,393	–	299,393
Biological assets	–	–	6,955	6,955
Investment properties	–	–	39,791	39,791
Non-financial assets as at 1 January 2017	–	**299,393**	**46,746**	**346,139**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	58,786	–	–	58,786
Financial liabilities as at 1 January 2017	**58,786**	–	–	**58,786**

34. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

	Company 2018 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	670	–	–	670
Financial assets as at 31 December 2018	**670**	–	–	**670**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	670	–	–	670
Financial liabilities as at 31 December 2018	**670**	–	–	**670**

(c) ***Level 2 fair value measurements***

The fair value of inventories (except consumables) are calculated using quoted prices in relevant commodity exchanges at the end of the reporting period, making adjustments according to the stage of production of the inventories, port of loading, and grades of products. Where such prices are not available, the Group uses valuation models to determine the fair values based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period.

(d) ***Level 3 fair value measurements***

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by an independent professional valuer using the discounted cash flow valuation approach. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate. The fair value of biological assets is computed using average annual yield of 1.6 metric tonne per hectare (31 December 2017: 1.6 metric tonne), and discount rate of 11% (31 December 2017: 11%, 1 January 2017: 11%) for oil palm and rubber trees in Malaysia plantation, average yield per tapping cycle of 7.42 metric tonne per hectare (31 December 2017: 0.07 metric tonne per hectare, 1 January 2017: 0.03 metric tonne per hectare) and 0.01 metric tonne per hectare (31 December 2017: 0.01 metric tonne per hectare, 1 January 2017: 0.01 metric tonne per hectare) for oil palm in Malaysia and rubber latex in Africa plantations respectively.

An increase in average annual yield per hectare will result in an increase to the fair value of biological assets, while an increase in discount rate will result in a decrease of estimated fair value.

Investment properties

The fair value of the Group's investment properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property location, accessibility, topography, facilities and utilities, size and date of transaction.

34. Fair value of assets and liabilities (cont'd)

(d) ***Level 3 fair value measurements (cont'd)***

(ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	2018		
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	8,910	25,256	34,166
Fair value gain recognised in profit or loss	1	4,515	4,516
Additions	1,522	30	1,552
Acquisition of subsidiaries	–	3,616	3,616
Disposals	–	(1,712)	(1,712)
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	16,656	16,656
Exchange differences	(208)	(1,562)	(1,770)
Closing balance	10,225	46,799	57,024

	2017		
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	6,955	39,791	46,746
Fair value gain recognised in profit or loss	259	1,258	1,517
Additions	890	–	890
Disposals	–	(413)	(413)
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(16,656)	(16,656)
Exchange differences	806	1,276	2,082
Closing balance	8,910	25,256	34,166

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016.

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation of biological assets and investment properties. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(e) ***Fair value of financial instruments not measured at fair value and whose carrying amounts are reasonable approximation of fair value***

The carrying amounts of cash and bank balances (Note 17), trade receivable (Note 18), loans and other receivables (Note 19), trade payables (Note 23), other payables (Note 24), and loan payables (Note 25) approximate their respective fair values due to the relatively short-term maturity of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the statement of financial position date.

35. Dividends on ordinary shares

	Group and Company	
	2018	2017
	US$'000	US$'000
Paid during the financial year		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2017: S$0.01 (2016: S$Nil) per share	12,044	–
– Special exempt (one-tier) dividend for 2017: S$0.01 (2016: S$Nil) per share	12,044	–
Total	24,088	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2018: S$nil (2017: S$0.01) per share	–	11,933
– Special exempt (one-tier) dividend for 2018: S$nil (2017: S$0.01) per share	–	11,933
Total	–	23,866

36. Capital management

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group is required to comply with loan covenants imposed by the lenders. This externally imposed requirement has been complied with by the Group, including relevant subsidiary companies for the financial year ended 31 December 2018, 31 December 2017 and 1 January 2017.

The capital structure of the Group comprises only of issued capital and retained earnings. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018, 31 December 2017 and 1 January 2017.

The Group monitors capital using a gearing ratio, which is net borrowing divided by total equity. The Group includes within net borrowing, loans and borrowings, finance lease obligation, adjusted for working capital items.

	Group	
	2018	2017
	US$'000	US$'000
Loan payables (Note 25)	912,040	610,511
Finance lease obligation (Note 30(b))	174	582
Total borrowing	912,214	611,093
Adjust for: Working capital items		
– Trade receivables (Note 18)	(146,745)	(121,689)
– Inventories (Note 21)	(297,941)	(305,347)
– Cash and bank balances (Note 17)	(125,214)	(152,229)
– Trade payables (Note 23)	34,570	38,757
Net borrowing	376,884	70,585
Total equity	735,886	833,163
Gearing ratio	0.51	0.08

37. Comparative figures

The financial effects arising from first-time adoption of SFRS(I) to the consolidated statement of financial position and income statement of the Group as follows:

	Group		
	1 January 2017 (FRS)	**SFRS(I) 1 adjustments**	**1 January 2017 (SFRS(I))**
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Deferred tax liabilities	(34,763)	(3,947)	(38,710)
Accumulated profits	(48,116)	81,395	33,279
Foreign currency translation reserve	77,448	(77,448)	–

	31 December 2017 (FRS)	**SFRS(I) 1 adjustments**	**1 January 2018 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated statement of financial position					
Trade receivables	121,689	–	121,689	(337)	121,352
Loans and other receivables	111,058	–	111,058	(227)	110,831
Deferred tax liabilities	(26,114)	(4,668)	(30,782)	–	(30,782)
Accumulated profits	(76,422)	82,116	5,694	564	6,258
Foreign currency translation reserve	34,776	(77,448)	(42,672)	–	(42,672)
Consolidated income statement					
Profit for the financial year	35,251	(721)	34,530	–	34,530

	Company		
	31 December 2017 (SFRS(I))	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Loans and other receivables	671,089	(5)	671,084
Accumulated profits	62,609	(5)	62,604
Consolidated income statement			
Profit for the financial year	(8,246)	–	(8,246)

38. Event occurring after the reporting period

a) Issuance of shares by a subsdiary

In February 2019, the Group's subsidiary, HeveaConnect Pte. Ltd. ("HeveaConnect") entered into a share subscription agreement with ITOCHU Corporation ("ITOCHU") for ITOCHU to subscribe 66,807 shares for US$2,200,000 and an option to subscribe for additional shares for US$800,000. Subsequent to the shares issuance, the Group's total equity interest in HeveaConnect has changed from 90.1% to 71.1%.

b) Redemption of perpetual securities

In March 2019, the Group announced, of its intention to redeem all the perpetual securities on 26 April 2019 at 100% of the principal amount of the perpetual securities of US$150,000,000, together with distribution accrued to the redemption date.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 March 2019.

SINOCHEM INTERNATIONAL CORPORATION

Financial Statements and Auditor's Report
For the year ended 31 December 2019

CONTENTS

Auditor's report

De Shi Bao (Shen) Zi (20) No.P02862

TO THE SHAREHOLDERS OF SINOCHEM INTERNATIONAL CORPORATION:

I. Opinion

We have audited the consolidated financial statements of Sinochem International Corporation (hereinafter referred to as"Sinochem International "), which comprise the consolidated and Company's balance sheets as at 31 December 2019, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements, the consolidated and Company's statements of changes in stockholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the financial statements of the Company are prepared and present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2019, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sinochem International in accordance with Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified that the following matters are the key audit matters to be communicated in the audit's report.

(I) Impairment of goodwill

Description

As stated in Note (V) 20 to the financial statements, the original book value of goodwill in Sinochem International's consolidated balance sheet was RMB 5,818,994,584.17, the provision for impairment of goodwill was RMB 711,547,582.27, and the book value of goodwill was RMB 5,107,447,001.90 for the year ended 31 December 2019. As stated in Note (III) 19 to the financial statements, Sinochem International has conducted the impairment test on the goodwill arising from the acquisition at the end of the year. The management determines the recoverable amount of the asset group based on the present value of the expected future cash flow of the asset group. In order to determine the present value of future cash flow, the management needs to estimate the growth rate of sales revenue, gross profit rate, discount rate and other key parameters based on the past performance of the asset group and the expected market development. As the determination of the above parameters and assumptions in the impairment test involves the significant judgment and estimation of the management, we regard the impairment of goodwill as a key audit matter.

Auditor's report (Continued)

De Shi Bao (Shen) Zi (20) No.P02862
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III. Key Audit Matters - continued

(I) Impairment of goodwill - continued

Audit response

Our procedures in relation to impairment of goodwill included the following principal procedures:

1. We understood and assessed Sinochem International's key internal controls related to impairment of goodwill;

2. We interviewed with external valuation experts appointed by the management to understand and assess their qualifications, independence and competence;

3. We identified the appropriateness and rationality of the management's mpairment test methods and models by making use of the work of our internal valuation experts, and evaluated whether they are consistent with the test methods in the previous years;

4. We conducted the test on the basic data used by the management in the impairment test of goodwill, and assessed the rationality of the key assumptions and judgments (including but not limited to the classification of asset groups or portfolio of asset groups, the selection of key parameters such as sales revenue growth rate, gross profit rate and discount rate) used by the management in the impairment test of goodwill;

5. We checked the accuracy of calculation of impairment test of goodwill.

(II) The occurrence and cut-off of revenue recognition

Description

As stated in Note (V) 46 and Note (XIII) 1 (2) to the financial statements, Sinochem International's revenue in the current year is RMB 52,846,463,065.75, mainly from the sales revenue of chemical products, which is of great importance to the financial statements. As stated in Note (III) 24 to the financial statements, sales revenue is recognized when Sinochem International transfers the main risks and rewards of ownership of related products to the buyer. As revenue is one of Sinochem International's key performance indicators, and Sinochem International's revenue from chemical products comes from sales to customers in different regions of the world, there may be a risk that the sales revenue is not recognized according to the main risks on the ownership of products and the transfer time point of remuneration, so we take whether the revenue is overestimated and included in the appropriate accounting period as a key audit matter.

Audit response

Our procedures in relation to the occurrence and cut-off of revenue recognition included the following principal procedures:

1. We understood and assessed the design and implementation of internal control related to the occurrence and cut-off of revenue recognition, and tested its operation effectiveness;

2. We reviewed, on a sample basis, the contracts for major sale of major customers, identified the contract terms and conditions related to the transfer of major risks and rewards on the ownership of products, and evaluated whether the time point of revenue recognition meets the requirements of accounting standards for business enterprises;

3. For the sub ledger of sales revenue, we selected samples to check whether the supporting documents related to revenue recognition such as invoice, sign-in records or bills of lading are consistent with the record of sub ledger;

III. Key Audit Matters - continued

(II) The occurrence and cut-off of revenue recognition - continued

4. We carried out the cut-off test, selected samples for the sales transactions recorded before and after the balance sheet date, checked the supporting documents related to revenue recognition (such as sign-in records or bills of lading), and paid attention to whether the revenue is recorded in the correct accounting period.

IV. Other information

The management of the Sinochem International is responsible for the other information. The other information comprises the information included in the Sinochem International's annual report, but excludes the financial statements and our auditor's report thereon.

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

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

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

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of Sinochem International is responsible for the preparation of the financial statements that give a true and fair view in accordance with ASBE, and designs, performs and maintains the internal control as the management determines is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 assumption of going concern unless the management either intend to liquidate the Sinochem International or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Sinochem International's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances,

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

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

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

Auditor's report (Continued)

De Shi Bao (Shen) Zi (20) No.P02862
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VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant
(Engagament Partner)

Chinese Certified Public Accountant

28 April 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

As at 31 December 2019

The Consolidated Balance Sheet

Unit: RMB

ITEM	Note (V)	Closing balance of the current year	Closing balance of the prior year
Current Assets:			
Cash and bank balances	1	7,990,148,543.31	8,724,227,840.77
Financial Assets at Fair Value through Profit or Loss ("FVTPL")			623,070.99
Derivative financial assets	2	73,835,550.64	86,720,808.97
Notes receivable		-	2,621,414,388.12
Accounts receivable	3	4,339,190,605.85	4,289,803,017.54
Factoring with receivables	4	2,681,242,552.79	
Prepayments	5	1,084,831,442.09	866,164,036.06
Other receivables	6	909,879,535.90	1,291,346,145.82
Inventories	7	6,139,541,514.05	6,120,897,125.55
Held-for-sale assets	8	32,560,101.97	-
Other current assets	9	2,919,556,369.70	5,585,316,712.20
Total Current Assets		**26,170,786,216.30**	**29,586,513,146.02**
Non-current Assets:			
Available-for-sale financial assets	10		281,130,360.06
Long-term receivables	11	24,195,054.25	24,410,062.54
Long-term equity investments	12	546,493,588.37	328,126,156.10
Other equity instrument investments	13	432,783,548.17	
Investment properties	14	636,623,801.65	347,241,037.63
Fixed assets	15	7,937,732,107.94	7,725,742,382.22
Construction in progress	16	3,732,697,048.98	1,172,683,332.29
Bearer biological assets	17	1,763,449,327.36	1,528,382,460.32
Intangible assets	18	4,615,088,436.46	3,842,907,727.51
Development expenditure	19	29,646,865.18	1,382,265.00
Goodwill	20	5,107,447,001.90	4,571,189,903.23
Long-term prepaid expenses	21	43,573,451.50	56,569,662.78
Deferred tax assets	22	488,032,912.42	365,514,746.47
Other non-current assets	23	1,139,501,302.55	497,303,164.69
Total Non-current Assets		**26,497,264,446.73**	**20,742,583,260.84**
TOTAL ASSETS		**52,668,050,663.03**	**50,329,096,406.86**

The Consolidated Balance Sheet (Continued)

Unit: RMB

ITEM	Note (V)	Closing balance of the current year	Closing balance of the prior year
Current Liabilities:			
Short-term borrowings	24	6,174,617,244.32	5,047,419,590.38
Derivative financial liabilities	2	25,209,543.59	60,861,182.25
Notes payable	25	2,240,567,735.94	2,342,938,002.00
Accounts payable	26	4,215,485,770.11	4,252,205,662.88
Receipts in advance	27	698,873,862.63	825,705,518.90
Employee benefits payable	28	434,290,940.83	413,476,083.57
Taxes payable	29	601,459,764.13	951,076,544.23
Other payables	30	1,420,765,135.13	1,706,809,599.08
Non-current liabilities due within one year	31	443,511,405.53	1,392,209,668.80
Total Current Liabilities		**16,254,781,402.21**	**16,992,701,852.09**
Non-current Liabilities:			
Long-term borrowings	32	4,606,282,155.88	3,730,945,086.31
Bonds payable	33	4,579,029,260.53	4,540,586,461.01
Long-term payables	34	343,325,084.79	30,470,361.28
Long-term employee benefits payable	35	172,557,553.63	130,562,798.97
Provisions	36	119,326,733.56	-
Deferred income	37	97,772,189.97	77,909,044.26
Deferred tax liabilities	22	813,924,193.45	704,829,738.79
Other non-current liabilities	38	406,213,321.99	119,741,354.66
Total Non-current Liabilities		**11,138,430,493.80**	**9,335,044,845.28**
TOTAL LIABILITIES		**27,393,211,896.01**	**26,327,746,697.37**
Stockholders' Equity:			
Share capital	39	2,707,916,472.00	2,083,012,671.00
Other equity instruments	40	1,297,352,452.83	-
Including: Perpetual bond		1,297,352,452.83	-
Capital reserve	41	3,677,062,285.25	3,324,204,169.24
Other comprehensive income	42	(644,146,043.72)	(691,405,402.69)
Special reserve	43	94,389,587.07	77,789,177.55
Surplus reserve	44	971,602,863.58	932,869,321.23
Retained profits	45	5,020,787,303.49	5,516,420,085.11
Total equity attributable to shareholders of the Company		**13,124,964,920.50**	**11,242,890,021.44**
Minority interests		12,149,873,846.52	12,758,459,688.05
TOTAL SHAREHOLDERS' EQUITY		**25,274,838,767.02**	**24,001,349,709.49**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**52,668,050,663.03**	**50,329,096,406.86**

The accompanying notes form part of the financial statements.

The financial statements on pages 6 to 130 were signed by the following:

Legal Representative:_____________Person in Charge of the Accounting Body:_____________Chief Accountant_____________

As at 31 December 2019

The Company's Balance Sheet

Unit: RMB

ITEM	Note (XIV)	Closing balance of the current year	Closing balance of the prior year
Current Assets:			
Cash and bank balances		1,074,421,233.90	3,292,995,199.13
Financial Assets at Fair Value through Profit or Loss ("FVTPL")			588,423.73
Derivative financial assets		102,350.00	837,012.22
Notes receivable		-	127,590,445.13
Accounts receivable	1	322,178,370.29	978,919,677.09
Factoring with receivables	2	165,019,163.89	
Prepayments		67,005,040.84	86,786,424.59
Other receivables	3	612,600,395.74	502,361,542.15
Inventories		100,720,521.71	200,525,404.58
Other current assets	4	6,279,880,271.30	5,785,969,205.79
Total Current Assets		**8,621,927,347.67**	**10,976,573,334.41**
Non-current Assets:			
Available-for-sale financial assets			7,000,000.00
Long-term equity investments	5	9,584,102,067.60	8,609,134,733.72
Other equity instrument investments		23,500,000.00	
Fixed assets		41,803,895.60	41,156,648.50
Construction in progress		11,198,619.93	7,325,033.29
Intangible assets		32,724,234.29	24,138,033.45
Deferred tax assets		20,081,245.81	26,947,269.07
Other non-current assets		203,229,058.72	-
Total Non-current Assets		**9,916,639,121.95**	**8,715,701,718.03**
TOTAL ASSETS		**18,538,566,469.62**	**19,692,275,052.44**

The Company's Balance Sheet (Continued)

Unit: RMB

ITEM	Note (XIV)	Closing balance of the current year	Closing balance of the prior year
Current Liabilities:			
Short-term borrowings		2,917,701,864.83	3,370,620,478.72
Derivative financial liabilities		867,929.30	1,824,375.00
Notes payable		156,985,625.65	433,758,438.08
Accounts payable		181,804,246.19	224,431,439.91
Receipts in advance		61,678,124.75	61,977,021.76
Employee benefits payable		3,491,447.94	8,958,329.81
Taxes payable		310,196,775.67	598,712,541.23
Other payables		322,661,120.35	470,943,979.09
Non-current liabilities due within one year		120,722,671.06	1,364,351,384.90
Total Current Liabilities		**4,076,109,805.74**	**6,535,577,988.50**
Non-current Liabilities:			
Long-term borrowings		600,000,000.00	667,180,000.00
Bonds payable		2,497,684,368.17	2,496,980,743.90
Total Non-current Liabilities		**3,097,684,368.17**	**3,164,160,743.90**
TOTAL LIABILITIES		**7,173,794,173.91**	**9,699,738,732.40**
Stockholders' Equity:			
Share capital		2,707,916,472.00	2,083,012,671.00
Other equity instruments		1,297,352,452.83	-
Including: Perpetual bond		1,297,352,452.83	-
Capital reserve		4,167,638,490.36	4,167,638,490.36
Special reserve		19,047,084.34	19,047,084.34
Surplus reserve		971,602,863.58	932,869,321.23
Retained profits		2,201,214,932.60	2,789,968,753.11
TOTAL SHAREHOLDERS' EQUITY		**11,364,772,295.71**	**9,992,536,320.04**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**18,538,566,469.62**	**19,692,275,052.44**

The accompanying notes form part of the financial statements.

The Consolidated Income Statement

Unit: RMB

ITEM	Note (V)	Amount for the current year	Amount for the prior year
I. Operating income	**46**	**52,846,463,065.75**	**59,956,573,411.59**
Less: Operating costs	46	46,326,691,610.30	52,744,007,050.52
Taxes and levies	47	182,137,850.17	189,516,370.82
Selling expenses	48	1,291,675,450.52	1,332,279,056.44
Administrative expenses	49	2,158,557,444.37	2,292,570,370.49
Research and development expenses	50	732,929,133.02	614,419,366.64
Financial expenses	51	448,404,999.39	532,478,149.37
Including: Interest expenses		746,913,501.81	728,730,749.77
Interest income		250,506,233.28	93,019,929.83
Add: Other income	52	147,625,879.30	134,846,543.73
Investment income	53	250,906,258.76	1,900,128,248.03
Including: Income from investments in associates and joint ventures		46,152,387.93	101,295,705.09
Gains (Losses) on fair value changes	54	(17,261,982.79)	(35,175,970.36)
Gains on impairment of credit	55	58,768,912.62	
Gains (Losses) on impairment of assets	56	(157,453,347.76)	(1,056,449,266.49)
Gains (Losses) on disposal of assets		(10,410,604.66)	(9,396,272.18)
II. Operating profit		**1,978,241,693.45**	**3,185,256,330.04**
Add: Non-operating income	57	77,373,456.53	90,074,835.43
Less: Non-operating expenses	58	84,299,390.10	78,606,558.90
III. Profit before tax		**1,971,315,759.88**	**3,196,724,606.57**
Less: Income tax expenses	59	373,719,441.09	1,088,448,440.89
IV. Net profit		**1,597,596,318.79**	**2,108,276,165.68**
(I)Classified by the continuity of operation：			
1.Net profit for the year from continuing operations		1,597,596,318.79	1,966,830,648.37
2.Net profit for the year from discontinued operations		-	141,445,517.31
(II)Classified by the ownership：			
1.Net profit attributable to shareholders of the Company		459,780,351.81	911,093,989.20
2. Profit or loss attributable to minority interests		1,137,815,966.98	1,197,182,176.48
V. Other comprehensive income/(loss), net of tax		**108,854,570.89**	**(165,909,967.04)**
Other comprehensive income attributable to owners of the Company, net of tax		47,700,730.97	(142,056,777.36)
(I) Other comprehensive income (loss) that cannot be reclassified to profit or loss		40,472,093.17	13,372,363.63
1. Changes from remeasurement of net liabilities or assets from defined benefit plans		4,289,683.80	12,606,563.98
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		-	765,799.65
3.Changes in fair value of investment in other equity instruments		36,182,409.37	
(II) Other comprehensive income (loss) that will be reclassified to profit or loss		7,228,637.80	(155,429,140.99)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		-	12,392,104.54
2. Profit or loss from changes in fair value of available-for-sale financial assets			(111,696,019.60)
3. Exchange differences on translation of financial statements denominated in foreign currencies		7,228,637.80	(56,125,225.93)
Other comprehensive income attributable to minority interests, net of tax		61,153,839.92	(23,853,189.68)
VI. Total comprehensive income		**1,706,450,889.68**	**1,942,366,198.64**
Total comprehensive income attributable to shareholders of the Company		507,481,082.78	769,037,211.84

Total comprehensive income attributable to minority interests		1,198,969,806.90	1,173,328,986.80
VII. Earnings per share:			
(I)Basic earnings per share		0.17	0.34
(II)Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

For the year ended 31 December 2019

The Company's Income Statement

Unit: RMB

ITEM	Note (XIV)	Amount for the current year	Amount for the prior year
I. Operating income	6	2,905,913,503.15	3,455,595,568.84
Less: Operating costs	6	2,725,254,570.25	3,189,503,236.79
Taxes and levies		8,137,252.18	16,312,911.83
Selling expenses		82,571,220.31	137,559,666.42
Administrative expenses		361,103,643.62	282,091,741.34
Research and development expenses		50,095,098.37	8,920,755.02
Financial expenses		40,564,021.00	192,675,100.22
Including: Interest expenses		231,237,189.01	226,628,897.78
Interest income		189,666,877.24	31,783,239.86
Add: Other income		5,627,363.98	2,883,773.48
Investment income	7	708,494,739.27	3,630,860,437.45
Including: Income from investments in associates and joint ventures		(2,328,938.31)	75,238,635.22
Gains from changes in fair values		381,401.30	8,884,636.54
Gains on impairment of credit		1,489,684.62	
Gains (Losses) on impairment of assets		(13,548,188.62)	(18,223,854.05)
Gains (Losses) on disposal of assets		954,262.39	(74,359.35)
II. Operating profit		341,586,960.36	3,252,862,791.29
Add: Non-operating income		11,379,076.58	14,480,075.86
Less: Non-operating expenses		104,322.01	185,567.19
III. Profit before tax		352,861,714.93	3,267,157,299.96
Less: Income tax expenses		(37,021,487.26)	654,915,352.08
IV. Net profit		389,883,202.19	2,612,241,947.88
(I) Net profit for the year from continuing operations		389,883,202.19	2,612,241,947.88
(II) Net profit for the year from discontinued operations		-	-
V. Other comprehensive income (loss), net of tax		-	(14,950,277.84)
(I) Other comprehensive income that cannot be reclassified to profit or loss		-	765,799.65
1. Other comprehensive income that cannot be reclassified to profit or loss under the equity method		-	765,799.65
(II) Other comprehensive income (loss) that will be reclassified to profit or loss		-	(15,716,077.49)
1. Other comprehensive income (loss) that can be reclassified to profit or loss under the equity method		-	(15,716,077.49)
VI. Total comprehensive income		389,883,202.19	2,597,291,670.04

The accompanying notes form part of the financial statements.

The Consolidated Cash Flow Statement

Unit: RMB

ITEM	Note (V)	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		54,775,575,198.13	65,575,308,187.09
Receipts of tax refunds		1,112,156,328.48	698,147,291.74
Other cash receipts relating to operating activities	60(1)	978,509,909.02	308,128,413.57
Sub-total of cash inflows from operating activities		**56,866,241,435.63**	**66,581,583,892.40**
Cash payments for goods purchased and services received		48,234,796,968.92	57,440,168,037.42
Cash payments to and on behalf of employees		3,210,671,181.75	3,042,296,992.42
Payments of various types of taxes		1,316,560,031.63	1,325,239,369.35
Other cash payments relating to operating activities	60(2)	2,497,632,036.49	2,409,945,784.42
Sub-total of cash outflows from operating activities		**55,259,660,218.79**	**64,217,650,183.61**
Net Cash Flow from Operating Activities	**61(1)**	**1,606,581,216.84**	**2,363,933,708.79**
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		8,186,481,927.58	3,133,223,650.22
Cash receipts from investment income		223,528,088.56	2,203,988,941.39
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		78,759,345.55	31,595,732.93
Net cash receipts from disposals of subsidiaries and other business units		-	1,222,848.24
Other cash receipts relating to investing activities	60(3)	-	162,127,162.93
Sub-total of cash inflows from investing activities		**8,488,769,361.69**	**5,532,158,335.71**
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,279,004,002.07	3,129,328,662.31
Cash payments to acquire investments		5,458,096,914.44	5,095,943,808.21
Net cash payments for acquisitions of subsidiaries and other business units(Note(VI)1)	60(4)	1,022,315,978.44	893,800,290.63
Net cash outflow from disposal of subsidiaries and other business units		-	633,094,208.62
Other cash payments relating to investing activities	60(5)	240,600,214.48	51,631,450.40
Sub-total of cash outflows from investing activities		**11,000,017,109.43**	**9,803,798,420.17**
Net Cash Flow from Investing Activities		**(2,511,247,747.74)**	**(4,271,640,084.46)**
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		277,157,165.50	3,689,838,984.70
Including: cash receipts from capital contributions from minority owners of subsidiaries		277,157,165.50	3,689,838,984.70
Cash receipts from borrowings		31,903,114,823.39	36,426,987,836.61
Other cash receipts relating to financing activities	60(6)	4,007,732.45	14,964,942.67
Sub-total of cash inflows from financing activities		**32,184,279,721.34**	**40,131,791,763.98**
Cash repayments of borrowings		29,646,350,442.74	36,562,258,030.12
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,346,754,842.12	1,454,782,256.90
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		388,790,267.78	544,374,802.49
Other cash payments relating to financing activities	60(7)	1,213,462,830.44	1,753,017,876.44
Sub-total of cash outflows from financing activities		**32,206,568,115.30**	**39,770,058,163.46**
Net Cash Flow from Financing Activities		**(22,288,393.96)**	**361,733,600.52**
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**119,209,635.78**	**(44,166,963.78)**
V. Net Increase (Decrease) in Cash and Cash Equivalents		**(807,745,289.08)**	**(1,590,139,738.93)**
Add: Opening balance of Cash and Cash Equivalents	61(2)	8,333,273,099.21	9,923,412,838.14
VI. Closing Balance of Cash and Cash Equivalents	**61(2)**	**7,525,527,810.13**	**8,333,273,099.21**

The accompanying notes form part of the financial statements.

The Company's Cash Flow Statement

Unit: RMB

ITEM	Note (XIV)	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,449,900,722.63	3,140,247,613.21
Receipts of tax refunds		47,591,973.68	33,479,475.71
Other cash receipts relating to operating activities		80,255,150.77	27,592,446.21
Sub-total of cash inflows from operating activities		**3,577,747,847.08**	**3,201,319,535.13**
Cash payments for goods purchased and services received		2,785,675,822.37	2,879,422,639.38
Cash payments to and on behalf of employees		170,839,040.76	199,349,227.00
Payments of various types of taxes		273,759,057.06	8,179,620.36
Other cash payments relating to operating activities		370,608,693.12	205,242,919.95
Sub-total of cash outflows from operating activities		**3,600,882,613.31**	**3,292,194,406.69**
Net Cash Flow from Operating Activities	**8**	**(23,134,766.23)**	**(90,874,871.56)**
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		7,598,093,141.43	9,762,878,799.45
Cash receipts from investment income		575,424,654.57	338,352,534.50
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,567,488.86	335,290.92
Sub-total of cash inflows from investing activities		**8,175,085,284.86**	**10,101,566,624.87**
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		36,828,535.35	30,251,740.85
Cash payments to acquire investments		9,122,401,759.76	12,974,470,987.16
Other cash payments relevant to investing activities		72,403,202.52	-
Sub-total of cash outflows from investing activities		**9,231,633,497.63**	**13,004,722,728.01**
Net Cash Flow from Investing Activities		**(1,056,548,212.77)**	**(2,903,156,103.14)**
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		1,297,352,452.83	-
Cash receipts from borrowings		7,270,522,442.65	14,163,338,767.05
Sub-total of cash inflows from financing activities		**8,567,874,895.48**	**14,163,338,767.05**
Cash repayments of borrowings		9,115,620,342.75	11,441,727,594.54
Cash payments for distribution of dividends or profits or settlement of interest expenses		586,723,483.68	425,728,489.67
Sub-total of cash outflows from financing activities		**9,702,343,826.43**	**11,867,456,084.21**
Net Cash Flow from Financing Activities		**(1,134,468,930.95)**	**2,295,882,682.84**
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		**(4,422,055.28)**	**2,804,544.06**
V. Net Increase (Decrease) in Cash and Cash Equivalents		**(2,218,573,965.23)**	**(695,343,747.80)**
Add: Opening balance of Cash and Cash Equivalents	8	3,292,995,199.13	3,988,338,946.93
VI. Closing Balance of Cash and Cash Equivalents	**8**	**1,074,421,233.90**	**3,292,995,199.13**

The accompanying notes form part of the financial statements.

For the year ended 31 December 2019

The Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

ITEM	Amount for the current year								
	Attributable to shareholders' equity of the Company							Minority interests	Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
2019									
I. Balance at 31 December 2018	2,083,012,671.00	-	3,324,204,169.24	(691,405,402.69)	77,789,177.55	932,869,321.23	5,516,420,085.11	12,758,459,688.05	24,001,349,709.49
Add: Changes in accounting policies(Note(III)29.2)	-	-	-	(441,372.00)	-	(254,777.87)	20,930,888.44	43,544,372.92	63,779,111.49
II. Balance at 1 January 2019	2,083,012,671.00	-	3,324,204,169.24	(691,846,774.69)	77,789,177.55	932,614,543.36	5,537,350,973.55	12,802,004,060.97	24,065,128,820.98
III. Changes for the year	624,903,801.00	1,297,352,452.83	352,858,116.01	47,700,730.97	16,600,409.52	38,988,320.22	(516,563,670.06)	(652,130,214.45)	1,209,709,946.04
(I) Total comprehensive income	-	-	-	47,700,730.97	-	-	459,780,351.81	1,198,969,806.90	1,706,450,889.68
(II) Shareholders' contributions and reduction in capital	-	1,297,352,452.83	-	-	-	-	-	(730,128,776.96)	567,223,675.87
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-		277,157,165.50	277,157,165.50
2. Capital contribution from holders of other equity instruments (Note(V)40)	-	1,297,352,452.83	-	-	-	-	-	-	1,297,352,452.83
3. Others	-	-	-	-	-	-	-	(1,007,285,942.46)	(1,007,285,942.46)
(III) Profit distribution	624,903,801.00	-	-	-	-	38,988,320.22	(976,344,021.87)	(388,790,267.78)	(701,242,168.43)
1. Transfer to surplus reserve	-	-	-	-	-	38,988,320.22	(38,988,320.22)	-	-
2. Distribution to shareholders (Note(V)45)	624,903,801.00	-	-	-	-	-	(937,355,701.65)	(388,790,267.78)	(701,242,168.43)
(IV) Special reserve	-	-	-	-	15,384,548.68	-	-	29,388,549.25	44,773,097.93
1. Transfer to special reserve in the year	-	-	-	-	47,488,372.33	-	-	85,388,837.45	132,877,209.78
2. Amount utilised in the year	-	-	-	-	(32,103,823.65)	-	-	(56,000,288.20)	(88,104,111.85)
(V) Others	-	-	352,858,116.01	-	1,215,860.84	-	-	(761,569,525.86)	(407,495,549.01)
1. Sale of equity to minority shareholders (Note(VII)2)	-	-	354,822,755.16	-	-	-	-	(354,822,755.16)	-
2. Purchase of minority shareholders' equity (Note(VII)2)	-	-	(1,964,639.15)	-	-	-	-	(406,746,770.70)	(408,711,409.85)
3. Other equity changes (Note(V)43)	-	-	-	-	1,215,860.84	-	-	-	1,215,860.84
IV. Balance at 31 December 2018	2,707,916,472.00	1,297,352,452.83	3,677,062,285.25	(644,146,043.72)	94,389,587.07	971,602,863.58	5,020,787,303.49	12,149,873,846.52	25,274,838,767.02

The Consolidated Statement of Changes in Shareholders' Equity (Continued)

Unit: RMB

ITEM	Amount for the prior year							
	Attributable to shareholders' equity of the Company						Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
2018								
I. Balance at 1 January 2018	2,083,012,671.00	3,449,681,500.22	(549,348,625.33)	76,691,071.65	671,645,126.44	5,075,617,357.45	10,236,130,088.34	21,043,429,189.77
II. Changes for the year	-	(125,477,330.98)	(142,056,777.36)	1,098,105.90	261,224,194.79	440,802,727.66	2,522,329,599.71	2,957,920,519.72
(I) Total comprehensive income	-	-	(142,056,777.36)	-	-	911,093,989.20	1,173,328,986.80	1,942,366,198.64
(II) Shareholders' contributions and reduction in capital	-	(125,477,330.98)	-	7,850,963.15	-	-	1,902,395,892.77	1,784,769,524.94
1. Ordinary shares contributed by shareholders (Note 1)	-	486,573,176.39	-	-	-	-	3,123,393,131.41	3,609,966,307.80
2. Purchase of minority shareholders' equity (note 2)	-	(611,899,297.86)	-	-	-	-	(1,008,545,886.64)	(1,620,445,184.50)
3. Purchase of subsidiaries (Note 3)	-	-	-	11,488,776.25	-	-	262,338,919.94	273,827,696.19
4. Disposal of subsidiaries (Note 5)	-	(151,209.51)	-	(3,637,813.10)	-	-	(474,790,271.94)	(478,579,294.55)
(III)Profit distribution	-	-	-	-	261,224,194.79	(469,525,461.89)	(544,374,802.49)	(752,676,069.59)
1. Transfer to surplus reserve	-	-	-	-	261,224,194.79	(261,224,194.79)	-	-
2. Distribution to shareholders	-	-	-	-	-	(208,301,267.10)	(544,374,802.49)	(752,676,069.59)
(IV)Special reserve	-	-	-	(6,752,857.25)	-	-	(9,020,477.37)	(15,773,334.62)
1. Transfer to special reserve in the year	-	-	-	43,110,016.60	-	-	49,105,336.66	92,215,353.26
2. Amount utilised in the year	-	-	-	(49,862,873.85)	-	-	(58,125,814.03)	(107,988,687.88)
(V)Others	-	-	-	-	-	(765,799.65)	-	(765,799.65)
1. Disposal of associates (Note 4)	-	-	-	-	-	(765,799.65)	-	(765,799.65)
III. Balance at 31 December 2018	2,083,012,671.00	3,324,204,169.24	(691,405,402.69)	77,789,177.55	932,869,321.23	5,516,420,085.11	12,758,459,688.05	24,001,349,709.49

Note 1: It refers to the changes in minority interests in Jiangsu Yangnong Chemical Group Co., Ltd., a subsidiary of the Company, with an increase of minority interests of RMB 3,123,393,131.41 and capital reserve of RMB 486,573,176.39.

Note 2: It refers to the decrease of capital reserve amounting to RMB 611,899,297.86, and the decrease of minority interests amounting to RMB 1,008,545,886.64 due to the purchase of minority shareholders' equity

Note 3: It refers to the increase of special reserve amounting to RMB 11,488,776.25, and the increase of minority interests amounting to RMB 262,338,919.94 due to the merger of subsidiaries not under the same control.

Note 4: It refers to the total loss of the Company's share in other comprehensive income that cannot be reclassified to profit or loss under the equity method carried forward for disposal of associates in 2018, which amounts to RMB 765,799.65.

Note 5: It refers to the decrease of capital reserve, special reserve and minority interests amounting to RMB 151,209.51, RMB 3,637,813.10 and RMB 474,790,271.94 respectively due to the disposal of subsidies.

For the year ended 31 December 2019

The Company's Statement of Changes in Shareholders' Equity

Unit: RMB

ITEM	Amount for the current year							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
2019								
I. Balance at 31 December 2018	2,083,012,671.00	-	4,167,638,490.36	-	19,047,084.34	932,869,321.23	2,789,968,753.11	9,992,536,320.04
Add: Changes in accounting policies	-	-	-	-	-	(254,777.87)	(2,293,000.83)	(2,547,778.70)
I. Balance at 1 January 2019	2,083,012,671.00	-	4,167,638,490.36	-	19,047,084.34	932,614,543.36	2,787,675,752.28	9,989,988,541.34
II. Changes for the year	624,903,801.00	1,297,352,452.83	-	-	-	38,988,320.22	(586,460,819.68)	1,374,783,754.37
(I) Total comprehensive income	-	-	-	-	-	-	389,883,202.19	389,883,202.19
(II) Shareholders' contributions and reduction in capital	-	1,297,352,452.83	-	-	-	-	-	1,297,352,452.83
1. Capital contribution from holders of other equity instruments	-	1,297,352,452.83	-	-	-	-	-	1,297,352,452.83
(III) Profit distribution	624,903,801.00	-	-	-	-	38,988,320.22	(976,344,021.87)	(312,451,900.65)
1. Transfer to surplus reserve	-	-	-	-	-	38,988,320.22	(38,988,320.22)	-
2. Distribution to shareholders	624,903,801.00	-	-	-	-	-	(937,355,701.65)	(312,451,900.65)
III. Balance at 31 December 2019	2,707,916,472.00	1,297,352,452.83	4,167,638,490.36	-	19,047,084.34	971,602,863.58	2,201,214,932.60	11,364,772,295.71
2018								
I. Balance at 1 January 2018	2,083,012,671.00	-	4,167,638,490.36	14,950,277.84	19,047,084.34	671,645,126.44	648,018,066.77	7,604,311,716.75
II. Changes for the year	-	-	-	(14,950,277.84)	-	261,224,194.79	2,141,950,686.34	2,388,224,603.29
(I) Total comprehensive income	-	-	-	(14,950,277.84)	-	-	2,612,241,947.88	2,597,291,670.04
(II) Profit distribution	-	-	-	-	-	261,224,194.79	(469,525,461.89)	(208,301,267.10)
1. Transfer to surplus reserve	-	-	-	-	-	261,224,194.79	(261,224,194.79)	-
2. Distribution to shareholders	-	-	-	-	-	-	(208,301,267.10)	(208,301,267.10)
(III) Others	-	-	-	-	-	-	(765,799.65)	(765,799.65)
III. Balance at 31 December 2018	2,083,012,671.00	-	4,167,638,490.36	-	19,047,084.34	932,869,321.23	2,789,968,753.11	9,992,536,320.04

The accompanying notes form part of the financial statements.

I. GENERAL INFORMATION

Sinochem International Corporation (formerly known as Sinochem International Trade Co., Ltd., hereinafter referred to as "the Company") was founded through sponsorship by the main sponsor Sinochem Group Co., Ltd. (formerly known as China National Chemicals Import and Export Corporation, hereinafter referred to as "Sinochem Group"), together with China National Cereals, Oils and Foodstuffs Import and Export Corporation ("COFCO"), Beijing Yanshan Petrochemical Group Co., Ltd.(Sinopec Yanshan Petrochemical Company), China National Petroleum Sales Corporation, Sinopec Shanghai Petrochemical Co., Ltd. and Zhejiang Zhongda Group Co., Ltd.. The Company was registered with the State Administration for Industry and Commerce on 14 Decmber 1998. The Company issued RMB common shares to the public on the Shanghai Stock Exchange for listing and trading on 21 December 1999. The Company's place of incorporation and headquarter address is 12 Floor, 233 North Changqing Rd., China (Shanghai) Pilot Free Trade Zone, and the current legal representative is Liu Hongsheng.

The total share capital of the Company is RMB 2,707,916,472.00 for the year ended 31 December 2019. The parent company of the Company is Sinochem Corporation Limited, and the ultimate holding company is Sinochem Group.

The principle business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes import and export as well as domestic trade of chemical raw materials, fine chemicals, agrochemicals, plastics, rubber products; manufacturing, processing and sales of pesticides and rubber ingredients; planting, processing and sales of natural rubber, etc. Among them, Sinochem International's business scope: self-management and agency of import and export business of the commodities (other than export commodities uniformly and jointly operated by the state and import commodities operated by the Company but verified by the state) and technologies; processing imported materials and the "three-processing and one compensation" business; counter trade and entrepot trade; sales of feed, cotton, hemp, local animal products, textiles, clothing, daily necessities, pulp, paper products, hardware and electrical equipment, household appliances, chemical industry, chemical materials, mineral products, petroleum products (excluding refined oil products), lubricating grease, coal, steel, rubber and rubber products, building materials, ferrous metal materials, machinery, electronic equipment, automobiles (excluding cars), motorcycles and spare parts (except those with special regulations of the state); rubber crop planting ; warehousing service; project investment; wholesale of grain and oil and its products; operation of agricultural products such as chemical fertilizer, agricultural film and pesticide, as well as consulting service, technical exchange and technical development related to the above businesses (those involving administrative license shall be operated with license). Sinochem International's subsidiaries are mainly engaged in the import and export as well as domestic trade of chemicals, natural rubber planting, processing and sales, manufacturing, processing and sales of pesticides and rubber ingredients.

The consolidated and the parent company's financial statements of the Company have been approved and reported by the board of directors of the Company on 28 April 2020.

See Note (VII) 1 (1) for the scope of the consolidated financial statements of the Group in this year.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group implements the accounting standards for business enterprises and relevant regulations issued by the Ministry of Finance. In addition, the Group also disclosed relevant financial information in accordance with the Rules for the Preparation and Reporting of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports (2014 Revision).

Going concern

The Group assessed its ability to continue as a going concern as at 31 December 2019 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost method, an asset is measured at the payment of cash or cash equivalents or the fair value of the consideration given in exchange for goods and services. A liability is measured at the amount or the amount of assets received for undertaking the present obligation, or the contract amount of present obligation, or the amount of cash or cash equivalents expected to be paid to transfer a liability in ordinary course of business.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS - continued

Basis of accounting and principle of measurement - continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement or disclosure purposes in the financial statements is determined on such basis.

The Group considers the ability of market participants to put assets into best use for economic benefits or sell the assets to other market participants who are able to put the assets into best use for economic benefits when measuring non-financial assets at fair value.

For financial assets where the transaction price is considered as the fair value upon initial recognition and a valuation technology that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

Fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significances of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

The Group has formulated specific accounting policies and accounting estimates according to the actual production and operation characteristics, which are mainly reflected in the provision for credit loss of accounts receivable, depreciation of fixed assets, amortization of intangible assets, amortization of bearer biological assets, revenue recognition, etc.

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the consolidated and Company's financial position as of 31 December 2019, and the the consolidated and Company's results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating Cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group's operating cycle is less than 12 months. The Group adopts 12 months as the criteria for determining liquidity of assets and liabilities.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose their functional currencies based on the primary economic environment in which they operate. The Group adopts RMB as its currency when preparing the financial statements unless otherwise specified.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination or the aggregate face value of shares issued as consideration is adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Various direct expenses incurred for business combination are recognized in profit or loss when they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree.The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria, shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of the combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of the combination. If after that reassessment, the cost of the combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the number of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will undertake reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ends with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

6. Preparation of consolidated financial statements - continued

For a subsidiary acquired through a business combination not involving enterprises under common control, the operation results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows.

No matter when the business combination occurs during the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. If the accounting policies adopted by the merged subsidiary are inconsistent with those of the Company, necessary adjustments shall be made in accordance with the Company's accounting policies when preparing the consolidated financial statements.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses, net other comprehensive income and total other comprehensive income of subsidiaries for the period attributable to minority interests is presented as "minority interests" below the "net profit" line item, "other comprehensive income attributable to minority interests, net of tax" below the "other comprehensive income, net of tax" line item, and "total other comprehensive income attributable to minority interests " below the "total other comprehensive income" line item in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders equity of the subsidiary, the excess amounts are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

7. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

8. Translation of transactions and financial statements denominated in foreign currencies

8.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualifies for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements dominated in foreign currencies" in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date when the fair value is determined. The difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of the exchange rate), and recognized in profit of loss for the current period or in other comprehensive income.

8.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items (other than retained earnings) are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as other comprehensive income under the shareholders' equity.

Cash flows arising from a transaction dominated in foreign currencies and the cash flows of a foreign subsidiary are translated at an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented in the amounts translated in previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the Company and presented under shareholders' equity in the balance sheet, to profit or loss in the period in which the disposal occurs.

When the percentage of equity in a foreign operation is decreased but not to the extent of losing total control due to disposal of parts of investments in equity or other reasons, the exchange differences arising on translation of financial statements denominated in foreign currencies are attributed to minority interests instead of transferring to profit or loss for the current period. When shares are partly disposed in a foreign operation that is an associate, the exchange differences arising on translation of financial statements denominated in foreign currencies is transferred to profit or loss in the period in which the disposal occurs subject to the percentage of such shares.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. When the Group initially recognizes the accounts receivable containing no significant financing components or takes into no account the accounts receivable of financing components in the contracts of less than one year in accordance with the "ASBE No.14 - Revenue" (the "revenue standards"), the initial measurement is based on the transaction price defined in such standards.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the net carrying amount of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognised net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognised and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

9.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group's financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. Such type of financial assets mainly comprise cash and bank balances, account receivables, other receivables (other than tax refunds receivable), other current assets (fund financing and wealth management products), long-term receivables and other non-current assets (time deposits with the period more than one year), etc.

The contractual terms of financial assets stipulate that cash flows generated on a specified date are only payments of principal and interest based on the amount of outstanding principal and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. The financial assets that meet the above conditions are classified as at fair value through other comprehensive income ("FVTOCI"). Such type of financial assets with a period of over one year since obtaining are presented as other equity investments and financial assets due within one year (inclusive) since the balance sheet date are presented as non-current assets due within one year; the accounts receivable and the notes receivable classified as at fair value through other comprehensive income upon obtaining are presented as the Factoring with receivables; other financial assets with a period within one year (inclusive) upon obtaining are presented as other current assets.

Upon initial recognition, the Group irrevocably designates non-held-for-trading investments in equity instruments except for contingent considerations recognized in the business combinations not involving enterprises under common control as financial assets at fair value through other comprehensive income. Such financial assets are presented as investments in other equity instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.1 Classification, recognition and measurement of financial assets - continued

Financial assets meeting one of the following requirements indicate that the financial assets held by the Group are for trading:

- The obtaining of relevant financial assets is mainly for the purpose of sale in the near future;
- Relevant financial assets are part of the identifiable financial instruments combination under centralized management upon initial recognition and there is objective evidence indicating that recently there exists a short-term profit model.
- Relevant financial assets are derivatives, excluding derivatives following the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

Financial assets at FVTPL include financial assets classified as measured at fair value through profit or loss and those designated as measured at fair value through profit or loss：

- Financial assets that are unqualified for the classification as at amortized cost and at fair value through other comprehensive income are classified as at fair value through profit or loss.
- Upon initial recognition, to eliminate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.

Financial assets other than derivative financial assets measured at fair value through profit or loss are listed in held-for-trading financial assets. If it is more than one year from the balance sheet date and is expected to be held for more than one year, it shall be listed in other non-current financial assets.

9.1.1. Financial assets measured at amortized cost

Financial assets at amortized cost are measured subsequently at amortized cost using the effective interest method. Gains or losses arising from impairment or derecognition are recorded to profit or loss for the period.

The Group recognizes interest income for financial assets measured at amortized cost using the effective interest method. The Group determines the interest income by multiplying the carrying amount of financial assets by effective rate except for the following conditions:

•For the purchased or originated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
•For purchased or originated financial assets that are not credit-impaired but subsequently becoming credit-impaired, the Group subsequently recognizes their interest income based on amortized costs and effective interest rate of such financial assets. If the financial instrument is subsequently no longer credit-impaired due to improvement in its credit risk and the improvement is relevant to an event incurred subsequent to the application of above provisions, the Group recognizes interest income by applying effective interest rate to carrying amount of the financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments － continued

9.1 Classification, recognition and measurement of financial assets - continued

9.1.2 Financial assets classified as at fair value through other comprehensive income (FVTOCI)

Except that gains or losses on impairment relating to financial assets at fair value through other comprehensive income, interest income calculated using effective interest rate and exchange gains or losses are recognized in profit or loss for the period, fair value changes in the above financial assets are included in other comprehensive income. The amount of the financial assets included into profit or loss of each period shall be regarded as equal as the amount measured at amortized cost through profit or loss over each period. Upon derecognition of the financial assets, cumulative gains or losses previously recognized in other comprehensive income are transferred and reclassified into profit or loss for the period.

Changes in fair value of non-trading equity instrument investments that are designated as financial assets at FVTOCI are recognized in other comprehensive income. Upon derecognition of such financial assets, the cumulative gains or losses previously recognized in other comprehensive income allocated to the part derecognized are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, dividends are recognized in profit or loss for the current period when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

Notes receivable classified as those measured at fair value through other comprehensive income, the part with maturity within one year (including one year) shall be listed as Factoring with receivables in the financial statements; the part with maturity more than one year shall be listed as other non-current assets in the financial statements.

9.1.3 Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

9.2 Impairment of financial instruments

The Group makes accounting treatment of impairment on the financial assets measured at amortized cost, financial assets classified as measured at fair value though other comprehensive income and lease receivables based on the expected credit losses with recognition of loss allowance.

The Group measures the loss allowance for all notes receivable and accounts receivable formed by transactions regulated by the revenue standards and for lease receivables formed by transactions regulated by the Accounting Standards for Business Enterprises No. 21 - leases at the amount equivalent to lifetime expected credit loss.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income.The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.2 Impairment of financial assets - continued

9.2.1 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition in the application of criteria related to the financial instrument for impairment.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

(1) Significant changes in internal price indicators as a result of a change in credit risk.
(2) An actual or expected internal credit rating downgrade for the borrower.
(3) Adverse changes in business, financial or economic conditions that are expected to cause significant changes in the debtor's ability to fulfil its obligation;
(4) An actual or expected significant change in the operating results of the borrower.
(5) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower.
(6) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
(7) Significant changes in the expected performance and behaviour of the borrower.
(8) Changes in the Group's credit management approach in relation to the financial instrument.

Irrespective of whether the credit has increased significantly after the above assessment, the Group considers that the credit risk of the financial instrument has increased significantly if the contractual payment of the financial instrument has past due for over 30 days (inclusive).

At the balance sheet date, if the Group determines that the financial instrument only has lower credit risk, the Group assumes that the credit risk of the financial instrument has not increased significantly since initial recognition. If the financial instrument has lower risk of default, the borrower has strong ability to fulfill its contractual cash flow obligation in short term and even the adverse changes in economic conditions and operating environment in a longer term will not necessary reduce the borrower's ability to fulfill the contractual cash flow obligation, the financial instrument is deemed as having lower credit risk.

9.2.2 Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(1) significant financial difficulty of the issuer or the borrower;
(2) a breach of contract, such as a default or past due event;
(3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

On the basis of the Group's internal credit risk management, where the internally advised or externally obtained information indicates that the debtor of the financial instrument can't fully repay the creditors (inclusive of the Group) (without considering any guarantee obtained by the Group), the Group considers that a default event has occurred.

Irrespective of the results of the above assessment, if the contract payment of a financial instrument has been overdue for more than 90 days (inclusive), the Group assumes that the financial instrument has breached the contract.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.2 Impairment of financial assets - continued

9.2.3 Determination of expected credit loss

For other receivables (other than tax refunds receivable), other current assets (fund financing and wealth management products), long-term receivables and other non-current assets (time deposits with the period more than one year), the Group determines the credit loss of the assets on individual basis. For the accounts receivable with serious financial difficulties for debtors, the credit loss is determined on individual basis, and for the remaining receivables, the credit loss of relevant financial instruments is determined using impairment matrix on collective basis. For notes receivable and Factoring with receivables, the default probability and default loss rate are evaluated based on their credit rating on collective basis to determine the credit loss. The Group classifies financial instruments in to different groups on the basis of common risk characteristics. The common credit characteristics adopted by the Group include: category of financial instrument, credit risk rating, initial recognition date, remaining contract period, industry and geographical location of the debtor and business type, etc.

The Group determines the expected credit loss of relevant financial instruments using the following methods:

• For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the cash flows expected to be received

• For financial guarantee contracts (see Note (III) 9.4.1.2.1 for specific accounting policies), credit loss is the present value of the difference between the expected payment amount of the Group for the credit loss incurred by the contract holder and the amount expected to be collected by the Group from the contract holder, debtor or any other party.

• For credit-impaired financial assets other than the purchased or originated credit-impaired financial assets at the balance date, credit loss is difference between the carrying amount of financial assets and the present value of expected future cash flows discounted at original effective interest rate.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

9.2.4 Write-down of financial assets

The Group directly reduces the carrying amount of financial assets when the Group no longer reasonably expects that the contractual cash flow of such financial assets may be fully or partially recoverable. Such reduction forms derecognition of relevant financial assets

9.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. Relevant liabilities are measured using the following methods:

• For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) and plus the amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.3 Transfer of financial assets - continued

• For financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred at the derecognition date; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss. For non-trading equity instrument designated as at fair value through other comprehensive income, accumulated gains or losses originally recorded to other comprehensive income are transferred from other comprehensive income to retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. For non-trading equity instrument designated as at fair value through other comprehensive income, accumulated gains or losses originally recorded to other comprehensive income are transferred from other comprehensive income to retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a financial liability upon receipt.

9.4 Classification of financial liabilities and equity instruments

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments.

9.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.4.1.1 Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities at FVTPL comprise held-for-trading financial liabilities (including derivative instruments attributable to financial liabilities) and those designated as at FVTPL. Except for the derivative financial liabilities which are separately presented, the financial liabilities at FVTPL are presented as held-for-trading financial liabilities.

It is indicated that the Group undertakes the financial liabilities for a trading objective if the financial liabilities meet one of the following conditions:

- The objective to undertake the relevant financial liabilities is mainly for the repurchase in the near future.
- The relevant financial assets are a part of the identifiable financial instrument combination under the concentrated management of the Group upon initial recognition, and there is an objective evidence indicates that a short-term profitability mode exists actually in a short term.
- The relevant financial liabilities are derivatives, excluding the derivatives consistent with the definition of financial guarantee contract and the derivatives designated as effective hedging instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.4 Classification of financial liabilities and equity instruments - continued

9.4.1 Classification, recognition and measurement of financial liabilities - continued

9.4.1.1 Financial liabilities at fair value through profit or loss ("FVTPL") - continued

The financial liabilities which meet one of the following conditions can be designated as the financial liabilities at FVTPL upon initial recognition: 1) Such designation eliminates or significantly reduces accounting mismatches; 2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; 3) The qualified hybrid financial instrument combines financial liability with embedded derivatives.

Held-for-trading financial liabilities are subsequently measured at fair value. Any gains or losses arising from changes in fair value and any dividends or interest expenses relating to such financial liabilities are recognized in profit or loss for the period.

For the financial liabilities designated as at FVTPL, the fair value changes of such financial liabilities arising from the changes in credit risk of the Group itself are recognized in other comprehensive income and other fair value changes are charged to profit or loss. Upon derecognition of such financial liabilities, the cumulative changes of fair value arising from credit risk changes previously recognized in other comprehensive are transferred to retained earnings with dividends or interest expenses relating to such financial liabilities recognized in profit or loss for the period. Where the accounting mismatches in profit or loss would be created or enlarged as a result of accounting for the effect of changes in credit risk on such financial liabilities using the above approach, the Group will recognize all the gains or losses (including the effects of changes in credit risk) on such financial liabilities in profit or loss for the period.

9.4.1.2 Other financial liabilities

The financial liabilities other than the financial assets that do not qualify for derecognition or the financial liabilities and financial guarantee contracts arising from the continuing involvement in the transferred financial assets are classified as the financial liabilities measured at amortized cost, which are subsequently measured at amortized cost and the gain or loss arising from derecognition or amortization is recognized in profit or loss for the period.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial asset and shall recognized related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

9.4.1.2.1 Financial guarantee contracts

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial asset and shall recognized related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

9. Financial instruments - continued

9.4 Classification of financial liabilities and equity instruments - continued

9.4.2 Derecognition of financial liabilities - continued

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged.An agreement between the Group (the borrower) and the lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognised as changes of equity.Change of fair value of equity instruments is not recognised by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

9.5 Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts and commodity futures. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

9.6 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the statement of financial position. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset.

10. Inventories

10.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, goods on hand, turnover materials, materials in transit, low cost and short-lived materials and materials on consignment for further processing. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. Turnover materials include packaging materials, etc.

10.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted-average method.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

10. Inventories - continued

10.3 Basis for determining the net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.。

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

10.4 Inventory count system

The perpetual inventory system is maintained for the stock system.

10.5 Amortization for low cost and short-lived materials and packaging materials

Low cost and short-lived materials and packaging materials are amortized using the immediate write-off method.

11. Held-for-sale assets

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of nonmonetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. The impairment loss of assets recognized before being classified as held-for-sale shall not be reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

12. Long-term equity investments

12.1 Determination criteria of joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

12.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party is recognized as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

12.3 Subsequent measurement and recognition of profit or loss

12.3.1 Long-term equity investment accounted for using the cost method

The Company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

12. Long-term equity investments - continued

12.3 Subsequent measurement and recognition of profit or loss - continued

12.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee’s identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee’s declared profit or cash dividends; Other changes in owners’ equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee’s net profit or loss based on the fair value of the investee’s individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group’s transactions with its associates, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognised. However, unrealised losses resulting from the Group's transactions with its associates which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

12.4. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognised in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, and profit or loss is carried forward proportionately; Other owners' equity recognised from changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognised before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

13. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When the investment properties are disposed of, or permanently withdrawn from use, and no economic benefit is expected from its disposal, the recognition of the investment properties shall be terminated.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

14. Fixed assets

14.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably.Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

14.2 Depreciation method

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation method, useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation method	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	Straight-line method	10-50	0-5	1.90-10.00
Machinery and equipment	Straight-line method	1-15	0-5	6.33-100.00
Electronic equipment	Straight-line method	4-25	0-5	3.80-25.00
Other equipment	Straight-line method	1-25	0-5	3.80-100.00

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

14. Fixed assets - continued

14.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

14.4 Other descriptions

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

16. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

17. Biological assets

The Group's biological assets are bearer biological assets.

17.1 Bearer biological assets

Bearer biological assets are biological assets, for example, held for the production of agricultural produce, provision of services or rental, including economic plantation forests. A bearer biological asset is initially measured at cost. The cost of a bearer biological asset self-grown or self-bred comprises those costs necessarily incurred and directly attributable to the asset before the asset becomes available for its intended production and operating purposes, and any borrowing cost meeting the capitalisation criteria.

After a bearer biological asset becomes available for its intended production and operation purposes, depreciation is provided to write off the cost of the asset using the straight-line method over its estimated useful life. The useful life, estimated net residual value rate and annual depreciation rate of each category of bearer biological assets are as follows:

Category	Useful life	Estimated net residual value rate (%)	Annual depreciation rate (%)
Overseas rubber forest	30 years	-	3.33

The useful life and estimated net residual value of the bearer biological assets are determined based on the historical experience of the actual useful life and residual value of the bearer biological assets with similar properties and functions.

The Group reviews the useful life and estimated net residual value of a bearer biological assets and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

On the sale, identification of any shortages during stocktaking, death or damage of biological asset, the proceeds on disposal net of the carrying amount and relevant taxes is recognised in profit or loss for the current period.

18. Intangible assets

18.1 Intangible assets

Intangible assets include land use rights, patent, trademark use right and product registration certificate, non-patented technology, customer relationship, software and others.

The land use right obtained by the Group is generally accounted as intangible assets. For self-development and construction of buildings such as factory buildings, the relevant land use rights and buildings shall be accounted as intangible assets and fixed assets respectively. The price paid for the purchased land and buildings shall be distributed between the land use right and the buildings. If it is difficult to distribute reasonably, all of them shall be treated as fixed assets.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. Intangible assets with c useful life is not amortised, including Cameroon's land use right, and trademark use right and non-patented technology without agreed term, are not be amortized. Amortization method, useful life and estimated net residual value of other intangible assets are as follows:

Category	Amortization method	Useful life (years)
Land use rights other than those in Cameroon	Straight-line method	20-70

Patent	Straight-line method	2-20
Trademark use right and product registration certificate other than the trademark use right without agreed term	Straight-line method	10-20
Customer relationship	Straight-line method	20
Software and others	Straight-line method	3-10

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

18. Intangible assets - continued

18.1 Intangible assets - continued

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

For intangible assets with an indefinite useful life, whether there is any sign of impairment, impairment test is conducted every year. Intangible assets with an indefinite useful life are amortized, and the useful life is rechecked in each accounting period. If there is evidence that the useful life is limited, the accounting treatment is carried out according to the above policy for intangible assets with limited useful life.

For the impairment test of intangible assets, please refer to Note (III) "19. Impairment of long-term assets".

18.2 Internal research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(2) the Group has the intention to complete the intangible asset and use or sell it;
(3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognises all of them in profit or loss for the period. The cost of intangible assets formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met to the time when the intangible assets reach the intended purpose. The expenditure that has been expensed into profit and loss before the capitalization conditions are met for the same intangible assets in the development process will not be adjusted.

19. Impairment of long-term assets

The Group reviews the long-term equity investments, investment properties at cost, fixed assets, construction in progress, bearer biological assets at cost, unproven oil and gas assets outside the oil and gas mining rights area, intangible assets with a finite useful life and long-term prepaid assets at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognised, it is not be reversed in any subsequent period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

20. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

Category	Amortization method	Amortization period (years)
Rental of equipment and site	Straight-line method	5-50
House decoration cost	Straight-line method	5
Maintenance and repair cost	Straight-line method	3-5
Others	Straight-line method	3-11

21、Employee benefits

21.1 Accounting treatment of short-term benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

The annual bonus amount of the Group is estimated to be disbursed within the scope of the approved total wages of employees by reference to the performance of employees.

21.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Company and charged to profit or loss in the period, or included in cost of related assets. The employees of the Group participate in pension insurance and unemployment insurance managed by the local government, as well as enterprise annuity, and corresponding expenditures are included in relevant asset costs or current profits and losses when incurred.

For defined benefit plans, the Group calculates defined benefit plan obligations using projected unit credit method and the service cost resulting from employee service in the current period is recorded in profit or loss or the cost of related assets. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on settlements);
- net interest of net liabilities or assets of defined benefit plan(including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Changes arising from remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

21. Employee benefits - continued

21.2 Accounting treatment of post-employment benefits - continued

The Group operates several defined benefit pension plans that require the deposit of funds into an independently managed fund. The cost of providing such benefits under the defined benefit plan is based on the expected cumulative benefit unit method.

Remeasurement caused by the defined benefit pension plan, including actuarial gains or losses, changes in the impact of the asset ceiling (deducting the amount included in the net interest on the net liabilities of the defined benefit plan) and the return on the assets of the plan (deducting the amount included in the net interest on the net liabilities of the defined benefit plan), are recognized immediately in the balance sheet, and are included in the shareholders' equity through other comprehensive income during its occurrence and will not be reversed to profit or loss in the subsequent period.

The past service costs are recognized as current expenses on the earlier of the following dates: when the defined benefit plan is modified; when the Group recognizes the relevant restructuring expenses or termination benefits.

The net interest is calculated by the discount rate of the net liabilities or net assets of the defined benefit plan. The Group recognizes the following changes in the net obligation of defined benefit plan in the operating cost, management expense and financial expense of the income statement: service cost, including current service cost, past service cost and settlement gain or loss; net interest, including interest income of plan assets, interest expense of plan obligation and interest affected by asset ceiling.

21.3 Accounting treatment of termination benefits

A liability for a termination benefit is recognised in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognises any related restructuring costs.

22. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

23. Perpetual bonds and other financial instruments

Other financial instruments including perpetual bonds issued by the Group are measured as equity instruments when they satisfy all the following criteria:

(1) The financial instruments do not include cash or other financial assets delivered to other parties, or contractual obligations to exchange financial assets or liabilities with other parties under potential disadvantages;
(2) When the Company's own equity instrument is required to or available to be used for settlement of the financial instrument, it does not include the contractual obligations to settle the Company's own variable equity instruments if it is a non-derivative instrument; if it is a derivative instrument, the Group can only settle the instrument by exchanging certain amount of its own equity instruments with fixed amount of cash or other financial assets.

Except for other financial instruments that can be classified as equity instruments described above, other financial instruments issued by the Group are classified as financial liabilities.

For other financial instruments including perpetual bonds issued by the Group, interest expense or dividends distributions are treated as borrowing costs, and the gains or losses arising from the re-purchase or redemption are recognized in profit or loss for the period. When the financial liability is measured at amortized cost, related transaction costs are included in initial measurement.

For other financial instruments including perpetual bonds classified as equity instruments, interest expense or dividends distribution is recorded as the profit distribution of the Group; the repurchase, cancellation etc. are accounted for as changes in equity, and related transaction costs are deducted from the equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

24. Revenue

Revenue is recognized when economic benefits are likely to flow into the Group and the amount can be reliably measured, and the following conditions are met at the same time.

24.1 Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and (3) the associated costs incurred or to be incurred can be measured reliably. The amount of revenue from the sale of goods is determined based on the contract or agreement price received or receivable from the buyer, unless the received or receivable contract or agreement price is unfair.

24.2 Revenue from rendering of services

Revenue from rendering of services is recognised when (1) the stage of completion of the transaction can be determined reliably; and (2) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on surveys of work performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

25. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration.A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

The government documents stipulate that the long-term assets used for acquisition and construction or formed in other ways are regarded as the government grants related to assets; if the government documents are not clear, it shall judge on the basis of the basic conditions necessary for obtaining the grants, and the government grants related to assets are regarded as the government grants based on the long-term assets formed by acquisition and construction or other ways. In addition, other government grants are those related to income.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

25.1 Determination basis and accounting treatment of government grants related to assets

The grants related to the purchase of equipment and the transformation of production lines included in the Group's government grants is a government grant related to an asset due to the grants used to acquire or construct or form long-term assets in other ways.

A government grant related to an asset is recognized as deferred income and included in profit or loss over the useful life of the related asset on a basis of equal distribution.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

25. Government grants - continued

25.2 Determination basis and accounting treatment of government grants related to income

Enterprise support fund and other grants included in the Group's government grants is a government grant related to income due to the fact that the grants are not related to asset investment.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognised in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognised in non-operating income and expenses.

26. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

26.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

26.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences.Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

26. Deferred tax assets/ deferred tax liabilities - continued

26.2 Deferred tax assets and deferred tax liabilities - continued

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

26.3. Income tax offsetting

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

27.1 Accounting treatment of operation leases

27.1.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period.

27.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term.

27.2. Accounting treatment of finance leases

27.2.1 The Group as lessee under finance leases

The accounting treatments are set out in Note (III) "14.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases".

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term payables and the portion of other non-current liabilitiesdue due within one year for presentation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

28. Other significant accounting policies and accounting estimates

28.1 Safety production fees

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When using, it is necessary to distinguish whether fixed assets are formed and deal with them separately; if it belongs to expense expenditure, special reserve shall be directly offset; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in accounting policies

Changes in accounting policies and reasons	Approval procedures
New Standards of Financial Instruments The Group started adopting the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24— Hedge Accounting and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments revised by the MoF in 2017 since 1 January 2019 (hereinafter referred to as the “New Standards of Financial Instruments”). In terms of the classification and measurement of financial assets, in accordance with the New Standards of Financial Instruments, an entity shall classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss on the basis of the contractual cash flow characteristics of the financial assets and the entity's business model for managing the financial assets. The original classifications of financial assets, such as loans and receivables, held-to-maturity investments and available-for-sale financial assets in the Original Standards of Financial Instruments are no longer adopted. For investments in equity instruments, the entity shall generally classify them as measured at fair value through profit or loss, and for investments in non-tradable equity instruments, the entity is allowed to designate them as measured at fair value through other comprehensive income provided that such designation is irrevocable and the accumulated changes in fair value initially recorded in other comprehensive income cannot be carried forward to profit or loss at disposal. In terms of the impairment of financial assets, requirements relative to impairments in the New Standards of Financial Instruments are applicable to financial assets measured at amortized cost and fair value through other comprehensive income. The New Standards of Financial Instruments require to replace the previous incurred credit loss model with the expected credit loss model. As required by the new impairment model, a three-phase model shall be adopted, so that provisions for credit losses will be recognized as the expected credit losses within 12 months or the full lifetime based on whether credit risks of relevant items have been increased significantly from the initial recognition.	Changes in accounting policies are approved by the Company's board of directors

For the requirements of the recognition and measurement of financial instruments inconsistent with those of the New Standards of Financial Instruments before 1 January 2019, the Group makes adjustments in accordance with the New Standards of Financial Instruments. The Group makes no adjustments for the previous comparative data inconsistent with the requirements of the New Standards of Financial Instruments. The difference between the original carrying amount of the financial instruments and the new carrying amount at the date implementing the New Standards of Financial Instruments is recognized in the retained earnings or other comprehensive income as at 1 January 2019. For the detailed impact of the application of New Standards of Financial Instruments since 1 January 2019, refer to Note III 29.2.	

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.1 Changes in accounting policies - continued

Changes in accounting policies and reasons	Approval procedures
Revised Format of Financial Statements The Group adopts the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise (Cai Kuai (2019) No. 6, hereinafter referred to as the "Cai Kuai No. 6 Document") released by the MoF on 30 April 2019. Cai Kuai No.6 Document revised the presenting accounts in the balance sheet and income statement, split the line item of "Notes and Accounts Receivable" into "Notes Receivable" and "Accounts Receivable", split the item of "Notes and Accounts Payable" into "Notes Payable" and "Accounts Payable", specified or revised line items of "Non-current Assets Due within One Year", "Deferred Income", " Other Equity Instruments", "Research and Development Expenses" "Interest Income" under "Financial Expenses", "Other Income", "Gains from Disposal of Assets", "Non-operating Income" and "Non-operating Expenses", adjusted the presented position of "Impairment Losses of Assets". For the above changes in presenting accounts, the Group retrospectively adjusted comparable data for prior year.	Changes in accounting policies are approved by the Company's board of directors

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year

The impact of the adoption of the new standards of financial instruments by the Group as at 1 January 2019 is shown in the table below:

The consolidated balance sheets

Unit: RMB

ITEM	31 December 2018	1 January 2019	Adjustment
Financial assets at fair value through profit or loss	623,070.99		(623,070.99)
Held-for-trading financial assets		623,070.99	623,070.99
Notes receivable	2,621,414,388.12	-	(2,621,414,388.12)
Accounts receivable	4,289,803,017.54	4,300,962,509.34	11,159,491.80
Factoring with receivables		2,621,414,388.12	2,621,414,388.12
Available-for-sale financial assets	281,130,360.06	-	(281,130,360.06)
Other equity instrument investments		344,555,838.53	344,555,838.53
Deferred tax assets	365,514,746.47	364,222,709.46	(1,292,037.01)
Deferred tax liabilities	704,829,738.79	714,343,560.56	9,513,821.77
Other comprehensive income	(691,405,402.69)	(691,846,774.69)	(441,372.00)
Surplus reserve	932,869,321.23	932,614,543.36	(254,777.87)
Retained profits	5,516,420,085.11	5,537,350,973.55	20,930,888.44
Minority interests	12,758,459,688.05	12,802,004,060.97	43,544,372.92

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year - continued

Summary of the impact of the intial application of new standards for financial instruments on 1 January 2019

Unit: RMB

ITEM	Carrying amount presented in accordance with the original standard 31 December 2018	Impact of applying new standards for financial instruments					Carrying amount presented in accordance with the new standards of financial instruments 1 January 2019
		Reclassification			Remeasurement		
		Transferred from financial assets originally classified as loans and receivables (Note 1)	Transferred from financial assets originally classified as available-for-sale financial assets (Note 2)	Transferred from financial assets originally classified as financial assets at fair value through profit or loss (Note 3)	Expected credit loss (Note 4)	Measured at fair value from cost (Note 2)	
Financial assets at fair value through profit or loss	623,070.99	-	-	(623,070.99)	-	-	-
Held-for-trading financial assets	-	-	-	623,070.99	-	-	623,070.99
Notes receivable	2,621,414,388.12	(2,621,414,388.12)	-	-	-	-	-
Accounts receivable	4,289,803,017.54	-	-	-	11,159,491.80	-	4,300,962,509.34
Factoring with receivables	-	2,621,414,388.12	-	-	-	-	2,621,414,388.12
Available-for-sale financial assets	281,130,360.06	-	(281,130,360.06)	-	-	-	-
Other equity instrument investments	-	-	281,130,360.06	-	-	63,425,478.47	344,555,838.53
Deferred tax assets	365,514,746.47	-	-	-	(1,292,037.01)	-	364,222,709.46
Deferred tax liabilities	704,829,738.79	-	-	-	-	9,513,821.77	714,343,560.56
Other comprehensive income	(691,405,402.69)	-	(22,003,339.10)	-	-	21,561,967.10	(691,846,774.69)
Surplus reserve	932,869,321.23	-	-	-	(254,777.87)	-	932,614,543.36
Retained profits	5,516,420,085.11	-	22,003,339.10	-	(1,072,450.66)	-	5,537,350,973.55
Minority interests	12,758,459,688.05	-	-	-	11,194,683.32	32,349,689.60	12,802,004,060.97

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year - continued

Note 1: Transferred from financial assets originally classified as loans and receivables

In the process of managing liquidity, the Group would carry out discount or endorsement transfer before the maturity of some notes receivable. Based on the situation that the Group has transferred almost all risks and rewards to relevant counterparties, the Group would terminate the recognition of discounted or endorsed notes receivable. The Group's business model for managing notes receivable is to collect contract cash flow and sell the financial assets. In the process of business management, the notes are not strictly differentiated. Therefore, as at 1 January 2019, the notes receivable amounted to RMB 2,621,414,388.12 are reclassified from financial assets classified as loans and receivables to financial assets measured at fair value though other comprehensive income and included in Factoring with receivables items. The notes receivable originally measured at amortized cost are measured at fair value, and the carrying amount of Factoring with receivables item has no significant impact.

Note 2: Transferred from financial assets originally classified as available-for-sale financial assets

Transferred from available-for-sale financial asset items to other equity instrument investment items

As at 1 January 2019, the available for sale financial assets of RMB 281,130,360.06 were reclassified to other equity instrument investment item. This part of investment belonged to non-trading equity instrument investment, and the Group was not expected to sell in the foreseeable future. The Group designated it as a financial asset measured at fair value with its changes included in other comprehensive income. Among them, RMB 23,098,898.51 was the equity of unlisted companies acquired in the previous year, which was measured by the cost method according to the original financial instrument standards in the previous period. As at 1 January 2019, the Group adopted fair value measurement for this part of equity investment, resulting in an increase in the book value of other equity instrument investment of RMB 63,425,478.47, an increase in other comprehensive income (changes in fair value of other equity instrument investment) of RMB 21,561,967.10, an increase in deferred income tax liabilities of RMB 9,513,821.77, and an increase in minority shareholders' equity of RMB 32,349,689.60. At the end of last year, the remaining available for sale financial assets were the equity of the listed company held by the Group and have been measured at fair value. In addition, the impairment loss of RMB 22,003,339.10 recognized in the previous period was transferred from retained earnings to other comprehensive income (changes in fair value of other equity instrument investment) on 1 January 2019.

Note 3: Transferred from financial assets originally classified as financial assets at fair value through profit or loss

As at 1 January 2019, the Group classified the short-term stock investment with the book value of RMB 623,070.99 as the financial assets measured at fair value though profit or loss according to the requirements of the new financial instrument standards, and listed as held-for-trading financial assets in the financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year - continued

Note 4: Expected credit loss

As at 1 January 2019, the Group measured the expected credit loss of accounts receivable, other receivables (excluding tax refunds receivable), Factoring with receivables, other current assets (fund financing and wealth management products) and long-term receivables in accordance with the requirements of the new financial instrument standards. Specific impacts include:

For accounts receivable, the Group adopts a simplified method to measure the expected credit loss in accordance with the requirements of the new financial instrument standards, that is, to measure the loss provision in accordance with the amount equivalent to the lifetime expected credit loss, resulting in a decrease of RMB 11,159,491.80 in the loss provision of accounts receivable as at 1 January 2019, a decrease of RMB 1,292,037.01 in the deferred income tax assets, a decrease of RMB 254,777.87 in the surplus reserve, a decrease of RMB 1,072,450.66 in the retained profit, and an increase of RMB 11,194,683.32 in the minority shareholders' equity.

For other receivables (excluding tax refunds receivable), the Group adopts a three-stage model to measure the expected credit loss in accordance with the requirements of the new financial instrument standards. Based on whether the credit risk of the relevant items has increased significantly since the initial recognition, the provision for credit loss is accrued according to the expected credit loss within 12 months or the lifetimg expected credit loss. There is no significant change in the provision for impairment of other receivables as at 1 January 2019.

For Factoring with receivables and other current assets (fund financing and wealth management products), the Group believes that its credit risk is low and the impact of expected credit loss is not significant. For long-term receivables, the Group believes that its expected credit loss has little impact. Therefore, the Group has not made provision for impairment of Factoring with receivables, other current assets (fund financing and wealth management products) and long-term receivables at the beginning of the period.

Reconciliation of provision for credit loss at 1 January 2019

Unit: RMB

ITEM	Impairment provision recognized in accordance with the original standards of financial instruments	Remeasurement of the provision for expected loss	Provision for loss recognized in accordance with the new standards for financial instruments
Provision for impairment of financial assets:			
Provision for credit loss of accounts receivable	180,275,820.42	(11,159,491.80)	169,116,328.62

Company's Balance Sheet

Unit: RMB

ITEM	31 December 2018	31 December 2019	Adjustment
Financial assets at fair value through profit or loss	588,423.73		(588,423.73)
Held-for-trading financial assets		588,423.73	588,423.73
Notes receivable	127,590,445.13	-	(127,590,445.13)
Accounts receivable	978,919,677.09	975,522,638.82	(3,397,038.27)

Factoring with receivables		127,590,445.13	127,590,445.13
Available-for-sale financial assets	7,000,000.00		(7,000,000.00)
Other equity instrument investments		7,000,000.00	7,000,000.00
Deferred tax assets	26,947,269.07	27,796,528.64	849,259.57
Surplus reserve	932,869,321.23	932,614,543.36	(254,777.87)
Retained profits	2,789,968,753.11	2,787,675,752.28	(2,293,000.83)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year - continued

Company's summary of the impact of the initial application of new standards for financial instruments on 1 January 2019

Unit: RMB

ITEM	Carrying amount presented in accordance with the original standard 31 December 2018	Impact of applying new standards for financial instruments				Carrying amount presented in accordance with the new standards of financial instruments 1 January 2019
		Reclassification			Reclassification	
		Transferred from financial assets originally classified as loans and receivables (Note 1)	Transferred from financial assets originally classified as available-for-sale financial assets (Note 2)	Transferred from financial assets originally classified as financial assets at fair value through profit or loss (Note 3)	Expected credit loss (Note 4)	
Financial Assets at Fair Value through Profit or Loss ("FVTPL")	588,423.73	-	-	(588,423.73)	-	-
Held-for-trading financial assets	-	-	-	588,423.73	-	588,423.73
Notes receivable	127,590,445.13	(127,590,445.13)	-	-	-	-
Accounts receivable	978,919,677.09	-	-	-	(3,397,038.27)	975,522,638.82
Receivables 融资	-	127,590,445.13	-	-	-	127,590,445.13
Available-for-sale financial assets	7,000,000.00	-	(7,000,000.00)	-	-	-
Other equity instrument investments	-	-	7,000,000.00	-	-	7,000,000.00
Deferred tax assets	26,947,269.07	-	-	-	849,259.57	27,796,528.64
Surplus reserve	932,869,321.23	-	-	-	(254,777.87)	932,614,543.36
Retained profits	2,789,968,753.11	-	-	-	(2,293,000.83)	2,787,675,752.28

Note 1: Transferred from financial assets originally classified as loans and receivables

In the process of managing liquidity, the Company would carry out discount or endorsement transfer before the maturity of some notes receivable. Based on the situation that the Company has transferred almost all risks and rewards to relevant counterparties, the Company would terminate the recognition of discounted or endorsed notes receivable. The Company's business model for managing notes receivable is to collect contract cash flow and sell the financial assets. In the process of business management, the notes are not strictly differentiated. Therefore, as at 1 January 2019, the notes receivable amounted to RMB 127,590,445.13 are reclassified from financial assets classified as loans and receivables to financial assets measured at fair value though other comprehensive income and included in Factoring with receivables items. The notes receivable originally measured at amortized cost are measured at fair value, and the carrying amount of Factoring with receivables item has no significant impact.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

29. Changes in significant accounting policies and accounting estimates - continued

29.2 Details of initial application of new standards of financial instruments to adjust the relevant items of the financial statements at the beginning of the year - continued

Note 2: Transferred from financial assets originally classified as available-for-sale financial assets

Transferred from available-for-sale financial asset items to other equity instrument investment items

As at 1 January 2019, RMB 7,000,000.00 of available for sale financial assets were reclassified to other equity instrument investment item. This part of investment belonged to non-trading equity instrument investment, and the Group was not expected to sell in the foreseeable future. The Group designated it as a financial asset measured at fair value with its changes included in other comprehensive income. This part of assets was the equity of unlisted company acquired in the previous year, measured by cost method according to the original financial instrument standards in the previous period, and the carrying amonut as at 1 January 2019 was approximate to the fair value.

Note 3: Transferred from financial assets originally classified as financial assets at fair value through profit or loss

As at 1 January 2019, the Company classified the short-term stock investment with book value of RMB 588,423.73 into financial assets measured at fair value through profit or loss according to the requirements of the new financial instrument standards, and listed as held-for-trading financial assets in the financial statements.

Note 4: Expected credit loss

As at 1 January 2019, the Company measured the expected credit loss of accounts receivable, other receivables, Factoring with receivables and other current assets (fund financing and wealth management products) in accordance with the requirements of the new financial instrument standards. Specific impacts include:

For accounts receivable, the Company adopts a simplified method to measure the expected credit loss in accordance with the requirements of the new financial instrument standards, that is, to measure the loss provision in accordance with the amount equivalent to the lifetime expected credit loss, resulting in an increase of RMB 3,397,038.27in the loss provision of accounts receivable as at 1 January 2019, and an increase of RMB 849,259.57 in the deferred income tax assets, a decrease of RMB 254,777.87 in the surplus reserve, and a decrease of RMB 2,293,000.83 in the retained profit.

For other receivables (excluding tax refunds receivable), the Group adopts a three-stage model to measure the expected credit loss in accordance with the requirements of the new financial instrument standards. Based on whether the credit risk of the relevant items has increased significantly since the initial recognition, the provision for credit loss is accrued according to the expected credit loss within 12 months or the lifetimg expected credit loss. There is no significant change in the provision for impairment of other receivables as at 1 January 2019.

For Factoring with receivables and other current assets (fund financing and wealth management products), the Group believes that its credit risk is low and the impact of expected credit loss is not significant. For long-term receivables, the Group believes that its expected credit loss has little impact. Therefore, the Group has not made provision for impairment of Factoring with receivables, other current assets (fund financing and wealth management products) and long-term receivables at the beginning of the period.

Company's reconciliation of provision for credit loss at 1 January 2019

Unit: RMB

ITEM	Impairment provision recognized in accordance with the original standards of financial instruments	Remeasurement of the provision for expected loss	Provision for loss recognized in accordance with the new standards for financial instruments

Provision for impairment of financial assets:			
Provision for credit loss of accounts receivable	395,017.66	3,397,038.27	3,792,055.93

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

30. Critical judgments in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the process of using the above accounting policies for measurement, some statement items will involve critical judgments and accounting estimates, which will affect the reported amount of expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the result of the uncertainties of these estimates may cause a significant adjustment to the carrying amount of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, the management has made the following judgments that have a significant impact on the amount recognized in the financial statements:

The Group as a lessor under an operating lease

The Group has signed a lease contract for the leased assets. The Group believes that, according to the terms of the lease contract, the Group retains all significant risks and rewards on the ownership of these assets, so it is treated as an operating lease.

Classification of investment properties and self-use properties

The Group classifies the properties with property rights and leased by operating lease for the purpose of earning rental income as investment properties, and other properties as self-use properties.

Land use right and useful life of non-patented technology in Cameroon

The land use right in Cameroon owned by the Group is granted by the government of Cameroon with a standard useful life of 50 years and can be extended in nominal value before the end of useful life. In view of the continuous investment and expansion of rubber forest, the management of the Group expects that the possibility of non extension of the land-use right at the end of the existing standard useful life is very low, so the useful life of this part of land-use right is permanent and will not be amortized.

The non-patented technology owned by the Group is rubber production process technology, and the useful life of the technology depends on the market demand period for rubber products. The management of the Group believes that the market demand for rubber products is very low, so the useful life of the technology is set as uncertain and not amortized.

Perpetual Bond

The Company has the right to extend the term of the issued bonds for one period at the end of each period, or to pay the bonds in full at the end of the period, in accordance with the provisions of the bond prospectus on the term and redemption right of the bonds. At the same time, for the interest of bonds, on each interest payment date, the Company may, at its own option, postpone the payment of current interest, all deferred interest and fruits to the next interest payment date, and is not limited by the number of deferred interest payments. As a result, the Company has no contractual obligation to deliver cash or other financial assets to other parties or exchange financial assets or financial liabilities with other parties under potential adverse conditions. According to the provisions of interest rate jumped in the prospectus, the bond has only one interest rate jumped with limited jump range, and its maximum coupon is not expected to exceed the average interest rate level of the same type of instruments in the same industry in the same period. Therefore, the management believes that the interest rate jump clause of the bond does not constitute an indirect obligation to deliver cash or other financial assets. According to the provisions of the repayment order in the prospectus, the repayment order of the bonds in bankruptcy liquidation is inferior to that of the Company's ordinary debts. The management believes that this clause will not lead to the expectation that the bondholders will assume the contractual obligation to deliver cash or other financial assets to the Company. To sum up, the management believes that the bond meets the conditions for classification as equity instrument as described in Note (III) 23, so it is classified as equity instruments. See Note (V) 40 for details.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

30. Critical judgments in applying accounting policies and key assumptions and uncertainties in accounting estimates

At balance sheet date, the following are the key assumptions and uncertainties in accounting estimates, it is probable that carrying amounts of assets and liabilities in future periods may be significantly adjusted:

Provision for expected credit loss of accounts receivable

Except for the accounts receivable with serious financial difficulties of the debtor, the Group adopts the impairment matrix to determine the expected credit loss provision of the remaining accounts receivable. Based on internal risk assessment and historical actual loss of related receivables, the Group believes that receivables of similar businesses in the same aging period have similar risk characteristics. The impairment matrix is based on the historical credit loss experience of receivables in different aging periods. At the same time, the management adjusts the historical loss rate in combination with the current market situation and forward-looking information. As at 31 December 2019, the Group reassessed the historical observable aging changes and considered the changes in forward-looking information. The amount of provision for expected credit loss of receivables will change with the Group's estimates.

Net realizable value of inventories

The net realizable value of inventories is based on the assessment of the marketability of inventories and its net realizable value. The appraisal of inventory impairment requires the management to make judgment and estimates on the basis of obtaining conclusive evidence, considering the purpose of holding inventories, the impact of events after the balance sheet date and other factors. The difference between the actual result and the original estimate will affect the book value of the inventories and the accrual or reversal of provision for declines in the value of inventories during the period when the estimate is changed.

Impairment of non current assets other than financial assets and goodwill

At the balance sheet date, the Group judges whether there is any sign of possible impairment for non current assets other than financial assets and goodwill. For intangible assets with indefinite useful life, except for impairment test when there is evidence of impairment, impairment test shall be conducted at least at the end of each year. Other non current assets other than financial assets and goodwill shall be tested for impairment when there is evidence that their carrying amount is not recoverable. When the book value of an asset or asset group is higher than the recoverable amount, that is, the higher of the net amount of the fair value minus the disposal expenses and the present value of the estimated future cash flow, it indicates that an impairment has occurred. The net amount of the fair value less the disposal expenses shall be determined by referring to the sales agreement price or observable market price of similar assets in fair transactions, and deducting the incremental cost directly attributable to the disposal of such assets. When estimating the present value of future cash flow, the management must estimate the expected future cash flow of the asset or asset group, and select an appropriate discount rate to determine the present value of future cash flow.

Depreciation and amortization of investment properties, fixed assets, bearer biological assets reaching serviceable state and intangible assets with definite useful life

The Group makes provision for depreciation and amortization within the useful life of investment properties, fixed assets, bearer biological assets reaching the serviceable state and intangible assets with definite useful life after considering their residual value. The Group determines the useful life and residual value of the above-mentioned long-term assets respectively. The estimate is based on the historical experience of the actual useful life and residual value of the above-mentioned long-term assets with similar nature and function, and may change greatly due to technological innovation, natural factors and industry competition. When the expected useful life and residual value of the above-mentioned long-term assets are less than the previous estimates, the Group will increase the depreciation rate, thus affecting the profit and loss during the estimated change period.

Impairment of goodwill

The Group conducts impairment test of goodwill at the end of the year to evaluate the recoverable amount of relevant asset groups including goodwill. When determining the recoverable amount of the relevant asset group, the management of the Group estimates the present value of the future cash flow of the relevant asset group. The assessment involves the management's use of significant accounting assumptions and judgments, including the expected growth rate of sales revenue, gross profit rate and the selection of appropriate discount rate based on the past performance of the asset group and the management's expected estimates of market development.

Deferred tax assets

To the extent that there is likely to be enough taxable income to offset the deductible losses, all the unused deductible losses shall be recognized as deferred income tax assets. This requires the management to use a lot of judgment to estimate the time and amount of future taxable income, combined with tax planning strategy, to determine the amount of deferred income tax assets to be recognized.

IV. TAXES

1. Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
The Company and its subsidiaries in mainland China:		
VAT(Note 1)	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	6%-16% (last year: 6%-17%)；The collection rate of the simple tax method is 3% and 5%
Enterprise income tax (Note 2 and 3)	Taxable income	15%, 25%
City maintenance and construction tax	Actually paid turnover tax	1%, 5% or7%
Educational surcharge	Actually paid turnover tax	3%
Local education surcharge	Actually paid turnover tax	2%
Property tax	Self-use property: It is levied on the residual value after deducting 10% - 30% from the original value of the property; Rental property: It is levied on rental income	Self-use property: 1.2%； Rental property: 12%
Subsidiaries in Hong Kong:		
Enterprise income tax	Taxable income	16.5%
Subsidiaries in Singapore:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	7%
Enterprise income tax	Taxable income	17%
Subsidiaries in India:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	4%
Enterprise income tax	Taxable income	30.9%
Subsidiaries in Thailand:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	7%
Enterprise income tax	Taxable income	20%
Subsidiaries in Philippines		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	12%
Enterprise income tax	Taxable income	30%
Subsidiaries in Australia:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and	10%

Category of tax	Basis of tax computation	Tax rate
	deducting the input tax allowed to be deducted in the current period)	
Enterprise income tax	Taxable income	30%
Subsidiaries in Brazil:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	20%
Enterprise income tax	Taxable income	15%
Subsidiaries in Argentina:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	21%
Enterprise income tax	Taxable income	35%
Subsidiaries in Spain:		
VAT	VAT payable (The amount of tax payable shall be calculated by multiplying the amount of business income receivable by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	21%
Enterprise income tax	Taxable income	25%

IV. TAXES - continued

1. Major categories of taxes and tax rates - continued

Note 1: According to the Announcement of the Ministry of finance, the State Administration of Taxation and the General Administration of Customs No. 39 of 2019 on Policies Related to Deepening the Reform of Value-Added Tax, since 1 April 2019, when taxpayers engaged in taxable sales of value-added tax or imported goods, if the original tax rates of 16% and 10% were applied, the tax rates would be adjusted to 13% and 9% respectively; For taxpayers purchasing agricultural products, where the original deduction rate of 10% was applicable, the deduction rate shall be adjusted to 9%; For export goods whose export tax rebate rate is 16% and whose export tax rebate rate is 16%, the export tax rebate rate is adjusted to 13%. For cross-border taxable activities of export goods whose export tax rebate rate is 10% and whose export tax rebate rate is 10%, the export tax rebate rate is adjusted to 9%.

Note 2: According to the Enterprise Income Tax Law of the People's Republic of China issued on 16 March 2007, the eligible high-tech enterprises in the Group that need to be supported by the state are as follows:

Jiangsu Yangnong Chemical Group Co., Ltd. ("Yangnong Group") obtained the certificate of high and new technology enterprise (Certificate No.: GR201732002280) in 2017, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2017 to 2019.

Jiangsu Yangnong Chemical Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201732001109) in 2017, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2017 to 2019.

Jiangsu Youth Chemical Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201832000860) in 2018, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2018 to 2020.

Shanghai Sinochem Technology Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201831003499) in 2018, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2018 to 2020.

Shenyang Sinochem Agrochemicals R&D Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201821000758) in 2018, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2018 to 2020.

Shenyang Sciencreat Chemicals Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201621000324) in 2016, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2016 to 2018. It obtained the certificate of high and new technology enterprise (Certificate No.: GR201921000297) in 2019, and the preferential tax rate of 15% for high and new technology enterprise is still applicable from 2019 to 2021.

Jiangsu Youjia Plant Protection Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201632000081) in 2016, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2016 to 2018. It obtained the certificate of high and new technology enterprise (Certificate No.: GR201932001902) in 2019, and the preferential tax rate of 15% for high and new technology enterprise is still applicable from 2019 to 2021.

Jiangsu Ruixiang Chemical Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR201632008826) in 2016, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2016 to 2018. It obtained the certificate of high and new technology enterprise (Certificate No.: GR201932001806) in 2019, and the preferential tax rate of 15% for high and new technology enterprise is still applicable from 2019 to 2021.

Ningxia Ruitai Technology Co., Ltd. obtained the certificate of high and new technology enterprise (Certificate No.: GR GR201964000009) in 2019, and the preferential tax rate of 15% for high and new technology enterprise is applicable from 2019 to 2021 (2018: 25%).

Note 3: Ningxia Sinochem Lithium Battery Materials Co., Ltd. enjoys the preferential tax policy for the western development. Before the end of 2020, it will pay enterprise income tax at a reduced rate of 15%. At the same time, from the first year (i.e. this year) when it first obtains income, it will enjoy the exemption of local retained part

(40%) of enterprise income tax for three years, and the preferential policy of halving the collection for four to six years (2018: 25%).

Except for the above subsidiaries, the income tax rate applicable to other subsidiaries in mainland China is 25%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Cash at hand	36,158,139.15	30,952,133.32
Bank deposits	7,463,416,714.68	8,281,608,216.92
Others cash and bank balances	490,573,689.48	411,667,490.53
Total	**7,990,148,543.31**	**8,724,227,840.77**

At the end of the year, the Group's cash and bank balances deposited overseas were RMB 1,041,331,588.00 (at the end of the previous year: RMB 1,521,161,007.63).

The Group obtains interest income on its bank deposits at the interest rate for demand deposits. The fixed deposit term for short-term deposits ranges from 7 days to 3 months, depending on the Group's demands for cash and the interest income is earned at the corresponding interest rate for demand deposits.

Restricted cash and bank balances are as follows:

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Others cash and bank balances		
- Notes deposit	269,076,345.02	160,883,242.65
- Guarantee deposit	3,966,226.42	71,743.44
- Deposit for letter of credit	53,496,514.66	452,055.58
- Loan deposit	12,042,848.98	15,669,924.78
- Housing maintenance deposit	1,364,621.82	1,350,293.62
- Performance bond for equity acquisition (Note 1)	111,382,113.79	191,514,174.31
- Forward settlement margin	12,208,350.00	18,007,780.93
-Others	1,083,712.49	3,005,526.25
Total	**464,620,733.18**	**390,954,741.56**

Note 1: At the end of the year, the Group's subsidiary Yangnong Group received amount for equity acquisition on behalf of natural person shareholders and deposited it in a special account, totaling RMB 111,382,113.79.

2. Derivative financial assets/liabilities

Unit: RMB

Derivative financial assets	Closing balance of the year	Closing balance of the prior year
Commodity futures	3,999,316.99	2,511,522.35
Forward trading contract foreign exchange	69,836,233.65	84,209,286.62
Total	**73,835,550.64**	**86,720,808.97**

Unit: RMB

Item of derivative financial liabilities	Closing balance of the year	Closing balance of the prior year
Commodity futures	4,023,593.11	8,758,265.73
Forward trading contract denominated in foreign currency	21,185,950.48	52,102,916.52
Total	**25,209,543.59**	**60,861,182.25**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2. Derivative financial assets/liabilities - continued

The derivative financial assets/liabilities of the Group mainly include commodity futures and forward trading contract denominated in foreign currency. Among them, the nominal amount of commodity futures is RMB 5,000,560,540.00 at the end of the year, and its fair value at the end of the year is measured at the corresponding settlement price of the futures exchange as of the last trading day of the balance sheet date; the nominal amount of the forward trading contract denominated in foreign currency at the end of the year is RMB 13,441,083,868.64, and its fair value at the end of the year is measured by the forward foreign exchange quotation on the balance sheet date of the relevant institution. The profit or loss resulting from the changes in fair value shall be included into the current profit and loss.

3. Accounts receivable

(1) Accounts receivable disclosed by aging

Unit: RMB

Aging	Closing balance of the year			Closing balance of the prior year		
	Accounts receivable	Credit loss provision	Provision ratio (%)	Accounts receivable	Bad debt provision	Provision ratio (%)
Within 1 year	4,370,397,043.06	81,602,906.30	1.87	4,387,461,067.81	103,682,105.81	2.36
1-2 years	55,051,776.56	8,247,940.77	14.98	8,916,972.75	3,833,488.57	42.99
2-3 years	4,793,656.77	3,240,378.15	67.60	16,788,320.65	15,847,749.29	94.40
Over 3 years	62,139,899.68	60,100,545.00	96.72	56,912,476.75	56,912,476.75	100.00
Total	**4,492,382,376.07**	**153,191,770.22**	**3.41**	**4,470,078,837.96**	**180,275,820.42**	**4.03**

(2) Accounts receivable disclosed by methods of determining provision for credit losses

Unit: RMB

Category	Closing balance of the year				
	Book value		Credit loss provision		Carrying amount
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for credit losses is individually assessed	58,723,794.51	1.31	58,723,794.51	100.00	-
Provision for credit losses is collectively assessed on a portfolio basis	4,433,658,581.56	98.69	94,467,975.71	2.13	4,339,190,605.85
Including:					
Portfolio of trading enterprises	1,318,948,090.16	29.36	6,146,271.61	0.47	1,312,801,818.55
Portfolio of manufacturing enterprise	3,114,710,491.40	69.33	88,321,704.10	2.84	3,026,388,787.30
Total	**4,492,382,376.07**	**100.00**	**153,191,770.22**	**3.41**	**4,339,190,605.85**

Including: Provision for credit losses is individually assessed

Unit: RMB

Accounts receivable (By customer)	Book value	Credit loss provision	Provision ratio (%)	Reasons
Customer 1	12,224,348.99	12,224,348.99	100.00	Management considers the probability of recoverability is low
Customer 2	11,075,969.61	11,075,969.61	100.00	Management considers the probability of recoverability is low
Customer 3	9,583,636.77	9,583,636.77	100.00	Management considers the probability of recoverability is low
Customer 4	4,043,238.11	4,043,238.11	100.00	Management considers the probability of recoverability is low
Customer 5	3,753,486.18	3,753,486.18	100.00	Management considers the probability of recoverability is low
Others	18,043,114.85	18,043,114.85	100.00	Management considers the probability of recoverability is low
Total	**58,723,794.51**	**58,723,794.51**		

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. Accounts receivable - continued

(2) Accounts receivable disclosed by methods of determining provision for credit losses - continued

Provision for credit losses is collectively assessed on a portfolio basis

Portfolio of trading enterprises

Unit: RMB

Aging	31/12/2019			
	Expected average loss rate (%)	Book value	Credit loss provision	Carrying amount
0-180 days	0.09	1,239,676,554.46	1,087,036.88	1,238,589,517.58
181-365 days	2.30	33,244,056.43	764,369.74	32,479,686.69
Over 1 year	9.33	46,027,479.27	4,294,864.99	41,732,614.28
Total		**1,318,948,090.16**	**6,146,271.61**	**1,312,801,818.55**

Portfolio of manufacturing enterprise

Unit: RMB

Aging	31/12/2019			
	Expected average loss rate (%)	Book value	Credit loss provision	Carrying amount
Within 1 year	2.51	3,091,632,153.38	77,692,825.89	3,013,939,327.49
1-2 years	18.40	14,667,591.87	2,698,797.70	11,968,794.17
2-3 years	64.00	1,278,359.70	818,182.10	460,177.60
Over 3 years	99.71	7,132,386.45	7,111,898.41	20,488.04
Total		**3,114,710,491.40**	**88,321,704.10**	**3,026,388,787.30**

(3) Provision for credit losses

Unit: RMB

Category	Closing balance of the prior year	Changes in accounting policies	Opening balance	Changes for the year			Translation differences arising on translation of financial statements denominated in foreign currencies this year	Closing balance
				Provision	Withdrawal or recovery	Resale or write-off		
On individual basis	65,156,780.38	-	65,156,780.38	6,306,649.54	(310,183.60)	(7,086,091.35)	(5,343,360.46)	58,723,794.51
On portfolio basis	115,119,040.04	(11,159,491.80)	103,959,548.24	1,926,018.65	(13,083,702.55)	(19,584.92)	1,685,696.29	94,467,975.71
Total	**180,275,820.42**	**(11,159,491.80)**	**169,116,328.62**	**8,232,668.19**	**(13,393,886.15)**	**(7,105,676.27)**	**(3,657,664.17)**	**153,191,770.22**

At the end of the year, credit risk and expected credit losses (ECL) of accounts receivable are as follows:

Unit: RMB

Closing balance	Not credit-impaired	Credit-impaired	Total
Book value	4,331,308,707.84	161,073,668.23	4,492,382,376.07
ECL	78,779,862.77	74,411,907.45	153,191,770.22
Carrying amount	4,252,528,845.07	86,661,760.78	4,339,190,605.85

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3. Accounts receivable - continued

(3) Provision for credit losses - continued

Changes in provision for credit loss are as follows:

Unit: RMB

Provision for credit loss	Lifetime ECL
Balance at 1 January 2019	169,116,328.62
Provision (Reversal) for the year	(5,161,217.96)
Write-off for the year	(7,105,676.27)
Translation differences arising on translation of financial statements denominated in foreign currencies this year	(3,657,664.17)
Balance at 31 December 2019	153,191,770.22

(4) The actual write-off of accounts receivable for the current year

This year, the Group's write-off of accounts receivable of RMB 7,105,676.27. The aging of accounts receivable is basically over 3 years, which is not expected to be recovered, therefore the written-off is recognized.

(5) The top 5 largest accounts receivable on 31 December 2019 categorized by debtor:

Unit: RMB

Name of entity	Relationship with the Group	31 December 2019	Aging	As a percentage of total accounts receivable (%)	Closing balance of provision for credit loss
Party 6	Third party	536,511,120.47	Within 1 year	11.94	13,482,543.53
Party 7	Third party	116,138,159.12	Within 1 year	2.59	2,918,556.07
Party 8	Third party	46,844,485.38	Within 1 year	1.04	1,177,203.58
Party 9	Third party	45,872,691.93	Within 1 year	1.02	1,152,782.38
Party 10	Third party	43,542,607.70	Within 1 year	0.97	1,094,227.28
Total		**788,909,064.60**		**17.56**	**19,825,312.84**

(6) Others

Accounts receivable with title restriction as at 31 December 2019 are set out in Note V 62.

4. Factoring with receivables

Unit: RMB

ITEM	31/12/2019	Cost
Bank acceptance bills	2,681,242,552.79	2,681,242,552.79
Total	**2,681,242,552.79**	**2,681,242,552.79**

The bank acceptance bills held by the Group is deposited in bank with high credit rating and the credit risk is not significant, thus no impairment provision is made.

As of 31 December 2019, the bank acceptance bills endorsed or discounted by the Group but not yet due are RMB 1,878,406,018.90 (31 December 2018: RMB 2,754,015,845.58).

In the current year, according to the credit status of the acceptance bank, the Group believes that the main risks associated with the bank acceptance bill of RMB 1,346,097,293.95 (31 December 2018: RMB 1,681,551,825.42) among the above-mentioned endorsed or discounted but not yet expired bank acceptance bills have been transferred to the endorsee or discount bank, therefore the Group derecognizes these bank acceptance bills.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4. Factoring with receivables - continued

In the current year, according to the credit status of the acceptance bank, the Group believes that the main risks associated with the bank acceptance bill of RMB 532,308,724.95 (31 December 2018: RMB 1,072,464,020.16) are still borne by the Group, therefore the Group will fully recognize the book value of notes receivable and corresponding accounts payable or short-term borrowings.

As of 31 December 2019, the balance of pledge notes receivable of the Group is RMB 23,424,566.50 (31 December 2018: RMB 192,505,023.60).

5. Prepayments

(1) Prepayments presented by aging

Unit: RMB

Aging	Closing balance of the year		Closing balance of the prior year	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	1,048,538,047.75	96.65	850,860,168.76	98.23
1 to 2 years	27,943,624.59	2.58	6,269,403.89	0.72
2 to 3 years	2,681,708.58	0.25	5,513,831.86	0.64
Over 3 years	5,668,061.17	0.52	3,520,631.55	0.41
Total	**1,084,831,442.09**	**100.00**	**866,164,036.06**	**100.00**

At the end of the year, prepayments aged over one year refer to unsettled payment in advance.

(2) The five largest prepayments at the end of the year categorized by receivers

As at 31 December 2019, closing balance of the five largest prepayment of the Group totaling RMB 348,410,790.08 (31 December 2018: RMB 251,869,541,04), as a percentage of total prepayments of 32.12% (31 December 2018: 29.08%).

6. Other receivables

6.1 Classification

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Interest receivable	2,219,833.12	1,895,883.54
Other receivables	907,659,702.78	1,289,450,262.28
Total	**909,879,535.90**	**1,291,346,145.82**

6.2 Interest receivable

(1) Category

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Time deposit	2,219,833.12	936,069.77
Entrusted loans	-	957,957.00
Others	-	1,856.77
Total	**2,219,833.12**	**1,895,883.54**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

6.3 Other receivables

(1) Other receivables disclosed by aging

Unit: RMB

Aging	Closing balance of the year			Closing balance of the prior year		
	Other receivables	Credit loss provision	Provision ratio (%)	Other receivables	Bad debt provision	Provision ratio (%)
Within 1 year	865,009,185.42	1,115,313.86	0.13	1,249,312,722.35	8,799,898.34	0.70
1-2 years	25,352,816.49	177,531.53	0.70	28,436,542.80	3,125,573.11	10.99
2-3 years	13,833,201.41	3,288,880.32	23.78	58,632,961.70	39,692,021.01	67.70
Over 3 years	275,463,361.73	267,417,136.56	97.08	277,178,525.44	272,492,997.55	98.31
Total	**1,179,658,565.05**	**271,998,862.27**	**23.06**	**1,613,560,752.29**	**324,110,490.01**	**20.09**

(2) Other receivables reclassified by nature

Unit: RMB

Nature	Closing balance of the year	Closing balance of the prior year
Advances and current account	151,454,602.90	354,275,937.73
Margin and deposit	177,401,723.55	179,306,811.22
Amounts from disposal of equity in associates	-	17,919,956.25
Taxes refund	459,424,303.76	349,650,348.12
Others	119,379,072.57	388,297,208.96
Total	**907,659,702.78**	**1,289,450,262.28**

(3) Provision for credit losses

Unit: RMB

Category	Closing balance of the prior year	Change for the year		Effect on changes in exchange rates	Closing balance of the year
		Provision	Withdrawal or reversal		
Provision for credit losses	324,110,490.01	764,966.28	(54,372,660.94)	1,496,066.92	271,998,862.27
Total	**324,110,490.01**	**764,966.28**	**(54,372,660.94)**	**1,496,066.92**	**271,998,862.27**

Changes in credit losses provision for other receivables:

Unit: RMB

Provision for credit loss	Phase 1	Phase 2	Phase 3	Total
	Future 12-month expected credit losses	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	
Balance at 1 January 2019	-	-	324,110,490.01	324,110,490.01
Provision (reversal) for the year	-	-	(53,607,694.66)	(53,607,694.66)
Translation differences arising on translation of financial statements denominated in foreign currencies this year	-	-	1,496,066.92	1,496,066.92
Balance at 31 December 2019	-	-	**271,998,862.27**	**271,998,862.27**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

6. Other receivables - continued

6.3 Other receivables - continued

(4). Other receivables actually written off this year

The Group has no other receivables written off this year.

(5) The top 5 largest other receivables at the end of the year categorized by debtor

Unit: RMB

Name of entity	Nature	Relationship with the Group	Closing balance	Aging	As a percentage of total other receivables (%)	Closing balance of credit losses provision
Party 11	Deposit	Third party	34,867,337.60	Within 1 year	2.96	-
Party 12	Deposit	Third party	31,535,846.51	Within 1 year	2.67	-
Party 13	Claim settlement	Third party	22,382,575.08	Over 3 years	1.90	22,382,575.08
Party 14	Tax refunds receivable	Third party	22,361,100.38	Within 1 year	1.89	-
Party 15	Tax refunds receivable	Third party	21,549,712.71	Within 1 year	1.83	-
Total			**132,696,572.28**		**11.25**	**22,382,575.08**

7. Inventories

(1) Category of inventories:

Unit: RMB

ITEM	Closing balance of the year			Closing balance of the prior year		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	1,160,953,367.29	5,438,711.15	1,155,514,656.14	816,642,125.45	3,990,589.89	812,651,535.56
Work in progress	569,206,362.63	10,429,135.54	558,777,227.09	412,574,557.84	13,305,146.39	399,269,411.45
Goods on hand	4,132,150,615.78	70,663,203.84	4,061,487,411.94	4,667,510,087.72	133,225,212.40	4,534,284,875.32
Turnover materials	17,316,510.66	-	17,316,510.66	21,276,179.29	1,327,896.60	19,948,282.69
Materials in transit	11,266,242.91	-	11,266,242.91	15,013,703.20	-	15,013,703.20
Low cost and short-lived materials	187,125,540.23	-	187,125,540.23	205,935,049.01	-	205,935,049.01
Outsourced processing materials	148,053,925.08	-	148,053,925.08	133,794,268.32	-	133,794,268.32
Total	**6,226,072,564.58**	**86,531,050.53**	**6,139,541,514.05**	**6,272,745,970.83**	**151,848,845.28**	**6,120,897,125.55**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7. Inventories - continued

(2) Provision for decline in value of inventories

Unit: RMB

ITEM	Closing balance of the prior year	Provision	Reversal	Resale	Translation difference denominated in foreign currencies	Closing balance of the year
Raw materials	3,990,589.89	2,794,087.92	(876,618.78)	(670,244.70)	200,896.82	5,438,711.15
Work in progress	13,305,146.39	344,942.18	-	(3,220,953.03)	-	10,429,135.54
Goods on hand	133,225,212.40	116,020,749.69	(2,395,989.19)	(175,774,362.93)	(412,406.13)	70,663,203.84
Turnover materials	1,327,896.60	-	-	(1,327,896.60)	-	-
Total	**151,848,845.28**	**119,159,779.79**	**(3,272,607.97)**	**(180,993,457.26)**	**(211,509.31)**	**86,531,050.53**

(3) Others

At the end of the year, inventories with title restricted of the Group are set out in Note V 62.

8. Held-for-sale assets

Unit: RMB

ITEM	Carrying amount at 31 December 2019	Fair value	Estimated disposal cost	Estimated disposal time
Investment properties held for sale (Note)	32,560,101.97	33,623,867.83	-	2020
Total	**32,560,101.97**	**33,623,867.83**	**-**	

Note: Halcyon Agri Corporation Limited, a subsidiary of the Group, intends to sell its office in Indonesia and has received a deposit from the purchaser. The transaction is expected to be completed in 2020.

9. Other current assets

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Wealth management products	3,757,261.40	2,253,357,719.51
Prepaid income tax	39,035,969.10	68,763,030.30
Input tax to be deducted	558,854,227.75	451,612,938.11
Input tax to be certified	1,575.93	2,076,387.81
Borrowings/loans (Note)	2,316,012,190.07	2,808,236,324.70
Others	1,895,145.45	1,270,311.77
Total	**2,919,556,369.70**	**5,585,316,712.20**

Note: At the end of the year, the borrowings/loans in other current assets of the Group are all short-term loans provided to third parties, of which RMB 1,744,050,000.00 has been recovered after the period.

The Group provides funds to subsidiaries of large listed companies with insignificant credit risk and no provision for impairment has been made.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

10. Available-for-sale financial assets

(1) Details of available-for-sale financial assets

Unit: RMB

ITEM	Closing balance of the prior year		
	Book value	Provision for impairment	Carrying amount
Equity instruments available for sale			
-Measured at fair value	278,525,274.34	20,493,812.79	258,031,461.55
-Measured at cost	27,008,424.82	3,909,526.31	23,098,898.51
Total	**305,533,699.16**	**24,403,339.10**	**281,130,360.06**

(2) Available-for-sale financial assets measured at fair value at 31 December 2018

Unit: RMB

Classification of available-for-sale financial assets	Equity instruments available for sale
Cost of equity instruments	297,485,655.46
Fair value	258,031,461.55
Changes in fair value accumulated included in other comprehensive income	(18,960,381.12)
Impairment provided	(20,493,812.79)

(3) Available-for-sale financial assets measured at cost at the end of prior year

Unit: RMB

Investee	Closing balance of the prior year	
	Book value	Provision for impairment
Yangzhou Fuyuan Chemical Technology Co., Ltd.	3,033,073.30	-
Vantone Investment Holdings Co., Ltd.	2,540,000.00	-
Shanghai Baoding Investment Co., Ltd.	1,928,640.00	-
YT rubber	1,164,000.00	-
AJF Star Capital Fund	156,241.09	-
Others	18,186,470.43	3,909,526.31
Total	**27,008,424.82**	**3,909,526.31**

11. Long-term receivables

Unit: RMB

ITEM	Closing balance of the year			Closing balance of the prior year		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Long-term loans	23,895,054.25	-	23,895,054.25	23,960,062.54	-	23,960,062.54
Others	300,000.00	-	300,000.00	450,000.00	-	450,000.00
Total	**24,195,054.25**	**-**	**24,195,054.25**	**24,410,062.54**	**-**	**24,410,062.54**

Note: The Group's long-term receivables are long-term loans to small shareholders of subsidiaries. The relevant credit losses are not significant and no provision for impairment is made.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Long-term equity investments

Unit: RMB

Investee	Closing balance of the prior year	Changes for the year					Closing balance of the year	Closing balance of impairment provision
		Additional investment	Investment profit or loss recognized under equity method	Other equity changes	Cash dividends or profit declared	Changes in exchange rate		
Associates								
Jiangsu Yangnong Kumho Chemical Co., Ltd.	178,159,199.08	-	23,221,613.85	-	10,000,000.00	-	191,380,812.93	-
Shanxi Yaxin Coal Coking Co., Ltd.	111,182,394.03	-	23,402,859.34	1,215,860.84	29,500,817.41	637,328.13	106,937,624.93	-
Ningxia Ruizhu Real Estate Co., Ltd.	22,231,350.57	-	3,076,472.07	-	-	-	25,307,822.64	-
Dongguan Zhonghua Huamei Plastics Co., Ltd.	7,434,525.51	-	468,400.78	-	-	127,964.08	8,030,890.37	3,242,910.22
Shanghai Yinan Equity Investment Management Co., Ltd.	4,125,000.00	-	(542,071.98)	-	-	-	3,582,928.02	-
Feltex Co., Ltd.	8,169,850.34	-	(1,735,506.63)	-	-	786,400.03	7,220,743.74	-
PT Sarana Sumsel Ventura	14,218.36	-	-	-	-	837.10	15,055.46	-
Nanjing Yinan Lingying New Energy Industry Investment Fund (Note1)	-	200,000,000.00	(1,786,866.33)	-	-	-	198,213,133.67	-
Ruigu New Energy (Shanghai) Materials Technology Co., Ltd. (Note2)	-	9,000,000.00	47,486.83	-	-	-	9,047,486.83	-
Total	**331,316,537.89**	**209,000,000.00**	**46,152,387.93**	**1,215,860.84**	**39,500,817.41**	**1,552,529.34**	**549,736,498.59**	**3,242,910.22**

Note 1: Nanjing Yinan Lingying New Energy Industry Investment Fund is a limited partnership jointly established by the Company, Nanjing Pukou Development Zone High-tech Investment Co., Ltd. and Shanghai Yinan Equity Investment Management Co., Ltd. on 28 April 2019. The Company's capital contribution is RMB 200,000,000.00, and the shareholding ratio is 48.19%.

Note 2: Ruigu New Energy (Shanghai) Materials Technology Co., Ltd. is a limited liability company jointly established by Shanghai Zhanyuan New Materials Technology Co., Ltd., subsidiary of the Company, Shanghai Sanrui Polymer Materials Co., Ltd. and Shanghai Ruigu New Energy Enterprise Management Center (Limited Partnership) on 1 February 2019, the Company's capital contribution is RMB 9,000,000.00, and the shareholding ratio is 20.00%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13. Other equity instrument investments

(1) Details of Other equity instrument investments

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
China Everbright Bank Co., Ltd. (Note)	168,916,575.73	-
Yangzhou Fuyuan Chemical Technology Co., Ltd.	121,566,004.67	-
Bank of Jiangsu Co., Ltd. (Note)	74,911,606.68	-
Zhejiang Wynca Chemical Group Co., Ltd. (Note)	38,100,480.00	-
Hunan Zhongqidongjian Private Equity Investment Partnership (Limited Partnership)	18,000,000.00	-
Vantone Investment Holdings Co., Ltd.	2,540,000.00	-
Shanghai Baoding Investment Co., Ltd.	1,928,640.00	-
YT rubber	1,164,000.00	-
AJF Star Capital Fund	156,241.09	-
Others	5,500,000.00	-
Total	**432,783,548.17**	-

Note: The Group purchased the shares of these listed companies from the open market. The Group recognizes its fair value at the closing price of the last trading day before the balance sheet date.

(2) Investments in non-trading equity instruments

Unit: RMB

ITEM	Dividends income recognised in the current year	Accumulated profits (losses)	Reasons for designating these investments at fair value through other comprehensive income ("FVTOCI")
China Everbright Bank Co., Ltd.	7,493,615.26	(14,034,679.73)	It is held for a long-term and not for trading purpose
Yangzhou Fuyuan Chemical Technology Co., Ltd.	1,516,500.00	118,532,931.37	It is held for a long-term and not for trading purpose
Bank of Jiangsu Co., Ltd.	3,517,948.38	66,751,606.68	It is held for a long-term and not for trading purpose
Zhejiang Wynca Chemical Group Co., Ltd.	2,052,160.00	(68,273,920.00)	It is held for a long-term and not for trading purpose
Hunan Zhongqidongjian Private Equity Investment Partnership (Limited Partnership)	-	-	It is held for a long-term and not for trading purpose
Vantone Investment Holdings Co., Ltd.	-	-	It is held for a long-term and not for trading purpose
Shanghai Baoding Investment Co., Ltd.	120,766.80	-	It is held for a long-term and not for trading purpose
YT rubber	-	-	It is held for a long-term and not for trading purpose
AJF Star Capital Fund	-	(120,382.55)	It is held for a long-term and not for trading purpose
Others	-	(8,894,391.68)	It is held for a long-term and not for trading purpose
Total	**14,700,990.44**	**93,961,164.09**	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

14. Investment properties

(1) Investment properties measured at cost

Unit: RMB

ITEM	Buildings and land use rights
I. Cost	
1.Opening balance	480,586,609.45
2.Increase for the year	344,637,276.53
(1) Transferred from self-used property (Note)	344,637,276.53
3. Decrease for the year	(41,746,796.90)
(1) Disposal (Note V 8)	(41,746,796.90)
4. Changes in exchange rate	35,216,802.23
5. Closing balance	818,693,891.31
II. Accumulated depreciation and accumulated amortisation	
1.Opening balance	133,345,571.82
2. Increase for the year	48,002,065.42
(1) Provisions or amortisation	16,879,167.16
(2) Transferred from self-used property (Note)	31,122,898.26
3. Decrease for the year	(9,186,694.93)
(1) Disposal (Note V 8)	(9,186,694.93)
4. Changes in exchange rate	9,909,147.35
5. Closing balance	182,070,089.66
III. Carrying amount	
1.Carrying amount at the end of the year	636,623,801.65
2.Carrying amount at the beginning of the year	347,241,037.63

Note: In the current year, the Group transferred buildings originally recognized for self-use to lease, among which the cost of RMB 190,693,767.78 were transferred from fixed assets into investment properties, and the cost of RMB 153,943,508.75 were transferred from intangible assets into investment properties, with corresponding accumulated depreciation of RMB 9,558,084.79 and accumulated amortization of RMB 21,564,813.47 were also transferred from fixed assets and intangible assets into investment properties, respectively.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

15. Fixed assets

(1) Fixed assets

Unit: RMB

ITEM	Buildings	Machinery and equipment	Transportation vehicles	Other equipment	Total
I. Cost					
1.Opening balance	4,292,373,853.73	5,467,049,409.03	378,052,828.68	1,061,989,023.23	11,199,465,114.67
2. Increase for the year	253,620,218.81	798,419,980.12	11,642,686.21	448,458,156.68	1,512,141,041.82
(1)Additions	49,729,898.61	170,425,824.05	11,610,814.63	63,328,956.18	295,095,493.47
(2)Transfer from construction in progress	95,432,786.90	411,855,972.17	31,871.58	369,941,560.09	877,262,190.74
(3) Increase for acquisition of subsidiaries	108,457,533.30	216,138,183.90	-	15,187,640.41	339,783,357.61
3.Decrease for the year	(233,712,941.17)	(325,906,976.78)	(17,529,359.57)	(27,435,996.42)	(604,585,273.94)
(1)Disposal or retirement	(43,019,173.39)	(325,906,976.78)	(17,529,359.57)	(27,435,996.42)	(413,891,506.16)
(2) Transferred to investment properties	(190,693,767.78)	-	-	-	(190,693,767.78)
4. Changes in exchange rate	11,438,308.62	454,893.32	3,610,264.32	3,486,576.33	18,990,042.59
5.Closing balance	4,323,719,439.99	5,940,017,305.69	375,776,419.64	1,486,497,759.82	12,126,010,925.14
II. Accumulated depreciation					
1.Opening balance	922,856,744.59	1,582,589,745.56	234,063,152.46	626,929,861.71	3,366,439,504.32
2. Increase for the year	190,031,021.24	541,690,726.74	20,932,884.86	300,377,611.15	1,053,032,243.99
(1) Provision	190,031,021.24	541,690,726.74	20,932,884.86	300,377,611.15	1,053,032,243.99
3. Decrease for the year	(37,739,144.89)	(300,594,665.76)	(15,520,019.62)	(14,012,010.79)	(367,865,841.06)
(1)Disposal or retirement	(28,181,060.10)	(300,594,665.76)	(15,520,019.62)	(14,012,010.79)	(358,307,756.27)
(2) Transferred to investment properties	(9,558,084.79)	-	-	-	(9,558,084.79)
4. Changes in exchange rate	4,995,253.62	335,064.63	954,400.06	1,223,133.41	7,507,851.72
5. Closing balance	1,080,143,874.56	1,824,020,871.17	240,430,417.76	914,518,595.48	4,059,113,758.97
III. Provision for impairment					
1.Opening balance	18,658,707.91	87,835,879.37	11,096.16	777,544.69	107,283,228.13
2. Increase for the year	-	40,610,005.19	-	14,094.69	40,624,099.88
(1) Provision	-	40,610,005.19	-	14,094.69	40,624,099.88
3. Decrease for the year	-	(18,892,316.12)	-	(6,205.13)	(18,898,521.25)
(1)Disposal or retirement	-	(18,892,316.12)	-	(6,205.13)	(18,898,521.25)
4. Changes in exchange rate	156,251.47	-	-	-	156,251.47
5. Closing balance	18,814,959.38	109,553,568.44	11,096.16	785,434.25	129,165,058.23
IV. Carrying amount					
1.Carrying amount at the end of the year	3,224,760,606.05	4,006,442,866.08	135,334,905.72	571,193,730.09	7,937,732,107.94
2. Carrying amount at the beginning of the year	3,350,858,401.23	3,796,623,784.10	143,978,580.06	434,281,616.83	7,725,742,382.22

(2) Idle fixed assets

As of 31 December 2019, the cost of the idle fixed assets of the Group was RMB 128,288,722.27, and the book value was RMB 4,217,586.58

(3)Others

At the end of the year, fixed assets of the Group with title restricted are set out in Note V 62.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Construction in progress

16.1 Classification of construction in progress

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Construction in progress	3,482,422,290.46	1,126,179,614.84
Materials for construction of fixed assets	250,274,758.52	46,503,717.45
Total	**3,732,697,048.98**	**1,172,683,332.29**

16.2 Construction in progress

(1) Construction in progress

Unit: RMB

ITEM	Closing balance of the year			Closing balance of the prior year		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Ruiheng project established in Lianyungang	1,010,795,423.75	-	1,010,795,423.75	317,094,185.20	-	317,094,185.20
Huaian Junsheng Phase I Project	621,048,674.66	-	621,048,674.66	157,001,336.47	-	157,001,336.47
Phase II project of annual output of 10,000 tons of NCM cathode material	453,899,491.02	-	453,899,491.02	137,855,145.28	-	137,855,145.28
Sennics Legend project	240,764,943.62	-	240,764,943.62	-	-	-
Yangnong Phase III Project	189,177,808.64	-	189,177,808.64	12,705,856.37	-	12,705,856.37
Non-tire business plantation project	145,179,391.04	-	145,179,391.04	65,622,419.29	-	65,622,419.29
Aramid fiber project	103,241,493.11	-	103,241,493.11	17,842,723.36	-	17,842,723.36
Project for high purity chlorine gas	53,182,567.10	-	53,182,567.10	-	-	-
ABS modification project	44,710,070.37	-	44,710,070.37	-	-	-
Photogas conversion and expansion project	40,385,091.14	-	40,385,091.14	10,373,752.71	-	10,373,752.71
Project for equipment used in international tire processing business	31,695,213.71	-	31,695,213.71	33,963,906.37	-	33,963,906.37
Project of annual production capacity of 10,000 tons of BTA, TTA	26,468,710.18	-	26,468,710.18	-	-	-
Project for equipment used in China tire processing business	20,949,330.57	-	20,949,330.57	11,583,871.94	-	11,583,871.94
Benzotriazole / methylbenzotriazole project	19,798,592.41	-	19,798,592.41	-	-	-
CIP in Ningbo Membrane Technology	18,762,356.64	-	18,762,356.64	-	-	-
Central heating project	18,869,091.63	-	18,869,091.63	1,699,088.18	-	1,699,088.18
Dichlorobenzene slice project	13,126,526.35	-	13,126,526.35	-	-	-
Construction project for production workshop of raw medicine materials of SYP-9625	12,761,359.97	-	12,761,359.97	37,630,232.43	-	37,630,232.43
Expansion project of IS insoluble sulphur	26,376,046.55	25,032,496.55	1,343,550.00	26,376,046.55	25,032,496.55	1,343,550.00
Project for the reduction of epoxy by-products	-	-	-	51,194,999.64	-	51,194,999.64
Youjia Phase II Project	-	-	-	23,641,147.47	-	23,641,147.47
Renovation project for dichlorobenzene plant technology	-	-	-	23,301,884.41	-	23,301,884.41
Others	416,262,604.55	-	416,262,604.55	223,325,515.72	-	223,325,515.72
Total	**3,507,454,787.01**	**25,032,496.55**	**3,482,422,290.46**	**1,151,212,111.39**	**25,032,496.55**	**1,126,179,614.84**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Construction in progress - continued

16.2 Construction in progress - continued

(2) Changes in significant construction in progress this year

Unit: RMB

ITEM	Budget	Opening balance	Amount increased this year	Transferred to fixed assets this year	Changes in exchange rate	Closing balance	The cumulative engineering inputs as a proportion of the budget (%)	Construction progress (%)	Sources of funds
Ruiheng project established in Lianyungang (note)	2,448,925,087.09	317,094,185.20	693,701,238.55	-	-	1,010,795,423.75	52.23	52.23	Borrowings and self-owned assets
Huaian Junsheng Phase I project	810,898,949.16	157,001,336.47	468,346,752.58	4,299,414.39	-	621,048,674.66	75.36	75.36	Self-owned assets
Phase II project for annual output of 10,000 tons of NCM cathode material	652,100,000.00	137,855,145.28	316,044,345.74	-	-	453,899,491.02	70.00	90.00	Self-owned assets
Sennics Legend project	519,724,420.00	-	240,764,943.62	-	-	240,764,943.62	46.00	46.00	Self-owned assets
Yangnong Phase III Project	1,860,000,000.00	12,705,856.37	176,471,952.27	-	-	189,177,808.64	10.17	10.17	Self-owned assets
Non-tire business plantation project	1,295,173,387.20	65,622,419.29	93,367,148.20	14,825,729.55	1,015,553.10	145,179,391.04	7.00	7.00	Self-owned assets
Aramid fiber project	1,253,140,700.00	17,842,723.36	85,398,769.75	-	-	103,241,493.11	44.00	44.00	Self-owned assets
Project for high purity chlorine gas	207,110,000.00	-	53,182,567.10	-	-	53,182,567.10	25.68	25.68	Self-owned assets
ABS modification project	65,344,764.79	-	67,599,112.71	22,603,701.75	(285,340.59)	44,710,070.37	100.00	100.00	Self-owned assets
Photogas conversion and expansion project	47,780,200.00	10,373,752.71	30,011,338.43	-	-	40,385,091.14	84.52	84.52	Self-owned assets
Project for equipment used in international tire processing business	60,148,796.40	33,963,906.37	26,063,680.39	29,494,731.45	1,162,358.40	31,695,213.71	43.00	43.00	Self-owned assets
Project of annual production capacity of 10,000 tons of BTA, TTA	52,650,000.00	-	26,468,710.18	-	-	26,468,710.18	50.27	50.27	Self-owned assets
Project for equipment used in China tire processing business	40,078,269.00	11,583,871.94	28,841,431.21	19,475,972.58	-	20,949,330.57	69.00	69.00	Self-owned assets
Benzotriazole / methylbenzotriazole project	14,000,000.00	-	19,798,592.41	-	-	19,798,592.41	100.00	100.00	Self-owned assets
CIP in Ningbo Membrane Technology	634,000,000.00	-	18,762,356.64	-	-	18,762,356.64	3.00	3.00	Self-owned assets
Central heating project	228,900,000.00	1,699,088.18	18,078,652.54	908,649.09	-	18,869,091.63	8.00	8.00	Self-owned assets
Dichlorobenzene slice project	57,916,414.90	-	13,126,526.35	-	-	13,126,526.35	25.00	25.00	Self-owned assets
Construction project for production workshop of raw medicine materials of SYP-9625	77,622,400.00	37,630,232.43	27,685,156.78	52,554,029.24	-	12,761,359.97	95.00	95.00	Self-owned assets
Project for the reduction of epoxy by-products	65,000,000.00	51,194,999.64	13,805,000.36	65,000,000.00	-	-	100.00	100.00	Self-owned assets
Youjia Phase II Project	1,980,000,000.00	23,641,147.47	44,222,832.21	67,863,979.68	-	-	100.00	100.00	Self-owned assets
Renovation project for dichlorobenzene plant technology	27,910,000.00	23,301,884.41	2,777,115.55	26,078,999.96	-	-	100.00	100.00	Self-owned assets

Note: The closing balance of the project includes capitalized interest of RMB 12,460,771.65, with a capitalization rate of 4.45%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

16. Construction in progress - continued

16.3 Materials for construction of fixed assets

Unit: RMB

ITEM	Closing balance of the year			Closing balance of the prior year		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Engineering Materials	250,274,758.52	-	250,274,758.52	46,503,717.45	-	46,503,717.45
Total	**250,274,758.52**	**-**	**250,274,758.52**	**46,503,717.45**	**-**	**46,503,717.45**

17. Bearer biological assets

(1) Bearer biological assets measured at cost

Unit: RMB

ITEM	Forestry
	Overseas rubber forest (Note)
I. Cost	
1.Opening balance	1,835,369,153.48
2. Increase for the year	236,547,088.15
(1) Additions	236,547,088.15
3. Changes in exchange rate	22,847,380.99
4. Closing balance	2,094,763,622.62
II. Accumulated depreciation	
1. Opening balance	305,013,878.04
2. Increase for the year	19,474,936.87
(1) Provision	19,474,936.87
3. Changes in exchange rate	4,849,133.95
4. Closing balance	329,337,948.86
III. Impairment provision	
1.Opening balance	1,972,815.12
2. Changes in exchange rate	3,531.28
3. Closing balance	1,976,346.40
IV. Carrying amount	
1.Clsoing carrying amount	1,763,449,327.36
2.Opening carrying amount	1,528,382,460.32

Note: Overseas rubber forests are rubber forests in Cameroon, Malaysia and Côte d' Ivoire held by the Group, covering an area of 122,964 hectares. At the end of this year, rubber forests with net book value of overseas rubber forests of RMB 1,509,122,364.88 (31 December 2018: RMB 1,272,575,276.73) have not yet reached the usable state, and the remaining rubber forests that have reached the intended use state cannot be reliably measured in view of their market value and fair value. Therefore, overseas rubber forests confirm their book value based on historical costs, and rubber forests that have reached the expected usable status are amortized at a rate of 3.33% per year.

The amount of capitalized interest this year was RMB 77,331,177.00, and the capitalization rate was 3.81% - 7.15%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Intangible assets

(1) Intangible assets

Unit: RMB

ITEM	Land use rights (Note 1)	Patents	Trademark use right and product registration certificate (Note 2)	Non-patent technology (Note 3)	Customer relationship	Software and others	Total
I. Cost							
1.Opening balance	2,986,456,726.09	1,267,586,247.92	184,345,083.82	78,926,800.00	39,068,580.00	180,638,818.54	4,737,022,256.37
2. Increase for the year	490,493,284.33	216,074,493.90	108,889,134.80	-	240,660,996.40	19,516,164.06	1,075,634,073.49
(1)Additions	453,650,210.83	120,000,000.00	-	-	-	14,816,761.14	588,466,971.97
(2) Increase from acquisition of subsidiaries (Note VI 1)	36,843,073.50	96,074,493.90	108,889,134.80	-	240,660,996.40	4,699,402.92	487,167,101.52
3.Dcrease for the year	(234,655,321.32)	(2,498,200.00)	-	-	-	(3,073,613.00)	(240,227,134.32)
(1) Disposal	(80,711,812.57)	-	-	-	-	(3,073,613.00)	(83,785,425.57)
(2) Transferred to investment properties	(153,943,508.75)	-	-	-	-	-	(153,943,508.75)
(3) Adjustment of purchase date (Note 4)	-	(2,498,200.00)	-	-	-	-	(2,498,200.00)
4. Changes in exchange rate	41,813,545.48	2,322,835.49	692,184.09	169,500.00	3,707,090.83	3,499,535.08	52,204,690.97
5. Closing balance	3,284,108,234.58	1,483,485,377.31	293,926,402.71	79,096,300.00	283,436,667.23	200,580,904.68	5,624,633,886.51
II. Accumulated amortisation							
1.Opening balance	281,264,841.61	411,804,319.47	99,529,012.49	-	5,220,831.50	96,006,051.26	893,825,056.33
2. Increase for the year	48,228,105.97	85,618,478.74	25,186,903.12	-	28,861,876.58	17,694,073.25	205,589,437.66
(1) Provision	48,228,105.97	85,618,478.74	25,186,903.12	-	28,861,876.58	17,694,073.25	205,589,437.66
3. Decrease for the year	(93,295,518.86)	-	-	-	-	(2,852,475.27)	(96,147,994.13)
(1) Disposal	(71,730,705.39)	-	-	-	-	(2,852,475.27)	(74,583,180.66)
(2) Transferred to investment properties	(21,564,813.47)	-	-	-	-	-	(21,564,813.47)
4. Changes in exchange rate	3,532,463.44	79,522.37	249,030.85	-	374,685.28	898,960.95	5,134,662.89
5. Closing balance	239,729,892.16	497,502,320.58	124,964,946.46	-	34,457,393.36	111,746,610.19	1,008,401,162.75
III. Impairment provision							-
1.Opening balance	-	-	-	-	-	289,472.53	289,472.53
2. Increase for the year	-	-	-	-	-	942,076.06	942,076.06
(1) Provision	-	-	-	-	-	942,076.06	942,076.06
3. Changes in exchange rate	-	-	-	-	-	(87,261.29)	(87,261.29)
4. Closing balance	-	-	-	-	-	1,144,287.30	1,144,287.30
IV. Carrying amount							
1.Closing carrying amount	3,044,378,342.42	985,983,056.73	168,961,456.25	79,096,300.00	248,979,273.87	87,690,007.19	4,615,088,436.46
2.Opening carrying amount	2,705,191,884.48	855,781,928.45	84,816,071.33	78,926,800.00	33,847,748.50	84,343,294.75	3,842,907,727.51

Note 1: Among the land use rights, the use rights for land located in Cameroon are granted by the Cameroonian government, with 50 years as the standard service life and can be extended at a nominal value before the end of useful life. In view of the continuous investment and expansion of the rubber forest, the Group expects the land use right to be unextendable at the end of its current standard useful life to be extremely unlikely, so the use period of this part of the land use right is a permanent life and no amortization has been made . When there is solid evidence that the land use right cannot be extended, the Group will estimate the estimated useful life of the relevant land and amortize it in accordance with the amortization policy of intangible assets with finite useful life.

Note 2: Useful life of trademark use right of RMB 4,687,505.77 is not specified in the authorization contract. At the end of the year, the Group performs an impairment testing on the right to use the trademark without amortization. As of 31 December 2019, the Group considered that there was no impairment of the trademark use right.

Note 3: The non-patented technology owned by the Group is the rubber production process technology. The life span of this technology depends on the market's demand for rubber products. The Group believes that the market demand for rubber products is unlikely to terminate, therefore its useful life is set to be uncertain without amortization, and an impairment test is performed at the end of each year. As of 31 December 2019, the Group believed that there was no impairment of the non-patented technology.

Note 4: During the current year, the Group adjusted the amortization of consideration for the acquisition of Shandong Huahong Chemical Co., Ltd., which was acquired in the previous year. Among them, the cost of intangible assets decreased by RMB 2,498,200.00, the goodwill increased by RMB 1,873,650.00 and deferred income tax liabilities decreased by RMB 624,550.00.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

19. Development expenditure

Unit: RMB

ITEM	Opening balance	Increase for the year	Changes in exchange rate	Closing balance
High specific energy ternary lithium battery development project	-	11,379,209.33	-	11,379,209.33
JSM355 module development project	-	6,111,284.61	-	6,111,284.61
ABS project	-	4,492,150.29	56,707.21	4,548,857.50
RO membrane project	-	3,438,327.96	-	3,438,327.96
Others	1,382,265.00	2,786,920.78	-	4,169,185.78
Total	**1,382,265.00**	**28,207,892.97**	**56,707.21**	**29,646,865.18**

20. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of asset group or matters forming goodwill	Opening balance	Increase for the year			Closing balance
		Business combination	Adjustment of goodwill value after purchase date	Effect of changes in exchange rate	
Natural rubber asset group (Note 1)	3,139,370,443.10	-	-	44,576,988.77	3,183,947,431.87
Polymer additive asset group (Note 2)	1,489,318,662.03	-	1,873,650.00	-	1,491,192,312.03
Yangnong asset group (Note 3)	624,477,727.67	-	-	-	624,477,727.67
Junsheng asset group (Note 4)	18,045,054.69	-	-	-	18,045,054.69
ABS asset group (Note 5)	-	492,992,500.39	-	8,339,557.52	501,332,057.91
Total	**5,271,211,887.49**	**492,992,500.39**	**1,873,650.00**	**52,916,546.29**	**5,818,994,584.17**

Note 1: The goodwill of natural rubber asset group was formed by business combinations not involving enterprises under common control in previous year, of which the acquirees are Halcyon Agri Corporation Limited, Corrie Maccoll Pte. Ltd., Teck Bee Hang Co., Ltd., ITCA, Euroma Rubber Industries Sendirian Berhad, Kelvin Terminals BV (formerly formerly known as "RCMA Terminals BV")/Centrotrade Hatyai Co., Ltd. (formerly known as former "RCMA (Hatyai) Limited"), PT Pulau Bintan Djaya and PT Sumber Alam/PT Sumber Djantin.

Note 2: The goodwill of polymer additive asset group was arising from the excess of combined cost over fair value of identifiable net assets of acquiree (Sennics Anhui Co., Ltd., Sennics Co., Ltd. and Shandong Huahong Chemical Co., Ltd.) which were obtained by Sennics Co., Ltd.("Sennics"), the subsidiary of the Group, under business combination not involving enterprises under common control in previous year. During the current year, the Group adjusted the amortization of consideration for the acquisition of Shandong Huahong Chemical Co., Ltd., which was acquired in the previous year. Among them, the cost of intangible assets decreased by RMB 2,498,200.00, the goodwill increased by RMB 1,873,650.00 and deferred income tax liabilities decreased by RMB 624,550.00.

Note 3: The goodwill of the Yangnong Asset Group was formed by the Group's acquisition of Jiangsu Yangnong Chemical Group Co., Ltd. in 2015, not involving enterprises under common control.

Note 4: The goodwill of Junsheng asset group was arising from the excess of combined cost over shares of fair value of identifiable net assets of Huaian Junsheng New Energy Science&Technology Co.,Ltd. ("Huaian Junsheng ") which was obtained by the Group in 2018 under business combination not involving enterprises under common control.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Goodwill - continued

Note 5: In the current year, the increased goodwill of ABS asset group was arising from the excess of combined cost over shares of fair value of identifiable net assets of Elix Polymers, S.L. which was obtained in 2018 by Sinochem Plastics (Spain),S.L., the subsidiary of Group, under business combination not involving enterprises under common control, amounting to RMB 492,992,500.39. Please see Note VI 1 for details.

(2) Impairment provision for goodwill

Unit: RMB

Name of asset group or matters forming goodwill	Opening balance	Increase for the year		Closing balance
		Provision	Effect of changes in exchange rate	
Natural rubber asset group	700,021,984.26	-	11,525,598.01	711,547,582.27
Polymer additive asset group	-	-	-	-
Yangnong asset group	-	-	-	-
ABS asset group	-	-	-	-
Junsheng asset group	-	-	-	-
Total	**700,021,984.26**	**-**	**11,525,598.01**	**711,547,582.27**

The main factor for the natural rubber asset group impaired in the previous year is due to the sluggish natural rubber market demand and the decline in international rubber prices. The current value of the expected future cash flow of the relevant asset group including goodwill is lower than its book value.

As of 31 December 2019, the carrying amount of the goodwill of each asset group and related impairment provisions are as follows:

Unit: RMB

Name of asset group or matters forming goodwill	Cost	Impairment provision	Net book value
Natural rubber asset group	3,183,947,431.87	711,547,582.27	2,472,399,849.60
Polymer additive asset group	1,491,192,312.03	-	1,491,192,312.03
Yangnong asset group	624,477,727.67	-	624,477,727.67
ABS asset group	501,332,057.91	-	501,332,057.91
Junsheng asset group	18,045,054.69	-	18,045,054.69
Total	**5,818,994,584.17**	**711,547,582.27**	**5,107,447,001.90**

The key assumptions and basis for calculating the recoverable amount of the asset group are as follows:

<u>Natural rubber asset group</u>

The recoverable amount of the natural rubber asset group is determined according to the present value of the expected future cash flow, and is determined by the appraisal of the third-party evaluation agency, Zhongtong Asset Evaluation Co., Ltd. Future cash flows are determined based on the financial budget from 2020 to 2024 approved by the management. The key assumptions used in predicting the present value of future cash flows are the estimated sales revenue growth rate (from 2020 to 2024: 4% to 26%, subsequent to 2024: 0) and discount rate (approximately 11.44%) on basis of the past performance of the asset group and the expected development of the market.

The management believes that any reasonable change in the above assumptions will not cause the total book value of the natural rubber asset group to exceed its recoverable amount.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

20. Goodwill - continued

(2) Impairment provision for goodwill

Polymer additive asset group

The recoverable amount of the Polymer additive asset group is determined according to the present value of the expected future cash flow. Future cash flows are determined based on the financial budget from 2020 to 2024 approved by management. The key assumptions used in predicting the present value of future cash flows are the estimated sales revenue growth rate (from 2020 to 2024: -15% to 41%, subsequent to 2024: 3%) and discount rate (approximately 15%) on basis of the past performance of the asset group and the expected development of the market.

The management believes that any reasonable change in the above assumptions will not cause the total book value of the polymer additive asset group to exceed its recoverable amount.

Yangnong asset group

The recoverable amount of the Yangnong group is determined according to the present value of the expected future cash flow. Future cash flows are determined based on the financial budget from 2020 to 2024 approved by management. The key assumptions used in predicting the present value of future cash flows are the estimated sales revenue growth rate (rom 2020 to 2024: -2% to35%, subsequent 2024: 3%) and discount rate (approximately 14.5%) on basis of the past performance of the asset group and the expected development of the market.

The management believes that any reasonable change in the above assumptions will not cause the total book value of the Yangnong asset group to exceed its recoverable amount.

ABS asset group

The recoverable amount of the ABS asset group is determined according to the present value of the expected future cash flow. Future cash flows are determined based on the financial budget from 2020 to 2024 approved by management. The key assumptions used in predicting the present value of future cash flows are the estimated sales revenue growth rate (from 2020 to 2024: 1% to 12%, subsequent 2024: 2%) and discount rate (12%) on basis of the past performance of the asset group and the expected development of the market.

The management believes that any reasonable change in the above assumptions will not cause the total book value of the ABS asset group to exceed its recoverable amount.

21. Long-term prepaid expenses

Unit: RMB

ITEM	Opening balance	Increase	Amortisation	Other decrease	Effect of changes in exchange rate	Closing balance
Equipment and venue rental fees	18,378,301.99	1,299,781.15	(1,902,419.88)	-	(362,795.17)	17,412,868.09
Housing renovation fee	25,203,737.24	2,256,538.13	(5,053,514.65)	(942,076.06)	6,782.31	21,471,466.97
Maintenance and repair costs	10,836,102.44	11,274,709.74	(20,745,055.05)	-	-	1,365,757.13
Others	2,151,521.11	4,946,112.29	(3,774,274.09)	-	-	3,323,359.31
Total	**56,569,662.78**	**19,777,141.31**	**(31,475,263.67)**	**(942,076.06)**	**(356,012.86)**	**43,573,451.50**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Deferred tax assets/ deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

ITEM	Closing balance of the year		Closing balance of the prior year	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	332,742,098.45	68,449,452.98	457,731,566.40	85,416,551.82
Credit impairment provision	98,499,459.19	16,754,432.43		
Deductible losses	1,497,424,324.73	296,241,982.93	807,962,071.37	148,401,846.15
Estimates of derivative financial instruments	12,157,592.04	2,128,036.99	39,430,800.48	6,791,700.11
Accrued expenses	201,947,031.02	51,034,190.63	224,397,886.93	56,601,919.20
Deferred income	36,332,009.99	5,708,302.40	28,470,439.21	4,563,587.53
Book-tax differences in depreciation of fixed assets	37,576,506.64	9,621,685.23	30,836,723.84	7,709,180.96
Unrealized profit on inter-company transactions	77,706,416.77	16,420,727.65	76,590,099.08	17,474,850.65
Book-tax differences in amortization of intangible assets	20,816.75	5,204.19	23,997.36	5,999.34
Accounts payable with notes not yet received	413,691,682.29	62,053,752.38	412,259,864.93	61,838,979.75
Others	34,856,870.79	7,663,796.86	10,149,623.22	2,855,929.61
Total	**2,742,954,808.66**	**536,081,564.67**	**2,087,853,072.82**	**391,660,545.12**

(2) Deferred tax liabilities that are not offset

Unit: RMB

ITEM	Closing balance of the year		Closing balance of the prior year	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Estimates of derivative financial instruments	73,835,550.64	12,595,771.47	207,670,495.70	32,839,367.64
Changes in fair value of investment in other equity instruments	126,844,782.71	12,396,008.70	93,760,361.87	18,078,986.94
Retained profits of subsidiaries under different tax rates	765,323,356.75	77,783,993.69	1,441,815,812.37	144,936,277.90
Appreciation in evaluation of long-term assets	2,722,654,383.04	676,740,629.02	2,264,523,270.22	490,986,866.41
Book-tax differences in amortization of intangible assets	19,282,740.02	3,278,065.80	16,714,959.85	2,841,543.17
Book-tax differences in depreciation of fixed assets	449,256,844.01	76,685,492.94	209,594,626.10	33,189,256.63
Others	11,294,648.79	2,492,884.08	47,666,110.47	8,103,238.75
Total	**4,168,492,305.96**	**861,972,845.70**	**4,281,745,636.58**	**730,975,537.44**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

22. Deferred tax assets/ deferred tax liabilities - continued

(3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

Unit: RMB

ITEM	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets and liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
Deferred tax assets	48,048,652.25	488,032,912.42	26,145,798.65	365,514,746.47
Deferred tax liabilities	48,048,652.25	813,924,193.45	26,145,798.65	704,829,738.79

(4) Details of the Group's unrecognized deferred tax assets

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Deductible losses	1,055,612,080.09	629,713,938.29
Deductible temporary differences	102,337,854.41	275,267,248.50
Total	**1,157,949,934.50**	**904,981,186.79**

(5) Deductible tax losses that are not recognized as deferred tax assets will expire in the following years

Unit: RMB

Year	Closing balance of the year	Closing balance of the prior year
2019	-	24,825,203.31
2020	20,014,688.46	51,991,730.41
2021	60,620,663.58	66,980,978.65
2022	51,490,314.12	62,433,468.56
2023	38,954,506.22	42,945,261.76
2024	271,739,315.66	-
After 2024	612,792,592.05	380,537,295.60
Total	**1,055,612,080.09**	**629,713,938.29**

23. Other non-current assets

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Prepayment of long-term assets	936,272,243.83	497,303,164.69
Time deposits over one year (Note)	203,229,058.72	-
Total	**1,139,501,302.55**	**497,303,164.69**

Note: The Group's other non-current assets with time deposits of more than one year are deposited in financial institutes with high credit ratings, and credit risk is not significant, therefore no impairment provision has been made.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

24. Short-term borrowings

(1) Classification of short-term borrowings

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Pledged loans (Note 1)	509,136,441.27	13,500,000.00
Mortgaged loans (Note 2)	815,064,553.88	509,844,626.42
Guaranteed loans	-	20,000,000.00
Credit loans	4,839,222,069.83	4,494,199,128.35
Collateralized loans	11,194,179.34	9,875,835.61
Total	**6,174,617,244.32**	**5,047,419,590.38**

Note 1: At the end of the year, the Group obtained short-term borrowings of RMB 509,136,441.27 from banks by pledging of accounts receivable.

Note 2: At the end of this year, please refer to Note V 62 for the restricted assets related to this part of mortgage loans.

At the end of the year, the above borrowing rates is from 0.57% to 9.25% (31 December 2018: 0.65% to 6.10%).

(2) Overdue and unpaid short-term borrowings

At the end of the year, the Group has no short-term borrowings overdue and unpaid.

25. Notes payable

Unit: RMB

Category	Closing balance of the year	Closing balance of the prior year
Bank acceptance bill	2,129,914,006.28	2,342,938,002.00
Commercial acceptances	110,653,729.66	-
Total	**2,240,567,735.94**	**2,342,938,002.00**

At the end of the year, the Group had no notes payable due and unpaid.

26. Accounts payable

(1) Accounts payable are listed as follows:

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Payment for commodity purchased	3,480,065,996.79	3,881,284,682.65
Labor service fee	26,311,862.95	14,874,980.20
Project funds	709,107,910.37	356,046,000.03
Total	**4,215,485,770.11**	**4,252,205,662.88**

(2) Significant accounts payable aged over 1 year

At the end of the year, the Group has no accounts payable aged over 1 year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

27. Receipts in advance

(1) Receipts in advance are listed as follow:

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Sales payment in advance	694,454,956.46	819,765,937.69
Payment for labor in advance	4,418,906.17	5,939,581.21
Total	**698,873,862.63**	**825,705,518.90**

(2) Significant receipts in advance aged over one year

At the end of the year, the Group has no significant receipts in advance aged over one year.

28. Employee benefits payable

(1) Employee benefits payable are listed as follows:

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	386,712,905.86	3,009,125,386.69	(2,992,501,746.04)	403,336,546.51
II. Post-employment benefits - defined contribution plan	26,268,627.71	227,365,931.31	(223,682,174.18)	29,952,384.84
III. Termination benefits	494,550.00	6,229,205.92	(5,721,746.44)	1,002,009.48
Total	**413,476,083.57**	**3,242,720,523.92**	**(3,221,905,666.66)**	**434,290,940.83**

(2) Short-term employee benefits

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	328,455,974.00	2,378,126,083.51	(2,356,635,936.01)	349,946,121.50
II. Staff welfare	6,788,480.37	188,802,875.46	(188,968,924.09)	6,622,431.74
III. Social insurance premiums	11,403,337.06	134,172,787.90	(135,931,613.86)	9,644,511.10
Including: Medical insurance	11,384,688.96	122,419,606.97	(124,169,774.15)	9,634,521.78
Work-related injury insurance	5,642.89	5,637,602.59	(5,641,209.36)	2,036.12
Maternity insurance	13,005.21	6,115,578.34	(6,120,630.35)	7,953.20
4、Housing funds	859,632.14	130,943,486.14	(130,991,615.22)	811,503.06
5、Employee union fund and Employee education fund	37,060,037.22	46,604,591.29	(49,175,598.08)	34,489,030.43
6、Other short-term employee benefits	2,145,445.07	130,475,562.39	(130,798,058.78)	1,822,948.68
Total	**386,712,905.86**	**3,009,125,386.69**	**(2,992,501,746.04)**	**403,336,546.51**

(3) Defined contribution plan

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	3,711,837.83	160,344,679.28	(160,793,279.38)	3,263,237.73
2. Unemployment insurance	10,723.07	4,974,386.98	(4,981,133.45)	3,976.60
3. Supplementary pension	22,546,066.81	62,046,865.05	(57,907,761.35)	26,685,170.51
Total	**26,268,627.71**	**227,365,931.31**	**(223,682,174.18)**	**29,952,384.84**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

28. Employee benefits payable - continued

(3) Defined contribution plan - continued

The Group participates, as required, in the pension insurance and unemployment plan established by government institutions. According to such plans, the Group contributes monthly to such plans based on 14%-20% and 0.48%-0.8% of the employee's basic salary, respectively. In addition, the Group provides corporate annuity benefits for employees, and the Group makes monthly contributions of 4% -5% of salaries, bonuses and certain allowances to corporate annuity management agencies approved by government departments. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In this year, the Group should contribute pension insurance, unemployment plans and corporate annuity management agencies amounting to RMB160,344,679.28, RMB4,974,386.98 and RMB62,046,865.05 (2018: RMB152,879,773.14, RMB4,284,325.97 and RMB55,115,280.32). As at 31 December 2019, the Group has outstanding contributions to pension insurance, unemployment plans and corporate annuity management agencies that is due as of the reporting period amounting to RMB3,263,237.73, RMB3,976.60 and RMB26,685,170.51 (31 December 2018: RMB3,711,837.83, RMB10,723.07 and RMB22,546,066.81).

29. Taxes payable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
VAT	114,112,521.17	167,954,780.65
Enterprise income tax	416,271,251.00	659,200,003.03
Individual income tax	18,293,692.76	58,516,158.68
City maintenance and construction tax	4,958,016.03	9,043,308.49
Educational surcharge	3,700,367.58	5,454,788.11
Others	44,123,915.59	50,907,505.27
Total	**601,459,764.13**	**951,076,544.23**

30. Other payables

30.1 Classification

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Interest payable	-	162,775,197.40
Dividends payable	146,156,113.93	4,708,712.49
Other payables	1,274,609,021.20	1,539,325,689.19
Total	**1,420,765,135.13**	**1,706,809,599.08**

30.2 Interest payable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Short-term borrowings interest payable	-	15,182,488.32
Interest of long-term borrowings with interest payable by instalments and principal payable on maturity	-	16,375,655.97
Interest on corporate bond	-	131,217,053.11
Total	**-**	**162,775,197.40**

At the end of the year, there was no interest expense in interest payable overdue (2018: Nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

30. Other payables - continued

30.3 Dividends payable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Minority shareholders of subsidiaries	146,156,113.93	4,708,712.49
Total	**146,156,113.93**	**4,708,712.49**

30.4 Other payables

(1) Other payables categorized by nature

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Freight and miscellaneous charges payable	128,308,345.45	157,163,254.10
Guarantees and deposits	62,882,359.36	60,202,189.14
Accrued expenses	458,079,739.33	399,036,822.06
Estimated project funds	210,832,456.15	239,173,449.18
Royalties	5,029,890.19	32,278,436.16
Purchase of equity	111,382,113.79	109,765,098.06
Temporary collection	151,162,826.42	243,876,239.18
Others	146,931,290.51	297,830,201.31
Total	**1,274,609,021.20**	**1,539,325,689.19**

(2) Significant other payables aged over one year

At the end of the year, the Group has no significant other payables aged over one year.

31. Non-current liabilities due within one year

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Long-term borrowings due within one year (Note V 32)	361,979,744.10	197,858,283.90
Bonds payable due within one year	81,531,661.43	1,194,351,384.90
Total	**443,511,405.53**	**1,392,209,668.80**

32. Long-term borrowings

(1) Classification of long-term borrowings

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Mortgage loans (Note)	615,641,785.38	331,174,976.68
Credit loans	4,352,620,114.60	3,597,628,393.53
Less: Long-term borrowings due within one year (Note V 31)	361,979,744.10	197,858,283.90
Total	**4,606,282,155.88**	**3,730,945,086.31**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

32. Long-term borrowings - continued

(1) Classification of long-term borrowings - continued

Note: At the end of the year, for restricted assets related to mortgage loans, please refer to Note V 62 for details.

At the end of the year, the annual interest rate of the Group's long-term borrowings was from 1.35% to 9.25% (31 December 2018: 1.35% to 7.15%)

At the end of the year, the Group had no outstanding long-term loans due.

33. Bonds payable

(1) Bonds payable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
16 Sinochem 01	2,497,684,368.17	2,496,980,743.90
Senior Unsecured Notes	2,081,344,892.36	2,043,605,717.11
Total	**4,579,029,260.53**	**4,540,586,461.01**

(2) Changes in bonds payable

Unit: RMB

Name	Par value	Issue date	Term	Issue amount
16 Sinovhem 01	2,500,000,000.00	2016-06-07	5 years	2,500,000,000.00
Senior Unsecured Notes	USD300,000,000.00	2017-07-25	5 years	2,018,490,000.00
Total				**4,518,490,000.00**

RMB

Name	Opening balance	Accrued interest at par value	Amortisation of premium or depreciation	Repayment	Changes in exchange rate	Closing balance
16 Sinochem 01	2,496,980,743.90	90,250,000.00	703,624.27	(90,250,000.00)	-	2,497,684,368.17
Senior Unsecured Notes	2,043,605,717.11	64,635,000.00	4,043,996.91	(64,635,000.00)	33,695,178.34	2,081,344,892.36
Total	**4,540,586,461.01**	**154,885,000.00**	**4,747,621.18**	**(154,885,000.00)**	**33,695,178.34**	**4,579,029,260.53**

34. Long-term payables

34.1 Classification

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Long-term payables	1,116,555.43	3,583,173.96
Special payables	342,208,529.36	26,887,187.32
Total	**343,325,084.79**	**30,470,361.28**

34.2 Long-term payables

(1) Long-term payables categorized by nature

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Finance lease payable	1,116,555.43	3,583,173.96

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

34. Long-term payables

34.3 Special payables

(1) Special payables categorized by nature

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance	Reasons
Compensation for policy-oriented relocation (Note)	26,054,615.89	365,000,000.00	(49,278,657.96)	341,775,957.93	Compensation for policy-oriented relocation
Others	832,571.43	-	(400,000.00)	432,571.43	Policy-oriented demolition and reconstruction
Total	**26,887,187.32**	**365,000,000.00**	**(49,678,657.96)**	**342,208,529.36**	

Note: According to the minutes of the special meeting of the Yangzhou Municipal Government on 17 May 2016, Yangnong Group, the subsidiary of the Group, received a special amount of RMB 365,000,000.00 from the government this year due to the overall relocation of the government. As of the end of the year, this relocation has not been completed.

35. Long-term employee benefits payable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Post-employment welfare-Net liabilities of defined benefit plan	172,557,553.63	130,562,798.97
Total	**172,557,553.63**	**130,562,798.97**

Present value of defined benefit plan obligations:

Unit: RMB

ITEM	2019	2018
I. Opening balance	130,562,798.97	138,143,292.43
II. Increase arising from acquisition of subsidiaries	11,926,984.29	11,668,759.56
III. Defined benefit cost included in current profit and loss	47,876,891.45	31,111,334.55
1. Service cost for the year	31,330,437.97	13,261,025.90
2. Service cost for the prior years	438,407.59	4,402,149.88
3. Settlement gains	7,923,795.34	5,232,622.03
4. Net interest	8,184,250.55	8,215,536.74
IV. Defined benefit cost included in other comprehensive income	(7,393,439.45)	(27,620,715.23)
1. Actuarial loss (gain)	(7,393,439.45)	(27,620,715.23)
V. Other changes	(10,415,681.63)	(22,739,872.34)
1. Benefits paid	(19,585,361.87)	(21,153,711.78)
2.Translation differences	9,169,680.24	(1,586,160.56)
VI. Closing balance	172,557,553.63	130,562,798.97

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

35. Long-term employee benefits payable - continued

Net liabilities of defined benefit plan

Unit: RMB

ITEM	2019	2018
I. Opening balance	130,562,798.97	138,143,292.43
II. Increase arising from acquisition of subsidiaries	11,926,984.29	11,668,759.56
III. Defined benefit cost included in current profit and loss	47,876,891.45	31,111,334.55
IV. Defined benefit cost included in other comprehensive income	(7,393,439.45)	(27,620,715.23)
V. Other changes	(10,415,681.63)	(22,739,872.34)
VI. Closing balance	172,557,553.63	130,562,798.97

The Group provides supplementary retirement benefit plans for employees in Indonesia, Thailand, Cameroon and Côte d’ Ivoire. As of the end of the year, the Group had a total of 13,269 employees eligible for this plan.

The Group did not inject funds into this defined benefit plan. According to this plan, qualified employees are entitled to receive 15% of their final remuneration as the annual payment after retirement while reaching the retirement age of 55.

The above defined benefit plans are calculated by independent actuaries. The defined benefit plans expose the Group to actuarial risks. These risks mainly include:

1) Risk of fluctuations in bond yields: A decline in government bond yields will lead to an increase in the present value of the obligations of the defined benefit plan;
2) Inflation risk: The calculation of this plan is linked to the inflation rate, and higher inflation rates will lead to higher liabilities.

At the end of the year, the average benefit obligation period set by the Group for the benefit plan was 18.1 years (31 December 2018: 18.5 years).

The Group expects to pay RMB 22,693,578.60 for the defined benefit plan in the next fiscal year.

The significant actuarial assumptions used in determining the present value of the defined benefit plan obligation are the discount rate and wage growth rate. The discount rate and wage growth rate are 8.19% and 5.00% -9.00%, respectively. Other assumptions, such as mortality, disability rate and voluntary turnover rate, have little effect on the establishment of benefit plans.

The following sensitivity analysis is based on the reasonably possible changes in the corresponding assumptions at the end of the reporting period while all other assumptions remain unchanged. The analysis is as follows:

If the discount rate increases (decreases) by 1 basis point, the present value of the defined benefit plan obligation will decrease by RMB 10,003,870.80 (an increase of RMB 11,601,420.60).

If the wage growth rate increases (decreases) by 1 basis point, the present value of the defined benefit plan obligation will increase by RMB 12,668,779.20 (decrease by RMB 10,359,657.00).

Since some hypotheses may be relevant, it is impossible for a hypothesis to change in isolation, so the above sensitivity analysis may not necessarily reflect the actual changes in the present value of the defined benefit plan obligations.

At the end of the year, the methods and assumptions used for sensitivity analysis have not changed.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

36. Provisions

Unit: RMB

ITEM	Closing balance for the year	Closing balance of the prior year	Reasons
Land restoration obligation (Note)	119,326,733.56	-	Land restoration obligation
Total	**119,326,733.56**	**-**	

Note: The obligation of land restitution refers to the best estimate of the expenses expected to be incurred when the factory of Elix Polymers, S.L. in Spain, a newly acquired subsidiary of the Group, is required to bear the obligation of land restitution when the land use period expires.

37. Deferred income

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance
Government grants	77,909,044.26	72,986,991.24	(53,123,845.53)	97,772,189.97
Total	**77,909,044.26**	**72,986,991.24**	**(53,123,845.53)**	**97,772,189.97**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

37. Deferred income - continued

Items relating to governments grants:

Unit: RMB

Items	Opening balance	Increased government grants for the period	Amount recognised in other income this year	Other decrease this year	Amount affected by exchange rate changes	Closing balance	Related to asset /Related to income
Special subsidies for technological transformation of lithium battery projects	34,690,000.00	-	(3,468,999.96)	-	-	31,221,000.04	Related to asset
Financial special appropriation	6,259,775.16	-	(636,691.56)	-	19,532.06	5,642,615.66	Related to asset
Phase I Land Subsidy from Rudong Coastal Economic Development Zone Management Committee	5,655,450.00	-	(377,030.00)	-	-	5,278,420.00	Related to asset
Phase I project preferential rewards from Rudong Coastal Economic Development Zone Management Committee	5,104,312.50	-	(340,287.50)	-	-	4,764,025.00	Related to asset
Factory demolition compensation	4,912,889.89	-	(179,136.12)	-	5,495.44	4,739,249.21	Related to asset
Provincial Achievement Transformation Project	3,528,571.40	-	(542,857.20)	-	-	2,985,714.20	Related to asset
Compensation for reconstruction of electric house in Daganwei fence	2,563,549.86	-	(145,207.46)	-	-	2,418,342.40	Related to asset
Glyphosate mother liquor thermal oxidation resource recycling project	2,142,857.09	571,428.57	(571,428.60)	-	-	2,142,857.06	Related to asset
Key laboratory project	1,714,285.59	-	(428,571.48)	-	-	1,285,714.11	Related to asset
Compensation for demolition of Shandong Sennics	-	50,000,000.00	(43,586,967.06)	-	-	6,413,032.94	Related to asset
Rudong County Finance Bureau Jiangsu, Province Special Fund for Scientific and Technological Achievements Transformation	-	6,000,000.00	(671,523.02)	-	-	5,328,476.98	Related to asset
Autonomous Region Major Science and Technology Special Subsidies	-	4,600,000.00	-	-	-	4,600,000.00	Related to asset
Subsidy for 3 million Ziguang industrial Shangyun project	-	3,000,000.00	-	-	-	3,000,000.00	Related to asset
Public infrastructure supporting subsidy	-	2,478,577.92	-	-	-	2,478,577.92	Related to asset
Others	11,337,352.77	6,311,957.25	(1,703,745.57)	(471,400.00)	-	15,474,164.45	Related to asset
Total	**77,909,044.26**	**72,961,963.74**	**(52,652,445.53)**	**(471,400.00)**	**25,027.50**	**97,772,189.97**	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

38. Other non-current liabilities

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Minority shareholders borrowings(Note1)	271,750,796.63	82,004,285.00
Special loan (Note 2)	50,000,000.00	-
Long-term withholding tax	27,013,127.46	-
Others	57,449,397.90	37,737,069.66
Total	**406,213,321.99**	**119,741,354.66**

Note 1: During the year, Sinochem Plastics (Spain), S.L., a subsidiary of the Company, obtained a loan of EUR34,770,750.00 (equivalent to RMB 271,750,796.63) from minority shareholder Seth Holdings Corporation Limited.

Note 2: In this year, Sinochem (Ningbo) Runwo Membrane Technology Co., Ltd., a subsidiary of the Company, borrowed an interest-free loan for scientific research from Xiangshan Economic Development Zone Investment Co., Ltd. with a term of 3 years.

39. Share capital

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior
Shares with unlimited sales conditions		
Ordinary shares denominated in RMB (Note)	2,707,916,472.00	2,083,012,671.00
Total	**2,707,916,472.00**	**2,083,012,671.00**

Note: On 21 May 2019, based on the total share capital of 2,083,012,671 shares, the Company distributed 0.3 bonus shares per share to all shareholders. A total of 624,903,801 bonus shares were distributed. After this distribution, the total share capital was 2,707,916,472 shares.

40. Other equity instruments

(1) Basic information of perpetual bonds issued as of the end of the year

On 5 December 2019, the Company issued renewable corporate bonds at par on the Shanghai Stock Exchange with a par value of RMB 100 and a coupon rate of 3.80%. The bond has a standard term of two years, with one cycle for every two interest-bearing years, and at the end of each cycle, the Company has the option to either extend the term of the bond by one cycle (i.e. by two years) or to pay the bond in full at the end of that cycle. The coupon rate for subsequent cycles is adjusted to the current base rate plus the initial interest-rate spread plus 300 basis points. As of 31 December 2019, the Company has issued renewable corporate bonds in the amount of RMB 1,297,352,452.83.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

40. Other equity instruments - continued

(2) Changes in perpetual bonds issued as of the end of the year

Unit: RMB

Financial instruments issued	Opening balance		Increase		Decrease		Closing balance	
	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount	Quantity	Carrying amount
Renewable corporate bonds publicly issued in 2019 (phase I)	-	-	13,000,000	1,297,352,452.83	-	-	13,000,000	1,297,352,452.83
Total	**-**	**-**	**13,000,000**	**1,297,352,452.83**	**-**	**-**	**13,000,000**	**1,297,352,452.83**

Since the Company may, at its sole discretion, defer payment of the above-mentioned renewable corporate bonds, the above-mentioned perpetual bonds issued by the Company are long-lived. On each payment date, the Company may choose to defer payment of the current interest as well as all the interest that has been deferred and its fruits to the next payment date, without any limitation on the number of deferred payments of interest, unless an event of mandatory interest payment occurs that can be controlled by the Company in its sole discretion to determine whether the payment is needed. The bond has had only one and limited interest rate jump, and its maximum coupon rate is not expected to exceed the average interest rate level of similar instruments in the same industry over the same period. At the same time, the bonds are in a worse order of liquidation in bankruptcy than the Company's ordinary debt. The management considers that the bond meets the conditions for classification as an equity instrument as described in Note (iii) 23 and therefore classifies it as an equity instrument.

41. Capital reserve

Unit: RMB

ITEM	Opening balance	Increase	Decrease	Closing balance
Share premium	3,189,690,143.19	354,947,790.88	(2,089,674.87)	3,542,548,259.20
Other capital reserve	134,514,026.05	-	-	134,514,026.05
Total	**3,324,204,169.24**	**354,947,790.88**	**(2,089,674.87)**	**3,677,062,285.25**

Changes in capital reserve this year are set out in Note VII 2.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

42. Other comprehensive income

Unit: RMB

ITEM	Closing balance of the prior year	Changes in accounting policies	Opening balance of the current year	Amount incurred this year				Closing balance
				Amount incurred before income tax for this year	Less: Income tax expenses	Attributable to shareholders of parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified subsequently to profit or loss	4,190,764.59	(38,277,135.24)	(34,086,370.65)	79,121,149.09	7,750,475.54	40,472,093.17	30,898,580.38	6,385,722.52
Including: Remeasurement of changes in net liabilities and net assets of defined benefit plans	4,190,764.59	-	4,190,764.59	7,393,439.45	262,602.35	4,289,683.80	2,841,153.30	8,480,448.39
Changes in fair value of investment in other equity instruments	-	(38,277,135.24)	(38,277,135.24)	71,727,709.64	7,487,873.19	36,182,409.37	28,057,427.08	(2,094,725.87)
II. Other comprehensive income that will be subsequent reclassified into profit or loss	(695,596,167.28)	37,835,763.24	(657,760,404.04)	37,483,897.34	-	7,228,637.80	30,255,259.54	(650,531,766.24)
Including: Profit or loss on changes in the fair value of available-for-sale financial assets	(37,835,763.24)	37,835,763.24	-	-	-	-	-	-
Exchange differences on translation of financial statements denominated in foreign currencies	(657,760,404.04)	-	(657,760,404.04)	37,483,897.34	-	7,228,637.80	30,255,259.54	(650,531,766.24)
Total other comprehensive income	**(691,405,402.69)**	**(441,372.00)**	**(691,846,774.69)**	**116,605,046.43**	**7,750,475.54**	**47,700,730.97**	**61,153,839.92**	**(644,146,043.72)**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

43. Special reserve

Unit: RMB

ITEM	Opening balance	Provision	Amount utilized in the current year	Other increase (Note V 12)	Closing balance
Production safety fee	77,789,177.55	47,488,372.33	(32,103,823.65)	1,215,860.84	94,389,587.07
Total	**77,789,177.55**	**47,488,372.33**	**(32,103,823.65)**	**1,215,860.84**	**94,389,587.07**

In the current year, the Group withdrew RMB 47,488,372.33 of special reserves (2018: RMB 43,110,016.60) and used special reserves of RMB 32,103,823.65 (2018: RMB 49,862,873.85). RMB 1,215,860.84 was increased due to changes in special reserves of associates (2018: Nil).

44. Surplus reserve

Unit: RMB

ITEM	Closing balance of the prior year	Changes in accounting policies	Opening balance of the current year	Increase	Decrease	Closing balance
Statutory surplus reserve	932,869,321.23	(254,777.87)	932,614,543.36	38,988,320.22	-	971,602,863.58
Total	**932,869,321.23**	**(254,777.87)**	**932,614,543.36**	**38,988,320.22**	**-**	**971,602,863.58**

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital.

45. Retained profits

Unit: RMB

ITEM	2019	2018
Retained profits at the end of prior year before adjustment	5,516,420,085.11	5,075,617,357.45
Retrospective adjustment for accounting policy changes	20,930,888.44	-
Retained profits at the beginning of the year after adjustment	5,537,350,973.55	5,075,617,357.45
Add: Net profit attributable to shareholders of the Company for the period	459,780,351.81	911,093,989.20
Transfer of other comprehensive income that cannot be transferred to profit or loss under the equity method	-	(765,799.65)
Less: Appropriation to statutory surplus reserve	38,988,320.22	261,224,194.79
Declaration of dividends on ordinary shares (Note)	937,355,701.65	208,301,267.10
Retained profits at the end of the year	**5,020,787,303.49**	**5,516,420,085.11**

Note: According to the resolution of the general meeting of shareholders of the Group on 21 May 2019, a cash dividend of RMB 0.15 per share was distributed to all shareholders based on the total number of 2,083,012,671 shares at the end of 2018, totaling RMB 312,451,900.65, and 624,903,801 bonus shares were distributed to all companies (amounting to RMB 624,903,801.00).

46. Operating income and operating cost

Unit: RMB

ITEM	2019		2018	
	Income	Cost	Income	Cost
Principal operation	52,499,886,611.56	46,007,089,136.78	59,610,122,772.85	52,504,929,449.33
Other operations	346,576,454.19	319,602,473.52	346,450,638.74	239,077,601.19
Total	**52,846,463,065.75**	**46,326,691,610.30**	**59,956,573,411.59**	**52,744,007,050.52**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

47. Taxes and levies

Unit: RMB

ITEM	2019	2018
City maintenance and construction tax	24,382,397.07	30,108,357.87
Educational surcharge	19,377,921.62	22,077,741.15
Property tax	29,819,462.07	26,335,236.06
Land use tax	21,124,534.74	19,276,353.70
Vessel and vehicle tax	113,454.65	189,187.26
Stamp duty	23,967,516.79	21,153,102.10
Tax on rubber forest mining in Thailand (Note)	45,669,656.39	50,360,944.77
Others	17,682,906.84	20,015,447.91
Total	**182,137,850.17**	**189,516,370.82**

Note: It represents a rubber forest mining tax levied by the Thai government department against local enterprises for exporting natural rubber based on the export volume.

48. Selling expenses

Unit: RMB

ITEM	2019	2018
Transportation and packaging cost	501,406,079.38	543,615,872.36
Wages or salaries	392,786,674.39	394,993,426.43
miscellaneous expense for storage and transportation	87,744,705.49	84,633,673.07
Lump sum charge	85,104,075.01	108,661,210.12
Operating expenses	73,895,424.51	78,824,343.71
Insurance premium	31,264,867.78	33,445,372.97
Sales agency fee	49,295,291.75	32,111,143.41
Sample expenses for advertising exhibition	14,431,711.85	18,619,680.74
Intermediary fee	7,537,949.39	4,474,261.47
Royalties	6,531,290.30	1,417,880.34
Expenses of merchandise wastage	5,204,536.27	6,247,869.67
Depreciation cost	2,736,533.27	2,513,152.15
Repair charges	639,459.84	204,430.51
Others	33,096,851.29	22,516,739.49
Total	**1,291,675,450.52**	**1,332,279,056.44**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

49. Administrative expenses

Unit: RMB

ITEM	2019	2018
Wages or salaries	1,101,612,669.47	1,251,597,021.46
Amortisation of intangible assets	191,821,917.16	150,652,429.66
Depreciation cost	131,079,206.20	116,307,522.72
Consulting expenses	103,608,402.08	76,261,781.16
Travel expenses	86,444,315.34	90,429,492.98
Sewage charges	67,765,209.71	51,486,650.07
Rental fees	72,495,660.19	90,506,332.61
Office expenses	41,129,266.78	53,903,720.51
Repair expenses	46,285,807.17	50,197,182.91
Intermediary fee	31,190,737.67	48,855,886.49
Business entertainment expenses	18,873,924.95	27,585,354.94
Insurance premium	25,895,270.28	17,061,224.12
Employee union fund	11,789,087.15	11,238,269.73
Litigation costs	253,699.52	6,514,934.67
Others	228,312,270.70	249,972,566.46
Total	**2,158,557,444.37**	**2,292,570,370.49**

50. Research & Development expenditure

Unit: RMB

ITEM	2019	2018
Wages or salaries	293,943,605.24	175,457,967.75
Direct materials	238,905,794.90	316,106,234.09
Depreciation cost	63,652,331.94	42,759,129.26
Utilities expense	32,513,010.25	9,693,278.08
Experimental expenses	32,361,268.45	10,762,518.34
Commission fees	32,256,935.07	17,319,168.44
Rental fees	10,212,222.21	8,538,341.45
Others	29,083,964.96	33,782,729.23
Total	**732,929,133.02**	**614,419,366.64**

51. Financial expenses

Unit: RMB

ITEM	2019	2018
Interest expenses	746,913,501.81	728,730,749.77
Less: Interest income	250,506,233.28	93,019,929.83
Exchanges gains or loss	(99,199,523.01)	(145,973,879.46)
Others	51,197,253.87	42,741,208.89
Total	**448,404,999.39**	**532,478,149.37**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

52. Other income

(1) Details of other income

Unit: RMB

ITEM	2019	2018
Financial support funds	46,345,259.00	99,381,565.82
Amortisation of deferred income	52,652,445.53	10,225,976.29
Tax refunds	21,298,865.18	9,572,592.53
Others	27,329,309.59	15,666,409.09
Total	**147,625,879.30**	**134,846,543.73**

(2) Government grants included in current profit or loss

Unit: RMB

ITEM	2019	2018	Related to assets /Related to income
Support funds for enterprise development	46,345,259.00	47,297,565.82	Related to income
Amortisation of deferred income	52,652,445.53	10,225,976.29	Related to assets
Local financial subsidies	21,298,865.18	9,572,592.53	Related to income
Support funds for the 13th Five-Year Plan	-	52,084,000.00	Related to income
Others	27,329,309.59	15,666,409.09	Related to income
Total	**147,625,879.30**	**134,846,543.73**	

53. Investment income

Unit: RMB

ITEM	2019	2018
Income from long-term equity investments under equity method	46,152,387.93	101,295,705.09
Investment income (loss) from disposal of long-term equity investments	-	1,537,877,180.96
Dividend income receipts from other equity instrument investments during the holding period	15,663,181.21	
Investment income (loss) from disposal of derivative financial assets	8,094,448.42	(34,493,791.58)
Investment income from disposal of hold-for-trading financial assets	180,635,183.82	
Investment income from disposal of available-for-sale financial assets		280,707,518.50
Investment income of available-for-sale financial assets during the holding period		12,935,327.60
Others	361,057.38	1,806,307.46
Total	**250,906,258.76**	**1,900,128,248.03**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

54. Gains (losses) on fair value changes

Unit: RMB

ITEM	2019	2018
Held-for-trading financial assets	(665,007.36)	
Financial assets at fair value through profit or loss ("FVTPL")		(894,255.68)
Derivative financial assets	(10,248,721.27)	3,814,971.09
Derivative financial liabilities	(6,348,254.16)	(38,096,685.77)
Total	**(17,261,982.79)**	**(35,175,970.36)**

55. Gains from credit impairment

Unit: RMB

ITEM	2019	2018
Gains from credit impairment	58,768,912.62	
Total	**58,768,912.62**	

56. Gains (losses) from impairment of assets

Unit: RMB

ITEM	2019	2018
I. Bad debt losses		15,143,612.24
II. Gain (loss) from decline in value of inventories	(115,887,171.82)	(346,277,043.74)
III. Gain (loss) from impairment of fixed assets	(40,624,099.88)	(50,283,338.44)
IV. Gain (loss) from impairment of construction in progress	-	(25,032,496.55)
V. Gain (loss) from impairment of intangible assets	(942,076.06)	-
VI. Loss on impairment of goodwill	-	(650,000,000.00)
Total	**(157,453,347.76)**	**(1,056,449,266.49)**

57. Non-operating income

Unit: RMB

ITEM	2019	2018	Amount included in non-recurring profit or loss for the year
Total gains from disposal of non-current assets	2,587,147.04	140,465.83	2,587,147.04
Including: Gains from disposal of fixed assets	2,587,147.04	140,465.83	2,587,147.04
Government grants (Note)	49,278,657.96	33,394,555.29	49,278,657.96
Income from external claims	7,753,386.91	36,392,008.86	7,753,386.91
Others	17,754,264.62	20,147,805.45	17,754,264.62
Total	**77,373,456.53**	**90,074,835.43**	**77,373,456.53**

Government grants included in current profit or loss：

Unit: RMB

ITEM	2019	2018	Related to assets /Related to income
Relocation subsidy (Note)	49,278,657.96	33,394,555.29	Related to income
Total	**49,278,657.96**	**33,394,555.29**	**--**

Note: The relocation subsidy is recognized as non-operating income according to the relocation progress. See Note V) 34.3 for details.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

58. Non-operating expenses

Unit: RMB

ITEM	2019	2018	Amount included in non-recurring profit or loss this year
Total loss on retirement of non-current assets	29,129,228.79	30,344,959.49	29,129,228.79
Including: Loss on retirement of fixed assets	22,811,686.90	30,344,959.49	22,811,686.90
Loss on retirement of intangible assets	6,317,541.89	-	6,317,541.89
External claims expenses	419,135.45	2,055,272.75	419,135.45
External donations	2,228,285.52	1,987,177.60	2,228,285.52
Expenses from fines and confiscation	952,071.99	2,272,868.06	952,071.99
Relocation expenses	49,278,657.96	33,394,555.29	49,278,657.96
Others	2,292,010.39	8,551,725.71	2,292,010.39
Total	**84,299,390.10**	**78,606,558.90**	**84,299,390.10**

59. Income tax expenses

(1) Statement of income tax expenses

Unit: RMB

ITEM	2019	2018
Current income tax expenses	447,725,884.05	909,115,032.02
Deferred income tax expenses	(74,006,442.96)	179,333,408.87
Total	**373,719,441.09**	**1,088,448,440.89**

(2) Reconciliation of income tax expenses to the accounting profit

Unit: RMB

ITEM	2019	2018
Total profit	1,971,315,759.88	3,196,724,606.57
Income tax expenses calculated at the applicable tax rate (25%)	492,828,939.97	799,181,151.64
Effect of different tax rates of subsidiaries operating in other jurisdictions	(249,650,307.09)	(146,855,429.91)
Effect of reconciliation of income tax for the prior period	11,748,550.37	(7,766,196.23)
Effect of non-taxable income	(11,538,096.98)	(105,666,308.09)
Effect of non-deductible cost, expense and loss	67,088,167.89	491,201,897.74
Effect of utilizing deductible loss not recognized for deferred tax assets for prior year	(62,728,865.97)	(30,608,300.84)
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current year	125,971,052.90	88,961,626.58
Income tax expenses	373,719,441.09	1,088,448,440.89

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

60. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

ITEM	2019	2018
Interest income received	246,531,246.26	93,019,929.83
Decrease in restricted cash and bank balances	163,951,149.22	-
Claims received	7,753,386.91	2,055,272.75
Government grants received	511,661,559.83	159,310,567.44
Others	48,612,566.80	53,742,643.55
Total	**978,509,909.02**	**308,128,413.57**

(2) Other cash payments relating to operating activities

Unit: RMB

ITEM	2019	2018
Operating and administrative expenses paid	2,127,298,794.65	2,101,653,609.89
Bank charges and others	51,197,253.87	42,741,208.89
Non-operating expenses	5,891,503.35	14,867,044.06
Payment of restricted margin	284,873,951.45	176,317,332.99
Others	28,370,533.17	74,366,588.59
Total	**2,497,632,036.49**	**2,409,945,784.42**

(3) Other cash receipts relating to investing activities

Unit: RMB

ITEM	2019	2018
Receipts in advance for disposal of equity	-	162,127,162.93
Total	**-**	**162,127,162.93**

(4) Net cash payments for acquisitions of subsidiaries and other business units

Unit: RMB

ITEM	2019	2018
Acquisition of Elix Polymers, S.L.	988,126,464.11	-
Acquisition of Shandong Huahong	34,189,514.33	200,743,175.66
M&A of other companies made by natural rubber branch	-	693,057,114.97
Total	**1,022,315,978.44**	**893,800,290.63**

(5) Other cash payments relating to investing activities

Unit: RMB

ITEM	2019	2018
Tax on disposal of equity of associates	72,403,202.52	-
Employee termination compensation	80,498,354.00	-
Relocation expenses	49,278,657.96	33,394,555.36
Margin	38,420,000.00	18,236,895.04
Total	**240,600,214.48**	**51,631,450.40**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

60. Items in the cash flow statement - continued

(6) Other cash receipts relating to financing activities

Unit: RMB

ITEM	2019	2018
Loan deposits	4,007,732.45	14,964,942.67
Total	**4,007,732.45**	**14,964,942.67**

(7) Other cash payments relating to financing activities

Unit: RMB

ITEM	2019	2018
Repayment of corporate debt	1,007,285,942.46	-
Acquisition of equity attributable to minority interests	205,711,409.85	1,753,017,876.44
Payment of loan deposits	380,656.63	-
Payment of finance lease	84,821.50	-
Total	**1,213,462,830.44**	**1,753,017,876.44**

61. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	2019	2018
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**1,597,596,318.79**	**2,108,276,165.68**
Add: Provision for impairment of assets	157,453,347.76	1,056,449,266.49
Losses (Gains) of credit impairment	(58,768,912.62)	
Depreciation of fixed assets, investment properties and bearer biological assets	1,089,386,348.02	1,272,182,310.01
Amortisation of intangible assets	205,589,437.66	187,221,030.16
Amortisation of long-term prepaid expenses	31,475,263.67	37,524,995.20
Losses (Gains) from disposal of fixed assets, intangible assets and other long-term assets	10,410,604.66	9,396,272.18
Losses (Gain) on retirement of fixed assets	26,542,081.75	30,204,493.66
Losses (Gains) on fair value changes	17,261,982.79	35,175,970.36
Financial expenses	647,713,978.80	582,756,870.31
Investment losses (gains)	(250,906,258.76)	(1,900,128,248.03)
Decrease (increase) in deferred tax assets	(122,518,165.95)	182,822,371.77
Increase in deferred tax liabilities	48,511,722.99	42,503,974.23
Increase in inventories	127,419,169.42	39,732,901.39
Decrease (increase) in operating receivables	(882,756,354.88)	(36,578,834.78)
Increase (decrease) in operating payables	(1,053,358,283.82)	(1,284,703,935.74)
Others	15,528,936.56	1,098,105.90
Net Cash Flow from Operating Activities	**1,606,581,216.84**	**2,363,933,708.79**
2. Net changes in cash and cash equivalents		
Closing balance of cash	**7,525,527,810.13**	**8,333,273,099.21**
Less: Opening balance of cash	**8,333,273,099.21**	**9,923,412,838.14**
Net increase (decrease) in cash and cash equivalents	**(807,745,289.08)**	**(1,590,139,738.93)**

(2) The composition of cash and cash equivalents

Unit: RMB

ITEM	Closing balance	Opening balance
I. Cash	7,525,527,810.13	8,333,273,099.21
Including: Cash on hand	36,158,139.15	30,952,133.32
Bank deposits	7,463,416,714.68	8,281,608,216.92
Others cash and bank balances on demand	25,952,956.30	20,712,748.97
II. Closing balance of cash and cash equivalents	7,525,527,810.13	8,333,273,099.21

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

62. Assets with limited ownership or use right

Unit: RMB

ITEM	Closing balance of the year	Closing balance of prior year
Cash and bank balances (Note 1) (Note 4)	464,620,733.18	390,954,741.56
Factoring with receivables (Note 2)	23,424,566.50	192,505,023.60
Accounts receivable (Note3) (Note 4)	731,583,593.20	15,078,652.61
Inventories (Note4)	929,230,633.42	301,632,173.06
Fixed assets (Note 4)	529,692,382.76	381,381,529.58
Intangible assets	-	484,779,566.70
Total	**2,678,551,909.06**	**1,766,331,687.11**

Note 1: At the end of the year, the balance of cash and cash equivalents with title restriction the Group was RMB 464,620,733.18 (31 December 2018: RMB 390,954,741.56), please refer to Note V 1 for details.

Note 2: At the end of the year, pledged bank acceptance bill of the Group was RMB23,424,566.50 (31 December 2018: 192,505,023.6).

Note 3: At the end of the year, the Group's accounts receivable pledged by bank loans were RMB 509,136,441.27 (31 December 2018: RMB 15,078,652.61), please refer to Note V 24 for details.

Note 4: At the end of the year, the Group's cash and bank balances of RMB13,847,101.80, accounts receivable of RMB 222,447,151.93, inventories of RMB 929,230,633.42, and fixed assets of RMB 529,692,382.76, are restricted due to bank borrowings. Please refer to Note V 24 and 32 for details.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63 Foreign currencies denominated items

Unit: RMB

ITEM	Foreign currency at 31 December 2019	Exchange rate	RMB at 31 December 2019
Cash and bank balances			
Including: USD	215,943,528.96	6.9762	1,506,465,246.71
EUR	9,764,921.50	7.8155	76,317,743.99
JPY	748,656,354.00	0.0641	47,981,385.73
FCFA	8,658,975,235.93	0.0119	103,128,395.06
PHP	112,686,723.06	0.1377	15,516,961.77
MYR	10,197,301.23	1.6986	17,321,135.87
THB	417,504,733.18	0.2328	97,195,101.88
SGD	2,431,408.95	5.1739	12,579,866.75
INR	268,416,724.07	0.0979	26,288,733.96
IDR	113,300,808,337.06	0.0005	56,650,404.17
GBP	826,347.25	9.1501	7,561,159.97
XAF	2,410,241,714.75	0.0119	28,705,978.82
Others	-	-	2,073,162.36
Accounts receivable			
Including: USD	293,784,650.21	6.9762	2,049,500,476.80
EUR	22,795,156.44	7.8155	178,155,545.16
JPY	209,927,905.00	0.0641	13,454,279.43
AUD	18,890,853.51	4.8843	92,268,595.80
PHP	218,215,631.60	0.1377	30,048,292.47
MYR	14,775,220.63	1.6986	25,097,189.76
THB	245,209,175.31	0.2328	57,084,696.01
NZD	445,873.63	4.6973	2,094,402.20
INR	577,101,022.49	0.0979	56,521,274.14
IDR	23,015,959,040.72	0.0005	11,507,979.52
Others	-	-	150,702.15
Other receivables			
Including: USD	86,471,808.24	6.9762	603,244,628.64
EUR	9,974,098.13	7.8155	77,952,563.95
HKD	1,125,592.40	0.8958	1,008,305.67
JPY	29,661,769.03	0.0641	1,901,022.78
ARS	29,209,707.88	0.1165	3,402,930.97
PHP	13,184,088.97	0.1377	1,815,449.05
MYR	7,040,166.36	1.6986	11,958,426.58
THB	124,255,529.07	0.2328	28,926,687.17
SGD	295,316.85	5.1739	1,527,939.85
INR	27,662,408.45	0.0979	2,709,256.28
IDR	191,438,673,510.52	0.0005	95,719,336.76
XAF	23,403,159,561.10	0.0119	278,731,630.37
Others	-	-	554,303.02

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

63 Foreign currencies denominated items - continued

Unit: RMB

ITEM	Foreign currency at 31 December 2019	Exchange rate	RMB at 31 December 2019
Short-term borrowings			
Including: USD	423,835,137.55	6.9762	2,956,758,686.58
EUR	4,913,519.17	7.8155	38,401,609.07
JPY	302,781,450.00	0.0641	19,405,263.13
AUD	84,025,764.42	4.8843	410,407,041.16
FCFA	3,375,977,685.14	0.0119	40,207,894.23
IDR	1,283,411,967,760.00	0.0005	641,705,983.88
PHP	24,953,567.12	0.1377	3,436,106.19
Accounts payable			
Including: USD	110,439,106.28	6.9762	770,445,293.23
EUR	18,309,809.42	7.8155	143,100,315.52
JPY	16,729,683.37	0.0641	1,072,205.41
AUD	876,034.01	4.8843	4,278,812.92
ARS	186,492,827.44	0.1165	21,726,414.40
PHP	13,710,983.68	0.1377	1,888,002.45
MYR	6,459,015.91	1.6986	10,971,284.42
THB	13,471,295.42	0.2328	3,136,117.57
INR	103,009,009.36	0.0979	10,088,702.38
IDR	40,905,599,900.00	0.0005	20,452,799.95
XAF	3,287,632,263.64	0.0119	39,155,700.26
Others	-	-	1,126,895.14
Other payables			
Including: USD	77,024,267.67	6.9762	537,336,696.12
EUR	3,223,920.75	7.8155	25,196,552.62
HKD	1,161,590.86	0.8958	1,040,553.09
AUD	2,113,847.87	4.8843	10,324,667.15
PHP	74,302,217.47	0.1377	10,231,415.35
MYR	5,755,208.95	1.6986	9,775,797.92
THB	60,349,644.29	0.2328	14,049,397.19
SGD	534,712.27	5.1739	2,766,547.81
INR	263,643,623.23	0.0979	25,821,256.46
IDR	77,955,623,030.40	0.0005	38,977,811.52
XAF	4,941,021,790.91	0.0119	58,847,569.53
Others	-	-	1,302,861.62
Long-term borrowings			
Including: USD	410,059,167.08	6.9762	2,860,654,761.38
EUR	1,272,561.11	7.8155	9,945,701.36
IDR	225,831,954,540.00	0.0005	112,915,977.27
XAF	50,178,550,188.91	0.0119	597,626,532.75
Non-current liabilities due within one year			
Including: USD	31,046,835.45	6.9762	216,588,933.47
EUR	74,379.02	7.8155	581,309.23
IDR	43,015,610,380.00	0.0005	21,507,805.19
XAF	3,761,815,458.44	0.0119	44,803,222.11
Bonds payable			
Including: USD	298,349,372.49	6.9762	2,081,344,892.36

The above foreign currency monetary items include all non-RMB monetary items.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control incurred in the current year

Unit: RMB

Name of acquiree	Timing of equity acquisition	acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the date of purchase to the period-end	Net profit of the acquiree from the date of purchase to the period-end
Elix Polymers, S.L.	9 January 2019	1,117,503,208.04	100.00%	Equity acquisition	9 January 2019	Equity delivery date of acquiring the control right of the acquiree	1,452,430,333.59	43,839,122.36

(2) Combination cost and goodwill

Unit: RMB

Combination cost	Elix Polymers, S.L.
--Cash	1,117,503,208.04
Total cost of combination	1,117,503,208.04
Less: Share of fair value of identifiable net asset acquired	624,510,707.65
Goodwill	492,992,500.39

Unit: RMB

	Elix Polymers, S.L.
Combination cost	1,117,503,208.04
Less: Unpaid consideration recorded in the liability	112,281,522.59
Consideration paid in cash	1,005,221,685.45
Less: Cash and cash equivalents held by merged subsidiaries	17,095,221.34
Decrease in cash and cash equivalents due to acquisition of subsidiaries	988,126,464.11

(3) Identifiable assets and liabilities of the acquiree at the date of acquisition

Unit: RMB

	Elix Polymers, S.L.	
	Fair value at acquisition date (Note)	Carry amount at acquisition date
Assets:	1,382,573,675.22	724,130,274.12
Cash and bank balances	17,095,221.34	17,095,221.34
Receivables	85,104,957.10	85,104,957.10
Inventories	240,243,499.53	240,243,499.53
Fixed assets	339,783,357.61	126,964,581.61
Intangible assets	487,167,101.52	41,542,476.42
Other assets	213,179,538.12	213,179,538.12
Liabilities	758,062,967.57	593,452,117.30
Short-term borrowings	42,358,763.63	42,358,763.63
Accounts payable	117,199,133.66	117,199,133.66
Long-term borrowings	267,324,235.23	267,324,235.23
Deferred tax liabilities	166,211,299.66	1,600,449.38
Other liabilities	164,969,535.39	164,969,535.40
Net assets	624,510,707.65	130,678,156.82
Less: Minority interests	-	-
Net assets acquired	624,510,707.65	130,678,156.82

VI. CHANGES IN SCOPE OF CONSOLIDATION - continued

2. New subsidiaries

(1) Sinochem (Ningbo) Runwo Membrane Technology Co., Ltd. ("Ningbo Membrane Technology") is a limited liability company jointly established by the Company and Xiangshan Economic Development Zone Investment Co., Ltd. and Shanghai Yingchang New Materials Technology Co., Ltd. on 8 January 2019 with registered capital of RMB 750,000,000.00 and a subscription of RMB 525,000,000.00. By the end of this year, the actual investment of the Company is RMB 525,000,000.00.

(2) Sinochem Membrane Technology Co., Ltd. ("Sinochem Membrane Technology ") is a limited liability company established by the Company on 16 May 2019 with a registered capital of RMB 50,000,000.00, which is fully subscribed by the Company. By the end of this year, the Company's actual investment is RMB 50,000,000.00.

(3) Sinochem Green Energy Technology (Shanghai) Co., Ltd. is a limited liability company established by the Company on 2 September 2019 with a registered capital of RMB 100,000,000.00, which is fully subscribed by the Company. By the end of this year, the Company's actual investment is RMB 30,000,000.00.

(4) Sinochem Lianyungang Petrochemical Storage Co., Ltd. is a limited liability company established by Sinochem Lianyungang Industrial Park Management Co., Ltd., a subsidiary of the Company, on 24 September 2019 with a registered capital of RMB 400,000,000.00, which is fully subscribed by Sinochem Lianyungang Industrial Park Management Co., Ltd.. By the end of this year, the actual investment of Sinochem Lianyungang Industrial Park Management Co., Ltd. is RMB 15,000,000.00.

(5) Sinochem High-performance Fiber Materials Co., Ltd. is a limited liability company jointly established byJiangsu Ruisheng New Materials Technology Co., Ltd, a subsidiary of the Company, and Suzhou Zhaoda Specially Fiber Technical Co., Ltd. on 28 February 2019 with a registered capital of RMB 600,000,000.00 and a subscription of RMB 510,000,000.00 from Jiangsu Ruisheng New Materials Technology Co., Ltd. By the end of this year, the actual investment of Jiangsu Ruisheng New Materials Technology Co., Ltd is RMB 260,000,000.00.

(6) Hebei Sinochem Lithium Battery Technology Co., Ltd. is a limited liability company jointly established by the Company and Wang Yanlong on 24 July 2019 with a registered capital of RMB 30,000,000.00 and a subscription of RMB 27,000,000.00 from the Company. By the end of this year, the Company's actual investment is RMB 27,000,000.00.

VII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Composition of enterprise group

Name of subsidiary	Principal operation place	Place of incorporation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Sinochem Plastics Co., Ltd.	Beijing, China	Beijing, China	Chemical trade	100.00	-	Acquired through business combination under the same control
Sinochem Health Industry Development Co., Ltd.	Shandong, China	Shandong, China	Chemical trade	100.00	-	Acquired through business combination under the same control
Jiangsu Yangnong Chemical Group Co., Ltd.(Note)	Yangzhou, China	Yangzhou, China	Chemical production	39.995	-	Acquired through business combination under the same control
Sinochem Japan Co., Ltd.	Japan	Japan	Import and export trade	-	100.00	Acquired through business combination under the same control
Sinochem Hong Kong Chemical International Co., Ltd.	Hong Kong, China	Hong Kong, China	Import and export trade of chemical products	-	100.00	Acquired through business combination under the same control
Sinochem Agro Co., Ltd.	Shanghai, China	Shanghai, China	Product trade	-	100.00	Acquired through business combination under the same control
Sinochem Agro Hong Kong Co., Ltd.	Hong Kong, China	Hong Kong, China	Chemical trade	-	100.00	Acquired through business combination under the same control
Sinochem Guangdong Co., Ltd.	Beijing, China	Beijing, China	Chemical trade	-	100.00	Acquired through business combination under the same control
Sinochem (Qingdao Free Trade Port Area) International Trade Co., Ltd.	Shandong, China	Shandong, China	Chemical trade	-	100.00	Acquired through business combination under the same control
Sinochem Jiangsu Co., Ltd.	Jiangsu, China	Jiangsu, China	Chemical trade	-	100.00	Acquired through business combination under the same control
Shanghai Dehuan Real Estate Co., Ltd.	Shanghai, China	Shanghai, China	Real estate development and operation	100.00	-	Acquired through business combination under the same control
Shanghai Sinochem Technology Co., Ltd.	Shanghai, China	Shanghai, China	Chemical trade	100.00	-	Acquired through establishment or investment
Qingdao Sinochem Wenchuang Trade Co., Ltd.	Qingdao, China	Qingdao, China	Chemical trade	100.00	-	Acquired through establishment or investment
Shanghai Zhanyuan New Materials Technology Co., Ltd	Shanghai, China	Shanghai, China	Agricultural science research and experiment	100.00	-	Acquired through establishment or investment
Sinochem International (Overseas) Pte Ltd	Singapore	Singapore	Import and export trade	100.00	-	Acquired through establishment or investment
Sinochem International (Hong Kong) Chemical Investment Co., Ltd.	Hong Kong, China	Hong Kong, China	Import and export trade of chemical products	100.00	-	Acquired through establishment or investment
Ningxia Sinochem Lithium Battery Materials Co., Ltd.	Ningxia, China	Ningxia, China	Lithium battery production	94.00	-	Acquired through establishment or investment
Sinochem Lianyungang Industrial Park Management Co., Ltd.	Jiangsu, China	Jiangsu, China	Industrial park management	100.00	-	Acquired through establishment or investment
Sinochem (Ningbo) Runwo Membrane Technology Co., Ltd.	Zhejiang, China	Zhejiang, China	Membrane production	70.00	-	Acquired through establishment or investment
Sinochem Membrane Technology Co., Ltd.	Shanghai, China	Shanghai, China	Product trade	100.00	-	Acquired through establishment or investment
Sinochem Green Energy Technology (Shanghai) Co., Ltd.	Shanghai, China	Shanghai, China	Technological service	100.00	-	Acquired through establishment or investment
Hebei Sinochem Lithium Battery Technology Co., Ltd.	Heibei, China	Heibei, China	Lithium battery trade	90.00	-	Acquired through establishment or investment
Sinorgchem Industrial Company Limited	Hong Kong, China	Hong Kong, China	Import and export trade	-	100.00	Acquired through establishment or investment
Sinochem International Development Pte. Ltd	Singapore	Singapore	Import and export trade	-	100.00	Acquired through establishment or investment
Sinochem International Crop Care (Overseas) Pte. Ltd.	Singapore	Singapore	Import and export trade	-	100.00	Acquired through establishment or investment
Sinochem Plastics (Spain), S.L.	Spain	Spain	Product trade	-	97.30	Acquired through establishment or investment
Sinochem Lianyungang Petrochemical Storage Co., Ltd.	Jiangsu, China	Jiangsu, China	Storage		100.00	Acquired through establishment or investment
Huaian Junsheng New Energy Science&Technology Co., Ltd.	Jiangsu, China	Jiangsu, China	Lithium battery production	96.07	-	Acquired through business combination under the same control
Halcyon Agri Corporation Limited	Singapore	Singapore	Natural rubber Cultivation, processing and sales of natural rubber	-	54.99	Acquired through business combination under the same control
Sennics Co., Ltd.	Jiangsu, China	Jiangsu, China	Rubber antioxidant production	-	60.98	Acquired through business combination under the same control
Elix Polymers, S.L.	Spain	Spain	Chemical production	-	97.30	Acquired through business combination under the same control

VII. EQUITY IN OTHER ENTITIES - continued

1. Equity in subsidiaries - continued

(1) Composition of enterprise group - continued

Note: Description of the reason why the shareholding proportion held in subsidiary is different from the voting right proportion:

According to the "Tripartite Strategic Cooperation Agreement", signed by the People's Government of Yangzhou City, Jiangsu Province, Yangnong Group and the Company, and the "Agreement on Increase in Capital and Share Increase on Jiangsu Yangnong Chemical Group Co., Ltd.", the Company purchased 40.53% equity of Yangnong Group with RMB1.8 billion. So far, the shareholding structure of Yangnong Group includes: Jiangsu Jinmao Chemical Pharmaceutical Group Co., Ltd. ("Jinmao Chemical") and the Company accounted for 40.59% and 40.53% respectively, and natural person shareholders account for 18.88%.

According to the "Approval on Issues Regarding the Free Transfer of State-owned Equity of Jiangsu Yangnong Chemical Group Co., Ltd." of the State-owned Assets Supervision and Administration Commission of the State Council, Sinochem Group accepted the transfer of Yangnong Group's 0.06% state-owned equity held by Jinmao Chemical in 2014. So far, the shareholding structure of Yangnong Group includes: the Company, Sinochem Group and Jinmao Chemical account for 40.53%, 0.06% and 40.53%, respectively, and natural person shareholders account for 18.88%. On 22 January 2014, Sinochem Group and Jinmao Chemical signed a "Consistent Action Agreement", Jinmao Chemical and Sinochem Group kept consistency when voting at the shareholders' meeting. The "Consistent Action Agreement" terminates when Sinochem Group or Sinochem Group's associates hold a total share of Yangnong Group of 51% or more.

On 30 December 2015, as per the "Equity Custody Agreement" signed by the Company and Sinochem Group, the Company was entrusted to manage the 0.06% equity of Yangnong Group held by Sinochem Group; and to exercise all shareholders' rights except income and punishment attached to Sinochem Group's corresponding custodian equity within the custodial period; to inherit the "Consistent Action Agreement" signed by Sinochem Group and Jinmao Chemical and fulfill the shareholders' obligations corresponding to Sinochem Group's custody equity. So far, the proportion of voting rights of each shareholder includes: 81.12% of the Company and 18.88% of natural person shareholders. The Company became the controlling party of Yangnong Group, and Sinochem Group became the ultimate controlling party of Yangnong Group.

On 27 June 2018, Sinochem Zhejiang Chemical Co., Ltd. ("Sinochem Zhejiang"), a subsidiary of Sinochem Group, purchased part of the shares of Yangnong Group from natural person shareholders of Yangnong Group and Jinmao Chemical, and jointly increase the capital of Yangnong Group with other shareholders. As at 31 December 2019, the shareholding structure of Yangnong Group includes: the Company account for 39.995%, Sinochem Zhejiang account for 39.844%, Jinmao Chemical account for 20.00%, Sinochem Group accounted for 0.04% and natural person shareholders accounted for 0.121%. So far, Sinochem Group and Jinmao Chemical's "Consistent Action Agreement" was terminated.

At the same time, the Company signed the "Equity Custody Agreement" with Sinochem Zhejiang and Sinochem Group respectively, which stipulates that the Company is entrusted to manage the above 39.84% and 0.04% equity of Yangnong Group held by Sinochem Zhejiang and Sinochem Group respectively. The Company has the right to exercise all shareholder rights except income and punishment rights attached to the custodian equity corresponding to Sinochem Zhejiang and Sinochem Group within the custodial period, and to fulfill the shareholder's obligations corresponding to the custody equity of Sinochem Zhejiang and Sinochem Group. As at 31 December 2019, the shareholder voting rights of Yangnong Group includes: 79.88% of the Company and 20.12% of other shareholders. The Company continues to be the controlling party of Yangnong Group, and Sinochem Group continues to be the ultimate controlling party of Yangnong Group.

The above "Equity Custody Agreement" signed by the Company with Sinochem Group and Sinochem Zhejiang respectively ended on the date when Sinochem Group and Sinochem Zhejiang no longer hold the equity of Yangnong Group.

VII. EQUITY IN OTHER ENTITIES - continued

1. Equity in subsidiaries - continued

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Shareholding proportion of minority shareholders	Profit or loss attributable to minority interests for the current period	Dividends declared to minority shareholders in the current period	Closing balance of minority interests
Jiangsu Yangnong Chemical Group Co., Ltd.	60.00%	1,344,564,159.15	(359,815,738.33)	8,838,376,617.53
Sennics Co., Ltd.	39.02%	185,774,198.50	-	1,570,150,649.84
Halcyon Agri Corporation Limited	45.01%	(157,201,088.58)	(24,464,003.98)	1,508,448,342.35

VII. EQUITY IN OTHER ENTITIES - continued

1. Equity in subsidiaries - continued

(3) Significant financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance of the year						Closing balance of the prior year					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	TOTAL LIABILITIES
Jiangsu Yangnong Chemical Group Co., Ltd.	11,314,247,138.72	9,137,724,625.98	20,451,971,764.70	6,785,652,310.55	973,373,368.10	7,759,025,678.65	10,772,411,421.18	6,110,813,904.71	16,883,225,325.89	4,746,756,286.26	211,274,478.17	4,958,030,764.43
Sennics Co., Ltd.	3,198,592,376.00	1,703,612,402.24	4,902,204,778.24	734,645,494.28	132,374,666.92	867,020,161.20	2,998,980,598.80	946,951,898.92	3,945,932,497.72	750,853,530.36	15,160,862.10	766,014,392.46
Halcyon Agri Corporation Limited	5,052,478,752.71	7,948,934,044.82	13,001,412,797.53	4,983,583,861.05	3,994,512,596.16	8,978,096,457.21	5,072,560,029.28	7,531,655,877.03	12,604,215,906.31	4,319,597,425.37	3,019,509,082.17	7,339,106,507.54

Unit: RMB

Name of subsidiary	2019				2018			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Jiangsu Yangnong Chemical Group Co., Ltd.	12,877,967,739.90	1,689,399,340.17	1,743,028,986.51	1,638,062,762.42	9,197,135,521.71	1,361,138,346.44	1,350,626,538.13	1,463,102,878.99
Sennics Co., Ltd.	2,566,091,480.21	476,051,144.17	474,371,098.38	614,980,747.22	2,939,608,546.67	534,904,576.41	538,069,015.75	466,462,569.58
Halcyon Agri Corporation Limited	13,169,917,785.21	(325,193,638.63)	(215,700,277.51)	(286,927,236.97)	14,230,885,836.88	(142,564,532.73)	(184,713,037.37)	(265,534,243.75)

2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries

(1) Description about changes in shares of owners' equity in subsidiaries

As at 30 September 2019, 100% shares of Sinochem Crop Protection Products Co., Ltd. and Shenyang Sinochem Agrochemicals R&D Co., Ltd. held by the Company was transferred to Jiangsu Yangnong Chemical Co., Ltd. (hereinafter referred as "Yangnong Chemical"). As disclosed in Note VII 1(1), Yangnong Group is a subsidiary of the Company, and the Company holds 39.995% of its equity. Yangnong Chemical is a subsidiary of Yangnong Group, and Yangnong Group holds 36.17% of its equity. After the completion of the transaction, the Company's shareholding ratio of Sinochem Crop Protection Products Co., Ltd. and Shenyang Sinochem Agrochemicals R&D Co., Ltd. changed from 100% of the original direct shares to 14.47% of the indirect shares through Yangnong Chemical, while Sinochem Crop Protection Products Co., Ltd. and Shenyang Sinochem Agrochemicals R&D Co., Ltd. are still within the scope of the Group's consolidation. The total consideration paid by Yangnong Chemical to the Company for this transaction is RMB 912,810,904.51. According to the 85.53% change of the share of the owner's equity of Sinochem crop protection products Co., Ltd. and Shenyang Sinochem chemicals R&D Co., Ltd. held by the Company before and after the transaction, the share attributable to the minority shareholders in the total consideration is RMB 780,761,931.01.

During the year, the Company purchased a 16.58% equity of the subsidiary from the minority shareholder of Huaian Junsheng New Energy Science&Technology Co., Ltd. at RMB 203,796,272.19. Therefore, the Capital reserve decreased by RMB 2,089,674.87 and minority interests decreased by RMB 201,706,597.32.

VII. EQUITY IN OTHER ENTITIES - continued

2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries - continued

During the year, Sinochem Health Industry Development Co., Ltd., a subsidiary of the Company, purchased 10.00% of the subsidiary's equity from the minority shareholders of Sinochem (Qingdao Free Trade Port Area) International Trade Co., Ltd., and the minority shareholders' equity decreased by RMB 1,915,137.66.

During the year, Jiangsu Yangnong Chemical Co., Ltd., a subsidiary of the Company, purchased 5% shares of these subsidiaries from minority shareholders of Jiangsu Youjia Plant Protection Co., Ltd. and Jiangsu Youth Chemical Co., Ltd. with RMB 203,000,000.00. Therefore, capital reserve increased by RM 125,035.72 and minority interests decreased by RMB 203,125,035.72.

(2) Transactions' impact over minority interests and owners' equity attributable to owners of the parent company

Unit: RMB

	Sinochem Crop Protection Products Co., Ltd. & Shenyang Sinochem Agrochemicals R&D Co., Ltd.	Huaian Junsheng New Energy Science&Technology Co.,Ltd.	Sinochem (Qingdao Free Trade Port Area) International Trade Co., Ltd.	Jiangsu Youjia Plant Protection Co., Ltd. & Jiangsu Youth Chemical Co., Ltd.
Transaction consideration	780,761,931.01	203,796,272.19	1,915,137.66	203,000,000.00
--Cash	780,761,931.01	203,796,272.19	1,915,137.66	203,000,000.00
Less: Share of net assets of subsidiaries calculated based on equity proportion in transactions	425,939,175.85	201,706,597.32	1,915,137.66	203,125,035.72
Differences	354,822,755.16	2,089,674.87	-	(125,035.72)
Including: Capital reserve adjustments	354,822,755.16	2,089,674.87	-	(125,035.72)

VII. EQUITY IN OTHER ENTITIES - continued

3. Equity in associates

(1) Associates of the Group:

Name of associates	Principal operating place	Place of incorporation	Nature of business	Shareholding proportion (%)		Accounting treatments for investments in associates
				Direct	Indirect	
Associates						
Jiangsu Yangnong Kumho Chemical Co., Ltd. ("Yangnong Kumho")	Jiangsu, China	Jiangsu, China	R & D	-	50.00	Equity method
Shanxi Yaxin Coal Coking Co., Ltd. ("Shanxi Yaxin")	Shanxi, China	Shanxi, China	R & D	-	25.00	Equity method
Feltex Co.,Ltd. ("Feltex")	Thailand	Thailand	R & D	-	45.00	Equity method
Ningxia Ruizhu Real Estate Co., Ltd.	Ningxia, China	Ningxia, China	Real estate development and management	-	37.00	Equity method
Dongguan Zhonghua Huamei Plastics Co., Ltd.	Guangdong, China	Guangdong, China	Plastic products manufacturing	-	29.17	Equity method
PT Sarana Sumsel Ventura	Indonesia	Indonesia	Production	-	33.00	Equity method
Ruigu New Energy (Shanghai) Materials Technology Co., Ltd.	Shanghai, China	Shanghai, China	R&D	-	20.00	Equity method
Shanghai Yinan Equity Investment Management Co., Ltd.	Shanghai, China	Shanghai, China	Equity investment	27.50	-	Equity method
Nanjing Yinan Lingying New Energy Industry Investment Fund	Jiangsu, China	Jiangsu, China	Equity investment	48.19	-	Equity method

(2) Summary financial information of insignificant subsidiaries

Unit: RMB

	31/12/2019/2019	31/12/2018/2018
Associates		
Total carrying amount of investment	546,493,588.38	328,126,156.10
Total amounts calculated based on shareholding proportions		
--Net profit	46,152,387.93	56,147,825.77
--Total comprehensive income	46,152,387.93	56,147,825.77

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balances, loans, accounts receivable, other receivables (excluding tax refunds receivables), Factoring with receivables, other current assets (financing and wealth management products), long-term receivables, other equity instrument investments, other non-current assets (term deposits over one year), accounts payable, loans and bonds payable, etc. Details of these financial instruments are disclosed in Note (V). Risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

Unit: RMB

	Closing balance of the year	Closing balance of the prior year
Financial assets		
Financial assets at fair value through current profit or loss		
Financial assets at fair value through Profit or Loss ("FVTPL")		623,070.99
Held-for-trading financial assets	-	
Derivative financial assets	73,835,550.64	86,720,808.97
Financial assets at fair value through other comprehensive income ("FVTOCI")		
Factoring with receivables	2,681,242,552.79	
Other equity instrument investments	432,783,548.17	
Measured at amortized cost		
Cash and bank balances	7,990,148,543.31	8,724,227,840.77
Notes receivable	-	2,621,414,388.12
Accounts receivable	4,339,190,605.85	4,289,803,017.54
Other receivables	450,455,232.14	939,799,914.16
Other current assets	2,319,769,451.47	5,061,594,044.21
Long-term receivables	24,195,054.25	24,410,062.54
Other non-current assets	203,229,058.72	-
Financial liabilities		
Financial liabilities at fair value through current profit or loss		
Derivative financial liabilities	25,209,543.59	60,861,182.25
Measured at amortized cost		
Short-term borrowings	6,174,617,244.32	5,047,419,590.38
Notes payable	2,240,567,735.94	2,342,938,002.00
Accounts payable	4,215,485,770.11	4,252,205,662.88
Other payables	1,420,765,135.13	1,706,809,599.08
Non-current liabilities due within one year	443,511,405.53	1,392,209,668.80
Long-term borrowings	4,606,282,155.88	3,730,945,086.31
Bonds payable	4,579,029,260.53	4,540,586,461.01
Long-term payables	343,325,084.79	30,470,361.28
Other non-current liabilities	321,750,796.63	82,004,285.00

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period or shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

The Group faces transactional foreign exchange risk. Such risks are caused by sales or purchases made by operating entity in currencies other than its recording currency.

The Group closely monitors the impact of exchange rate changes on the Group's foreign exchange risk and purchases forward foreign exchange contracts to reduce foreign exchange risk. The management of the Group uses forward foreign exchange trading contracts to reduce foreign exchange risk.

Sensitivity analysis of currency risk

Where all other variables are held constant and the forward foreign exchange contract that has been purchased is not considered, reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

Items	Closing balance	
	Effect on profit	Effect on shareholders' equity
USD appreciation against RMB 10%	(526,391,891.10)	(526,391,891.10)
USD depreciation against RMB 10%	526,391,891.10	526,391,891.10
EUR appreciation against RMB 10%	11,520,036.53	11,520,036.53
EUR depreciation against RMB 10%	(11,520,036.53)	(11,520,036.53)
IDR appreciation against RMB 10%	(67,168,265.74)	(67,168,265.74)
IDR depreciation against RMB 10%	67,168,265.74	67,168,265.74
AUD appreciation against RMB 10%	(33,274,192.54)	(33,274,192.54)
AUD depreciation against RMB 10%	33,274,192.54	33,274,192.54

1.1.2. Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market interest rates. The interest rate risk faced by the Group mainly comes from bank borrowings (see Note V. 24 and Note V. 32 for details).

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings and bank deposits. It is the Group's policy to keep its borrowings and deposits at floating rate of interests so as to eliminate the fair value interest rate risk.

The risk of fluctuations in the fair value of the Group's financial instruments due to changes in market interest rates is mainly related to the Group's bank borrowings with fixed interest rates. It is the Group's policy to keep a fixed interest rate on these loans so as to eliminate the risk of changes in cash flow of interest rates.

By the end of the year, the balance of the Group's floating-rate bank borrowings was RMB 3,868,847,477.28 and the balance of fixed-rate bank borrowings was RMB 7,274,031,667.02.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.2. Interest rate risk - continued

Sensitivity analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions:
- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

Unit: RMB

ITEM	Current year	
	Effect on profit	Effect on profit
Rise by 25 basis point	(9,672,118.69)	(9,672,118.69)
Full by 25 basis point	9,672,118.69	9,672,118.69

1.1.3. Price risk of investment in equity instrument

Price risk of investment in equity instrument refers to the risk that the fair value of equity securities is reduced due to changes in the level of the stock index and the value of individual securities. As at 31 December 2019, the Group held shares of listed companies classified as investments in other equity instruments. Shares of these listed companies were listed on the Shanghai and Hong Kong stock exchanges and their fair values were measured at market quotes on the balance sheet date.

The closing stock index of the following stock exchanges on the trading day closest to the balance sheet date and their respective highest closing points and lowest closing points of the year are as follows:

	Closing stock index at the end of the year	Highest/lowest closing point of the year	Closing stock index at the end of prior year	Highest/lowest closing point of prior year
Shanghai - Shanghai Stock Exchange Index	3,050	3,288/2,441	2,493	3,559/2,483
Hong Kong - Hang Seng China Enterprises Index	11,168	11,882/9,732	10,124	13,659/9,992

Under the assumption that all other variables remain unchanged, every 10% increase or decrease in the fair value of equity instrument investments (based on the book value on the balance sheet date) has an impact on the net profit and shareholders' equity of the Group as follows:

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

1.1.3. Price risk of investment in equity instrument - continued

Unit: RMB

	Carrying amount of investment in equity instruments	Increase or decrease in net profit	Increase or decrease in other comprehensive income, net of tax	Increase or decrease in total shareholders' equity
2019				
Shanghai-Other equity instrument investments	113,012,086.68	-	8,475,906.50	8,475,906.50
Hong Kong-Other equity instrument investments	168,916,575.73	-	14,020,075.79	14,020,075.79

In terms of this sensitivity analysis, for investments in available-for-sale equity instrument, this effect is considered to be an effect on changes in the fair value of available-for-sale equity instrument investments, without considering factors such as impairment that may affect profit or loss.

1.2. Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to failure to discharge an obligation by the counterparties issued by the Group. As of the Balance Sheet date, the Carrying amount of the Group's financial assets has represented its maximum credit risk exposure.

The following table details the credit risk exposure of the Group's financial assets and other items as at 31 December 2019:

Unit: RMB

	Note V	12 months/Lifetime expected credit losses ("ECL")	Book value	Total book value
Cash and bank balances	1	12 months ECL	7,990,148,543.31	7,990,148,543.31
Accounts receivable	3	Lifetime ECL (Non-credit-impairment)	4,331,308,707.84	4,492,382,376.07
		Lifetime ECL (Credit-impairment)	161,073,668.23	
Factoring with receivables	4	12 months ECL	2,681,242,552.79	2,681,242,552.79
Other receivables	6	12 months ECL	450,455,232.14	722,454,094.41
		Lifetime ECL (Credit-impairment)	271,998,862.27	
Other current assets	9	12 months ECL	2,319,769,451.47	2,319,769,451.47
Long-term receivables	11	12 months ECL	24,195,054.25	24,195,054.25
Other non-current assets	23	12 months ECL	203,229,058.72	203,229,058.72

The Group's monetary funds and other non-current assets (time deposits due over one year) are deposited in financial institutions with high credit ratings, so this part of financial assets has low credit risks.

In terms of credit risk arising from the Group's accounts receivable, the Group's risk exposure is distributed among multiple contract parties and multiple customers. As of 31 December 2019, the Group's accounts receivable for the top five customers was RMB 788,909,064.60 (31 December 2018: RMB 1,063,722,026.89), accounting for 17.56% of the Group's account receivable (31 December 2018: 23.80%); the balance of other receivables of the top five contractors was RMB 132,696,572.28 (31 December 2018: RMB 450,167,299.47), accounting for 11.25% of the Group's other receivables (31 December 2018: 27.90%). Apart from this, the Group has no other significant credit risk exposure concentrated on a single financial asset or a combination of financial assets with similar characteristics.

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

1. Risk management objectives and policies - continued

1.2. Credit risk - continued

According to the Group's policy, all customers who require credit transactions are required to conduct a credit review. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant credit loss risks. For transactions that are not denominated in the functional currency of the relevant operating entity, the Group does not offer credit terms without the specific approval of the department of credit control in the Group. Since the Group only deals with approved and reputable third parties, no collateral is required. Credit risk is managed collectively according to customers / counterparties, geographic regions and industries. Since the Group's accounts receivable customer base is widely dispersed in different departments and industries, there is no concentration of significant credit risk within the Group. The Group does not hold any collateral or other credit enhancements on the balance of accounts receivable.

The maximum risk exposure of a financial guarantee contract is the amount of the financial guarantee contract disclosed in Note XIII. 2. As at 31 December 2019, all of these guarantee contracts had expired.

As at 31 December 2019, accounts receivable that had not yet been overdue and impaired were related to a large number of decentralized customers with no recent history of default.

1.3. Liquidity risk

The Group monitors its risk of deficiency of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and estimated cash flows from the Group's operations.

The Group's objective is to use bank loans, bonds and other interest-bearing loans to maintain a balance between the continuity and flexibility of financing.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

Unit: RMB

	Within 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Short-term borrowings	6,290,921,059.62	-	-	6,290,921,059.62	6,174,617,244.32
Derivative financial liabilities	25,209,543.59	-	-	25,209,543.59	25,209,543.59
Notes payable	2,240,567,735.94	-	-	2,240,567,735.94	2,240,567,735.94
Accounts payable	4,215,485,770.11	-	-	4,215,485,770.11	4,215,485,770.11
Other payables	1,274,609,021.20	-	-	1,274,609,021.20	1,274,609,021.20
Long-term borrowings (including: Long-term borrowings due within 1 year)	821,630,565.66	4,005,903,948.43	772,096,788.15	5,599,631,302.24	4,968,261,899.98
Bonds payable(Including: Bonds payable due within 1 year)	155,284,480.43	4,723,614,313.53	-	4,878,898,793.96	4,660,560,921.96
Long-term payables	-	342,208,529.36	1,116,555.43	343,325,084.79	343,325,084.79

VIII. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS - continued

2. Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern and keep the capital ratio at a healthy level, so that it can support business development and maximize the value of shareholders.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares. No changes were made in the objectives, policies or processes for managing capital for the year ended 31 December 2019 and 31 December 2018.

The Group monitors its capital through the asset-liability ratio, which is calculated as total liabilities divided by total assets. As at 31 December 2019 and 31 December 2018, the asset-liability ratio is as follows:

Unit: RMB

	Closing balance of the year	Closing balance of prior year
Total liabilities	27,393,211,896.01	26,327,746,697.37
Total assets	52,668,050,663.03	50,329,096,406.86
Total asset-liability ratio (%)	52.01	52.31

IX. DISCLOSURE OF FAIR VALUE

1. Fair value of assets and liabilities at the end of the year and the beginning of the year measured at fair value

Unit: RMB

ITEM	Fair value at the end of the year			
	(Level 1) Fair value measurement	(Level 2) Fair value measurement	(Level 3) Fair value measurement	Total
I. Continuous measurement of fair value				
(1)Derivative financial assets	3,999,316.99	69,836,233.65	-	73,835,550.64
(2)Factoring with receivables	-	2,681,242,552.79	-	2,681,242,552.79
(3) Other equity instrument investments	281,928,662.41	-	150,854,885.76	432,783,548.17
Total assets continuously measured at fair value	**285,927,979.40**	**2,751,078,786.44**	**150,854,885.76**	**3,187,861,651.60**
(4) Derivative financial liabilities	4,023,593.11	21,185,950.48	-	25,209,543.59
Total liabilities continuously measured at fair value	**4,023,593.11**	**21,185,950.48**	**-**	**25,209,543.59**

Unit: RMB

ITEM	Fair value at the beginning of the year			
	(Level 1) Fair value measurement	(Level 2) Fair value measurement	(Level 3) Fair value measurement	Total
I. Continuous measurement of fair value				
(I)Financial Assets at Fair Value through Profit or Loss ("FVTPL")				
1. Held-for-trading financial assets	3,134,593.34	84,209,286.62	-	87,343,879.96
(1) Equity instruments investments	623,070.99	-	-	623,070.99
(2) Derivative financial assets	2,511,522.35	84,209,286.62	-	86,720,808.97
(II) Factoring with receivables	-	2,621,414,388.12	-	2,621,414,388.12
(III) Other equity instrument investments	258,031,461.55	-	86,524,376.98	344,555,838.53
Total assets continuously measured at fair value	**261,166,054.89**	**2,705,623,674.74**	**86,524,376.98**	**3,053,314,106.61**
(IV)Derivative financial liabilities	8,758,265.73	52,102,916.52	-	60,861,182.25
Total liabilities continuously measured at fair value	**8,758,265.73**	**52,102,916.52**	**-**	**60,861,182.25**

IX. DISCLOSURE OF FAIR VALUE - continued

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

The investment in other equity instruments at continuous level 1 fair value measurement at the end of the year was the stock of listed companies. The fair value was determined by reference to the closing prices of the Shanghai Stock Exchange and the Hong Kong Stock Exchange at the end of the year. Derivative financial assets and derivative financial liabilities are commodity futures contracts, and their fair value refers to the settlement price of the corresponding futures exchange at the last trading day before the balance sheet date.

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous level 2 fair value measurement items

ITEM	Fair value as at 31 December 2019	Valuation technique(s)	Input(s)
Derivative financial assets	69,836,233.65	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate
Receivables at FVTOCI	2,681,242,552.79	Method of discounted cash flow analysis	Discount rate
Derivative financial liabilities	21,185,950.48	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate

4. Qualitative and quantitative information of valuation techniques and important parameters used in continuous level 2 fair value measurement items

ITEM	Fair value as at 31 December 2019	Valuation technique(s)	Key input(s)
Other equity instrument investments	150,854,885.76	Market method	Market-to-book ratio
		Income method	Expected income, discount rate

5. Qualitative and quantitative information of valuation techniques and important parameters used in continuous level 3 fair value measurement items

ITEM	1 January 2019	Total profit or loss for the year included in other comprehensive income	Purchase	Sale	31 December 2019
Other equity instrument investments	86,524,376.98	47,830,508.78	18,000,000.00	(1,500,000.00)	150,854,885.76

6. Fair value information of financial assets and financial liabilities not measured at fair value

The book value of financial assets and financial liabilities of the Group's current assets and current liabilities that are not measured at fair value is close to the fair value. The Group's long-term borrowings include floating-rate borrowings and fixed-rate borrowings, and its book value is close to fair value.

X. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

Unit: RMB

Name of parent company	Place of incorporation	Nature of business	Registered capital	Shareholding ratio (%)	voting rights ratio (%)
China Sinochem Corporation	Beijing	Oil, fertilizer, seeds, plastics, finance, hotels, real estate development, etc.	RMB 39.8 billion	55.35	55.35

The ultimate holding company of the Company is Sinochem Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VII.

3. Associates of the Company

Details of the principal associates of the Company are set out in Note IX 2.

Associates entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows:

Name of associates	Relationship with the Group
Shanxi Yaxin Coal Coking Co., Ltd.	Associate
Dongguan Zhonghua Huamei Plastics Co., Ltd.	Associate
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Associate
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Associate
Jiangshan Singapore Co., Ltd.	Associate
Jiangsu Jiangsheng International Trade Co., Ltd.	Associate

X. RELATED PARTIES AND TRANSACTIONS - continued

4. Other related parties

Name of other related parties	Relationship
Sinofert Co., Ltd.	Under the same control of Sinochem Group
China Jinmao (Group) Co., Ltd.	Under the same control of Sinochem Group
China Foreign Economy and Trade Trust Co., Ltd.	Under the same control of Sinochem Group
Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	Under the same control of Sinochem Group
Hebei Sinochem Xinbao Chemical Technology Co., Ltd	Under the same control of Sinochem Group
Jiangsu Ruizhu Real Estate Co., Ltd.	Under the same control of Sinochem Group
Sinochem Information Technology Co., Ltd.	Under the same control of Sinochem Group
(Sinochem Trading (Singapore) Pte Ltd.)	Under the same control of Sinochem Group
Sinochem Tianjin Co., Ltd.	Under the same control of Sinochem Group
Sinochem Hebei Corporation	Under the same control of Sinochem Group
Taicang Sinochem Environmental Protection Chemical Co., Ltd.	Under the same control of Sinochem Group
Zhejiang Titan Design & Engineering Co., Ltd.	Significantly influenced by Sinochem Group
Sinochem Jilin Changshan Chemical Co., Ltd.	Under the same control of Sinochem Group
Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	Under the same control of Sinochem Group
Sinochem Lantian Co., Ltd.	Under the same control of Sinochem Group
Sinochem Finance Co., Ltd. ("Finance Co., Ltd.")	Under the same control of Sinochem Group
Sinochem International Property Hotel Management Co., Ltd.	Under the same control of Sinochem Group
Sinochem (Yantai) Crop Nutrition Co., Ltd.	Under the same control of Sinochem Group
Shanghai Changhua Industrial Co., Ltd.	Under the same control of Sinochem Group
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	Under the same control of Sinochem Group
Zhejiang Lantian Environmental Protection Hi-Tech Co., Ltd.	Under the same control of Sinochem Group
SYRICI Design & Engineering Co.,Ltd.	Under the same control of Sinochem Group
Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	Under the same control of Sinochem Group
Sinochem Quanzhou Petrochemical Co., Ltd.	Under the same control of Sinochem Group
Hebei Sinochem Fuheng Co., Ltd.	Under the same control of Sinochem Group
China National Seed Hybrid Wheat Seed Industry (Beijing) Co., Ltd.	Under the same control of Sinochem Group
Dalian Sinochem Logistics Co., Ltd.	Under the same control of Sinochem Group

Sinochem Singapore International Petroleum Co., Ltd.	Under the same control of Sinochem Group
Sinochem Energy Technology Co., Ltd.	Under the same control of Sinochem Group
Sinochem Oil Shanghai Co., Ltd.	Under the same control of Sinochem Group
Sinochem Lantian Honeywell New Materials Co., Ltd.	Under the same control of Sinochem Group
Shenyang Research Institute of Chemical Industry Co., Ltd.	Under the same control of Sinochem Group
Zhejiang Research Institute of Chemical Industry Co., Ltd.	Under the same control of Sinochem Group
Sinochem Lantian Group Trading Co., Ltd.	Under the same control of Sinochem Group
Zhejiang Hetian Chemical Co., Ltd.	Under the same control of Sinochem Group
Sinochem Commerce Co., Ltd.	Under the same control of Sinochem Group
China Science and Technology Center of China National Seed Group Co., Ltd.	Under the same control of Sinochem Group
Sinochem Zhoushan Hazardous Chemicals Emergency Rescue Base Co., Ltd.	Under the same control of Sinochem Group
Sinochem Agriculture Holdings	Under the same control of Sinochem Group
Sinochem Hong Kong (Group) Co., Ltd.	Under the same control of Sinochem Group
Sinochem Yangzhou Petrochemical Terminal Storage Co., Ltd.	Under the same control of Sinochem Group
Sinochem Juyuan Enterprise Management (Beijing) Co., Ltd.	Under the same control of Sinochem Group
Zhejiang Chemical Products Quality Inspection Station Co., Ltd.	Under the same control of Sinochem Group
China Seed International Seed Co., Ltd.	Under the same control of Sinochem Group
Lianyungang Port International Petrochemical Port Co., Ltd. (Note)	Others

X. RELATED PARTIES AND TRANSACTIONS - continued

4. Other related parties - continued

Name of other related parties	Relationship
Sinochem Asset Management (Shanghai) Co., Ltd.	Under the same control of Sinochem Group
Sinochem Asset Management Co., Ltd.	Under the same control of Sinochem Group
Sinochem Petrochemical Sales Co., Ltd.	Under the same control of Sinochem Group
Sinochem (Hainan) Crop Technology Co., Ltd.	Under the same control of Sinochem Group
Jinmao (Shanghai) Property Services Co., Ltd.	Under the same control of Sinochem Group
Sinochem Lantian Fluorine Material Co., Ltd.	Under the same control of Sinochem Group
Lianyungang Port Group Co., Ltd. (Note)	Others
Yizhang Hongyuan Chemical Co., Ltd.	Under the same control of Sinochem Group
Sinochem Zhejiang Chemical Co., Ltd.	Under the same control of Sinochem Group
Gaotai Sinochem Tomato Products Co., Ltd.	Under the same control of Sinochem Group
Shenyang SYRICI Testing Technology Co., Ltd.	Under the same control of Sinochem Group
Shanghai SYRICI Technology Co., Ltd	Under the same control of Sinochem Group
Tianjin Sinochem Jinpeng International Transportation Agency Co., Ltd.	Under the same control of Sinochem Group
Sinochem Modern Agriculture (Inner Mongolia) Co., Ltd.	Under the same control of Sinochem Group

Note: These companies are related companies of Sinochem International Logistics Co., Ltd., an original subsidiary of the Group, which was disposed of at the end of 2018.

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions

(1) Purchase and sales of goods, rendering and receipt of services

Purchase of goods / receipt of services

Unit: RMB

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Purchase of goods (Note)			
Sinochem Hebei Corporation	Purchase of goods	2,296,830,158.30	1,775,489,342.58
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Purchase of goods	270,426,809.79	337,541,858.74
Shanxi Yaxin Coal Coking Co., Ltd.	Purchase of goods	165,861,012.61	156,378,068.91
Zhejiang Titan Design & Engineering Co., Ltd.	Purchase of goods	152,808,016.74	829,778.31
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Purchase of goods	87,499,703.01	76,853,902.37
Sinochem Lantian Group Trading Co., Ltd.	Purchase of goods	65,203,677.21	112,818,451.89
SYRICI Design & Engineering Co.,Ltd.	Purchase of goods	28,057,771.19	-
Sinochem Lantian Fluorine Material Co., Ltd.	Purchase of goods	23,550,820.71	2,711,936.34
Sinochem Jilin Changshan Chemical Co., Ltd.	Purchase of goods	13,632,938.35	6,792,308.62
Dongguan Zhonghua Huamei Plastics Co., Ltd.	Purchase of goods	12,525,855.34	3,489,175.05
Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	Purchase of goods	12,259,394.28	19,616,758.54
Shenyang Research Institute of Chemical Industry Co., Ltd.	Purchase of goods	8,129,516.13	5,622.44
Zhejiang Research Institute of Chemical Industry Co., Ltd.	Purchase of goods	3,778,072.95	3,397,363.70
Hebei Sinochem Xinbao Chemical Technology Co., Ltd	Purchase of goods	2,123,893.81	5,517,241.40
Taicang Sinochem Environmental Protection Chemical Co., Ltd.	Purchase of goods	1,973,726.55	1,343,547.54
Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	Purchase of goods	998,438.59	5,686,599.58
Hebei Sinochem Fuheng Co., Ltd.	Purchase of goods	278,761.06	-
Gaotai Sinochem Tomato Products Co., Ltd.	Purchase of goods	2,920.35	-
Sinochem Oil Shanghai Co., Ltd.	Purchase of goods	-	65,987,022.40
Sinochem Petrochemical Sales Co., Ltd.	Purchase of goods	-	8,292,716.77
Jiangshan Singapore Co., Ltd.	Purchase of goods	-	5,252,440.68
Sinochem Tianjin Co., Ltd.	Purchase of goods	-	3,097,275.64
Sinochem (Yantai) Crop Nutrition Co., Ltd.	Purchase of goods	-	376,052.41
Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	Purchase of goods	-	83,331.65
Sinochem Commerce Co., Ltd.	Purchase of goods	-	2,256.41
Sub-total		**3,145,941,486.97**	**2,591,563,051.97**

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions - continued

(1) Purchase and sales of goods, rendering and receipt of services - continued

Purchase of goods / receipt of services - continued

Unit: RMB

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Receipt of services (Note)			
Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	Receipt of services	19,050,136.83	13,128,786.13
Sinochem Information Technology Co., Ltd.	Receipt of services	12,729,155.66	13,497,133.03
Shenyang Research Institute of Chemical Industry Co., Ltd.	Receipt of services	7,011,047.92	12,792,053.92
SYRICI Design & Engineering Co.,Ltd.	Receipt of services	5,349,381.53	27,017,820.76
Sinochem Hebei Corporation	Receipt of services	2,458,775.25	-
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	Receipt of services	1,932,461.94	2,980,574.72
Jinmao (Shanghai) Property Services Co., Ltd.	Receipt of services	1,486,702.81	991,840.12
Sinochem Juyuan Enterprise Management (Beijing) Co., Ltd.	Receipt of services	823,140.02	531,990.99
Shenyang SYRICI Testing Technology Co., Ltd.	Receipt of services	692,405.65	-
Zhejiang Research Institute of Chemical Industry Co., Ltd.	Receipt of services	301,886.79	-
Sinochem Energy Technology Co., Ltd.	Receipt of services	94,339.62	-
Sinochem Commerce Co., Ltd.	Receipt of services	47,169.81	224,817.37
Shanghai SYRICI Technology Co., Ltd	Receipt of services	21,698.11	-
Dongguan Zhonghua Huamei Plastics Co., Ltd.	Receipt of services	10,202.22	-
Tianjin Sinochem Jinpeng International Transportation Agency Co., Ltd.	Receipt of services	1,415.09	-
Sinochem Asset Management Co., Ltd.	Receipt of services	-	9,972,697.18
Lianyungang Port International Petrochemical Port Co., Ltd.	Receipt of services	-	9,145,731.57
Jiangsu Ruizhu Real Estate Co., Ltd.	Receipt of services	-	1,601,941.75
Sinochem Yangzhou Petrochemical Terminal Storage Co., Ltd.	Receipt of services	-	1,042,204.26
Lianyungang Port Group Co., Ltd.	Receipt of services	-	693,396.23
China Science and Technology Center of China National Seed Group Co., Ltd.	Receipt of services	-	471,698.10
Zhejiang Chemical Products Quality Inspection Station Co., Ltd.	Receipt of services	-	68,301.88
Sinochem Tianjin Co., Ltd.	Receipt of services	-	28,812.77
Sinochem Zhoushan Hazardous Chemicals Emergency Rescue Base Co., Ltd.	Receipt of services	-	11,320.74
Sinochem Lantian Co., Ltd.	Receipt of services	-	10,377.36
Sub-total		**52,009,919.25**	**94,211,498.88**

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions - continued

(1) Purchase and sales of goods, rendering and receipt of services - continued

Sales of goods / rendering of services

Unit: RMB

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Sales of goods (Note)			
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Sales of goods	696,048,422.02	493,924,791.94
Shanxi Yaxin Coal Coking Co., Ltd.	Sales of goods	71,616,274.94	13,345,131.12
Dongguan Zhonghua Huamei Plastics Co., Ltd.	Sales of goods	36,996,603.26	61,953,071.04
Sinochem Hebei Corporation	Sales of goods	35,830,016.29	12,603,268.78
Sinochem Quanzhou Petrochemical Co., Ltd.	Sales of goods	26,673,185.61	3,184,010.19
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Sales of goods	12,975,499.21	11,437,664.57
Sinofert Co., Ltd.	Sales of goods	5,479,777.23	4,990,210.06
Sinochem Modern Agriculture (Inner Mongolia) Co., Ltd.	Sales of goods	2,836,239.45	-
Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	Sales of goods	326,476.11	-
Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	Sales of goods	22,831.86	-
Shenyang Research Institute of Chemical Industry Co., Ltd.	Sales of goods	2,586.21	130,162.17
Sinochem (Hainan) Crop Technology Co., Ltd.	Sales of goods	-	4,876,381.62
Jiangsu Jiangsheng International Trade Co., Ltd.	Sales of goods	-	4,845,783.48
Sinochem Tianjin Co., Ltd.	Sales of goods	-	618,620.69
Zhejiang Hetian Chemical Co., Ltd.	Sales of goods	-	509,090.91
Hebei Sinochem Fuheng Co., Ltd.	Sales of goods	-	439,655.17
China National Seed Hybrid Wheat Seed Industry (Beijing) Co., Ltd.	Sales of goods	-	106,896.56
China Seed International Seed Co., Ltd.	Sales of goods	-	43,100.00
Sub-total		**888,807,912.19**	**613,007,838.30**
Rendering of services(Note)			
Sinochem Hebei Corporation	Rendering of services	3,110,975.42	153,532.13
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Rendering of services	2,630,406.78	260,104.72
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Rendering of services	2,153,220.56	8,093,284.43
Sinochem Asset Management (Shanghai) Co., Ltd.	Rendering of services	768,453.48	-
Sinochem Oil Shanghai Co., Ltd.	Rendering of services	-	387,438.05
Jinmao (Shanghai) Property Services Co., Ltd.	Rendering of services	-	4,233.82
Sinochem Petrochemical Sales Co., Ltd.	Rendering of services	-	10,498,426.63
Dalian Sinochem Logistics Co., Ltd.	Rendering of services	-	4,413,934.62
Sinochem Trading (Singapore) Pte Ltd.	Rendering of services	-	2,638,028.11
Lianyungang Port International Petrochemical Port Co., Ltd.	Rendering of services	-	1,930,707.15
Lianyungang Port Group Co., Ltd.	Rendering of services	-	1,027,230.58
Sinochem Singapore International Petroleum Co., Ltd.	Rendering of services	-	627,206.50
Sinochem Energy Technology Co., Ltd.	Rendering of services	-	510,671.65
Shenyang Research Institute of Chemical Industry Co., Ltd.	Rendering of services	-	403,948.43
Sinofert Co., Ltd.	Rendering of services	-	305,215.00
Taicang Sinochem Environmental Protection Chemical Co., Ltd.	Rendering of services	-	31,132.08
Sub-total		**8,663,056.24**	**31,285,093.90**

Note: The sales and purchase prices between the Group and its related parties are determined through negotiation between both parties.

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions - continued

(2) Leases

The Group as a lessor:

Unit: RMB

Name of lessee	Type of leased assets	Amount for the current year	Amount for the prior year
Sinochem Oil Shanghai Co., Ltd.	Workplace	3,525,117.81	3,571,509.49
Shenyang Research Institute of Chemical Industry Co., Ltd.	Machinery and equipment	861,572.56	1,130,154.97
Sinochem Lantian Honeywell New Materials Co., Ltd.	Container	-	19,016,180.12
Taicang Sinochem Environmental Protection Chemical Co., Ltd.	Container	-	16,837,866.91
Sinochem Lantian Fluorine Material Co., Ltd.	Container	-	5,519,327.98
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Container	-	2,673,802.99
Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	Container	-	2,179,562.21
Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	Container	-	1,354,444.00
Sinochem Petrochemical Sales Co., Ltd.	Workplace	-	216,369.25
Zhejiang Lantian Environmental Protection Hi-Tech Co., Ltd.	Container	-	192,423.45
Sinochem Lantian Group Trading Co., Ltd.	Container	-	20,860.00
Sub-total		**4,386,690.37**	**52,712,501.37**

The Group as a lessee:

Unit: RMB

Name of lessor	Type of leased assets	Amount for the current year	Amount for the prior year
Sinochem International Property Hotel Management Co., Ltd.	Office buildings	11,624,242.81	11,637,622.33
Sinochem Asset Management Co., Ltd.	Office buildings	8,779,284.75	9,907,246.95
Sinochem Hong Kong (Group) Co., Ltd.	Office buildings	3,020,068.26	2,594,168.84
Shanghai Changhua Industrial Co., Ltd.	Warehouse	152,380.96	152,380.96
Shenyang Research Institute of Chemical Industry Co., Ltd.	Office buildings	36,623.21	4,994,457.07
Jinmao (Shanghai) Property Services Co., Ltd.	Office buildings	-	1,439,106.17
Sinochem Tianjin Co., Ltd.	Office buildings	-	714,285.71
Sub-total		**23,612,599.99**	**31,439,268.03**

The lease price between the Group and its related parties is determined through negotiation between both parties.

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions - continued

(3) Guarantee

The Group as the guaranteed party

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
China Sinochem Corporation	50,000,000.00	21 July 2017	21 July 2019	Yes
China Sinochem Corporation	50,000,000.00	21 July 2017	21 July 2019	Yes
China Sinochem Corporation	200,000,000.00	28 December 2017	28 July 2019	Yes
China Sinochem Corporation	1,200,000,000.00	1 July 2017	1 July 2019	Yes
China Sinochem Corporation	100,000,000.00	1 July 2017	1 July 2019	Yes
China Sinochem Corporation	300,000,000.00	4 January 2018	4 January 2019	Yes
China Sinochem Corporation	200,000,000.00	1 July 2017	1 July 2019	Yes

(4) Loans from/to related parties

Unit: RMB

Related party	Amount	Inception date	Expiration date	Notes
Borrowed from:				
Finance Co., Ltd. (Note)	35,501,750.22	3 April 2019	2 July 2019	3.48% per annum
Finance Co., Ltd. (Note)	2,225,546.63	23 April 2019	22 July 2019	4.08% per annum
Finance Co., Ltd. (Note)	1,752,532.90	24 April 2019	23 July 2019	4.08% per annum
Finance Co., Ltd. (Note)	4,355,809.92	26 April 2019	25 July 2019	4.09% per annum
Finance Co., Ltd. (Note)	2,485,968.86	6 June 2019	4 September 2019	4.02% per annum
Sinochem Group	57,180,000.00	23 January 2017	23 January 2020	1.35% per annum
Sinochem Group	300,000,000.00	20 November 2017	20 November 2020	1.35% per annum
Sinochem Group	300,000,000.00	22 October 2018	22 October 2020	1.35% per annum

Note: This year, the Group borrowed RMB 35,501,750.22 from Finance Co., Ltd. and borrowed USD 1,573,866.25, equivalent to RMB 10,819,858.31.

(5) Compensation for key management personnel

Unit: RMB

ITEM	Amount for the current year	Amount for the prior year
Compensation for key management personnel	20,620,000.00	13,291,000.00

During the year, the total compensation for key management personnel of the Group (including currency, physical and other forms) totaled RMB 20,620,000.00 (2018: RMB 13,291,000.00).

X. RELATED PARTIES AND TRANSACTIONS - continued

5. Related party transactions - continued

(6) Other related party transactions

Unit: RMB

ITEM	Amount for the current year	Amount for the prior year
Investment income (Note 1)	57,326,172.64	112,692,992.18
Interest expenses (Note 2)	15,876,481.14	40,213,190.31
Interest income (Note 3)	22,910,023.38	18,952,192.99
Purchase financial products (Note 4)	4,677,600,000.00	2,551,190,000.00

Note 1: In the current year, the Group's investment income from the collective fund trust plan purchased from China Foreign Economy and Trade Trust Co., Ltd. was RMB 57,326,172.64 (2018: RMB 112,644,779.68). This year there is no investment income for Sinochem Tianjin Co., Ltd.'s entrusted loan investment (2018: RMB 48,212.50).

Note 2: In the current year, the Group paid interest expense of Sinochem Finance Co., Ltd. was RMB 7,303,534.45 (2018: RMB 27,456,685.57), and the paid interest expenses of Sinochem Group Co., Ltd was RMB 8,572,946.69 (2018: RMB 8,358,718.50). This year, no interest expense is paid on Sinochem Hong Kong (Group) Co., Ltd. (2018: RMB 2,833,981.76), and no interest expense on Shenyang Research Institute of Chemical Industry Co., Ltd. (2018: RMB 1,563,804.48).

Note 3: This year, the Group's deposits with Sinochem Finance Co., Ltd. obtained interest income of RMB 22,910,023.38 (2018: RMB 18,952,192.99).

Note 4: During the year, the Group's one-year collective fund trust plan of RMB 4,677,600,000.00, which was purchased from China Foreign Economy and Trade Trust Co., Ltd., has expired at the end of the year and has no balance. (2018: purchase of RMB 2,551,190,000.00, and the unexpired balance at the end of the year was RMB 1,700,000,000.00).

X. RELATED PARTIES AND TRANSACTIONS - continued

6. Amounts due from / to related parties

(1) Receivables

Unit: RMB

Items	Name of related parties	Closing balance	Opening balance
Accounts receivable	Jiangsu Yangnong Kumho Chemical Co., Ltd.	79,964,419.55	155,344,479.84
Accounts receivable	Sinochem Hebei Corporation	12,758,609.40	-
Accounts receivable	Dongguan Zhonghua Huamei Plastics Co., Ltd.	8,924,602.50	2,479,245.00
Accounts receivable	Sinochem Quanzhou Petrochemical Co., Ltd.	2,946,582.43	967,898.16
Accounts receivable	Sinochem Asset Management (Shanghai) Co., Ltd.	1,158,211.71	-
Accounts receivable	Shenyang Research Institute of Chemical Industry Co., Ltd.	307,607.63	458,921.76
Accounts receivable	Jinmao (Shanghai) Property Services Co., Ltd.	534.30	1,090.21
Accounts receivable	Jiangsu Jiangsheng International Trade Co., Ltd.	-	2,338,560.00
Accounts receivable	Sinochem Agriculture Holdings	-	176,991.15
Accounts receivable	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	-	22,500.00
Sub-total		**106,060,567.52**	**161,789,686.12**
Prepayments	Sinochem Hebei Corporation	139,561,952.88	38,250,437.66
Prepayments	Zhejiang Titan Design & Engineering Co., Ltd.	5,312,888.32	47,925,047.40
Prepayments	Sinochem Jilin Changshan Chemical Co., Ltd.	3,605,206.08	4,779,268.08
Prepayments	Sinochem Asset Management Co., Ltd.	1,785,714.29	-
Prepayments	Shenyang Research Institute of Chemical Industry Co., Ltd.	1,112,754.37	4,000.00
Prepayments	Zhejiang Hetian Chemical Co., Ltd.	231,000.00	-
Prepayments	Sinochem Jinmao Property Management (Beijing) Co., Ltd.	35,738.00	7,258.75
Prepayments	SYRICI Design & Engineering Co.,Ltd.	-	14,817,741.04
Prepayments	Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	-	34,665.26
Sub-total		**151,645,253.94**	**105,818,418.19**
Other receivables	Sinochem International Property Hotel Management Co., Ltd.	2,953,423.35	2,953,423.35
Other receivables	Jiangsu Yangnong Kumho Chemical Co., Ltd.	2,422,400.00	355,670.26
Other receivables	Sinochem Hebei Corporation	1,854,733.94	-
Other receivables	Sinochem Asset Management (Shanghai) Co., Ltd.	1,033,833.37	1,804,262.26
Other receivables	China Jinmao (Group) Co., Ltd.	954,520.06	640,709.23
Other receivables	Sinochem Jinmao Property Management (Beijing) Co., Ltd.	395,149.10	396,769.10
Other receivables	Sinochem Lantian Group Trading Co., Ltd.	100,400.00	28,999.27
Other receivables	Sinochem Lantian Fluorine Material Co., Ltd.	51,600.00	-
Other receivables	Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	48,000.00	-
Other receivables	Taicang Sinochem Environmental Protection Chemical Co., Ltd.	48,000.00	2,170.92
Other receivables	Yizhang Hongyuan Chemical Co., Ltd.	48,000.00	2,170.92
Other receivables	Zhejiang Lantian Environmental Protection Hi-Tech Co., Ltd.	13,275.00	-
Other receivables	Sinochem Lantian Co., Ltd.	3,550.00	14,638.99
Other receivables	Sinochem Tianjin Co., Ltd.	3,236.40	3,236.40
Other receivables	China Foreign Economy and Trade Trust Co., Ltd.	-	3,685,187.66
Other receivables	Sinochem Group Co., Ltd	-	1,020,267.14
Other receivables	SYRICI Design & Engineering Co.,Ltd.	-	618,125.22
Other receivables	Shenyang Research Institute of Chemical Industry Co., Ltd.	-	151,512.10
Other receivables	Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	-	34,680.00
Other receivables	Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	-	2,170.92
Other receivables	Zhejiang Research Institute of Chemical Industry Co., Ltd.	-	2,170.92
Other receivables	Sinochem Petrochemical Sales Co., Ltd.	-	1,217.15
Other receivables	Sinochem Asset Management Co., Ltd.	-	600.00
Sub-total		**9,930,121.22**	**11,717,981.81**

X. RELATED PARTIES AND TRANSACTIONS - continued

6. Amounts due from / to related parties - continued

(2) Payables

Unit: RMB

Items	Name of related parties	Closing balance	Opening balance
Notes payable	Sinochem Jilin Changshan Chemical Co., Ltd.	12,168,150.00	-
Notes payable	Sinochem Lantian Group Trading Co., Ltd.	9,236,240.00	-
Sub-total		**21,404,390.00**	**-**
Accounts payable	Sinochem Lantian Group Trading Co., Ltd.	7,158,936.43	14,939,459.62
Accounts payable	Sinochem Lantian Fluorine Material Co., Ltd.	6,046,900.35	-
Accounts payable	Zhejiang Titan Design & Engineering Co., Ltd.	3,958,500.00	-
Accounts payable	SYRICI Design & Engineering Co.,Ltd.	3,448,101.24	-
Accounts payable	Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	691,416.00	
Accounts payable	Jiangsu Yangnong Kumho Chemical Co., Ltd.	472,542.48	5,404,899.17
Accounts payable	Dongguan Zhonghua Huamei Plastics Co., Ltd.	456,488.75	109,913.79
Accounts payable	Sinochem Asset Management (Shanghai) Co., Ltd.	75,000.00	-
Accounts payable	China Sinochem Corporation	24,441.40	6,491,704.55
Accounts payable	Sinochem Hebei Corporation	-	24,530,553.91
Accounts payable	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	-	28,541,715.11
Accounts payable	Shenyang Research Institute of Chemical Industry Co., Ltd.	-	3,539,076.49
Accounts payable	Zhejiang Research Institute of Chemical Industry Technology Co.,Ltd.	-	2,404,800.00
Accounts payable	Jiangsu Ruizhu Real Estate Co., Ltd.	-	250,000.00
Accounts payable	Sinochem Information Technology Co., Ltd.	-	130,157.50
Accounts payable	Shanxi Yaxin Coal Coking Co., Ltd.	-	68,855.75
Sub-total		**22,332,326.65**	**86,411,135.89**
Interest payable	Sinochem Group Co., Ltd	-	1,585,964.55
Sub-total		**-**	**1,585,964.55**
Dividends payable	Sinochem Zhejiang Chemical Co., Ltd.	94,730,348.48	-
Sub-total		**94,730,348.48**	**-**
Receipts in advance	Yangzhou Sinochem Huayu Environmental Protection Co., Ltd.	118,582.00	-
Receipts in advance	Hebei Sinochem Xinbao Chemical Technology Co., Ltd	-	539,400.00
Receipts in advance	Jiangsu Yangnong Kumho Chemical Co., Ltd.	-	517,594.80
Receipts in advance	Sinofert Co., Ltd.	-	165,000.00
Receipts in advance	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	-	44,153.17
Sub-total		**118,582.00**	**1,266,147.97**
Other payables	Sinochem Group Co., Ltd	44,760,000.00	140,756.35
Other payables	Sinochem Finance Co., Ltd.	167,458.57	-
Other payables	Shenyang Research Institute of Chemical Industry Co., Ltd.	132,783.25	-
Other payables	Sinochem Lantian Co., Ltd.	45,982.40	105,791.60
Other payables	China Sinochem Corporation	14,559.60	269,089.01
Other payables	Sinochem Jinmao Property Management (Beijing) Co., Ltd.	3,504.00	
Other payables	Sinochem Hebei Corporation	300.00	
Other payables	Sinochem Oil Shanghai Co., Ltd.	600.00	600.00
Other payables	Sinochem Asset Management Co., Ltd.	-	386,731.75
Other payables	Sinochem Asset Management (Shanghai) Co., Ltd.	-	197,699.00
Other payables	Sinochem Agriculture Holdings	-	1,375.00
Sub-total		**45,125,187.82**	**1,102,042.71**

X. RELATED PARTIES AND TRANSACTIONS - continued

6. Amounts due from / to related parties - continued

(3) Cash and bank balances deposited in related parties

Unit: RMB

Name of related parties	Closing balance	Opening balance
Finance Co., Ltd.	3,317,116,253.15	3,702,970,585.67

In 2019, the annual interest rate of the above deposits is 0.35% (2018: 0.35%).

XI COMMITMENTS

1. Significant Commitments

(1) Capital commitments

Unit: RMB'000

	31/12/2019	31/12/2018
Capital commitments that have been entered into but have not been recognized in the financial statements:		
- Commitment for acquisition and construction of long-term assets	419,804	285,637
Total	**419,804**	**285,637**

(2) Operating lease commitments

At the balance sheet date, the Group has outstanding commitments in respect of non-cancelable operating leases, which fall due as follows:

Unit: RMB'000

	31/12/2019	31/12/2018
The minimum lease payments under non-cancelable operating leases:		
1st year subsequent to the balance sheet date	50,823	36,061
2nd year subsequent to the balance sheet date	48,230	13,049
3rd year subsequent to the balance sheet date	35,409	10,390
Subsequent periods	41,309	22,500
Total	**175,771**	**82,000**

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Evaluation of the impact of COVID-19 epidemic

Since the outbreak of COVID-19 epidemic broke out across the country in January 2020, the prevention and control of COVID-19 epidemic outbreaks is continuing nationwide.

In order to combat the COVID-19 epidemic, all members of the Group's units acted resolutely to implement the decision and deployment for epidemic prevention and control of the Central Party Committee, the State Council, the headquarters of the Group and the located region, improved the prevention and control mechanism and measures arrangements, and implemented a number of measures based on the actual situation of each enterprise to ensure the stable operation of the enterprise's production and operation.

The Group will pay close attention to the development of COVID-19 epidemic, assess its impact on the Group's financial situation, operating results and other aspects. As at the reporting date of this report, the assessment is still in progress.

XII. EVENTS AFTER THE BALANCE SHEET DATE - continued

2. Changes in the shareholding structure of subsidiaries

On 5 January 2020, Sinochem Group, Sinochem Zhejiang, the shareholders of the Company's subsidiary Yangnong Group, signed an "Equity Transfer Agreement" with Sinochem (Shanghai) Agricultural Technology Co., Ltd. (now renamed "Syngenta Group Co., Ltd.", hereinafter referred as "Syngenta Group"). Sinochem Group transferred 0.04% of its state-owned equity in Yangnong Group and Zhejiang Chemical transferred 39.84% of its state-owned equity in Yangnong Group to Syngenta Group for free. The above-mentioned matters have been reviewed and approved by the shareholders' meeting of Yangnong Group and have been approved by the state-owned assets management authority.

On the same day, the Company and Syngenta Group signed a "Consistent Action Agreement", which stipulated that after Syngenta Group accepted the transfer of 39.88% equity in Yangnong Group, all daily operations and management, corporate governance and other decision-making matters of Yangnong Group (including but not limited to financial budget, business plan, appointment and removal of senior management, etc.) should be acted in consistent with the Company, including in the voting of the shareholders' meeting, and make the same voting opinion as the Company, to achieve the effect that the daily operation management and decision-making of the Company are controlled by the Company independently and practically. The agreement is effective from 5 January 2020, the date of signing by both parties, and should continue to be valid. Both parties agree that this agreement will automatically terminate as soon as Syngenta Group no longer directly or indirectly (including but not limited to through related parties controlled by it) holds any equity in Yangnong Group.

After the above changes, the Company still directly holds 39.995% equity in Yangnong Group, and through concerted action arrangements with Syngenta Group, controls the 39.88% of the voting rights in Yangnong Group held by Syngenta Group. The Company remains to be the controlling shareholder of Yangnong Group.

3. Profit distribution

On 28 April 2020, in accordance with the resolution of the 29th meeting of the seventh board of directors, the Company proposed a profit distribution plan for 2019, and distributed cash dividends of RMB 441,785,035.52 (i.e. RMB 1.60 for every 10 cash dividends (including tax)).

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Determination basis and accounting policies of reporting segments

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 7 reporting segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. The Group has determined 7 reporting segments on the basis of operating segments, including natural rubber, polymer additives, lightweight materials, agrochemicals, high-performance materials and intermediates, medical and pharmaceutical health and others. The reporting segments are determined based on products and services. Major products and services delivered or provided by each of the reporting segments are as follows:

(1) Natural rubber segment provides natural rubber cultivation, processing and sales services;
(2) Polymer additives segment provides rubber antioxidants processing and sales services;
(3) Lightweight materials segment provides sales services for coke, iron ore, coal and chemicals, and provides the production services of chemicals;
(4) Agricultural chemicals segment provides pesticide production and sales services;
(5) High-performance materials and intermediates segment provide R&D, production and sales services of fine chemical products;
(6) Medical and pharmaceutical health segment provides export, R&D and customization of preparation and import and export of generic drugs, nutrition and health products
(7) Other segments mainly engaged in chemical trade, scientific R&D, and real estate operations.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

XIII. OTHER SIGNIFICANT MATTERS - continued

1. Segment information - continued

(2) Summarized financial information of reporting segment

2019

Unit: RMB

ITEM	Natural rubber	Polymer additives	Lightweight materials	Agricultural chemicals	High-performance materials and intermediates	Medical and pharmaceutical health	Others	Elimination between segments	Total
Revenue from external transactions	13,189,206,506.64	2,566,091,480.21	14,637,882,471.84	8,653,763,291.79	6,154,679,468.24	3,134,344,459.30	4,510,495,387.73	-	52,846,463,065.75
Revenue between segments	-	-	-	25,901,632.62	1,183,587,714.85	442,965.20	60,626,651.26	1,270,558,963.93	-
Investment income from associates	(1,735,506.63)	-	23,871,260.12	-	26,298,085.92	-	(2,281,451.48)	-	46,152,387.93
Losses of credit impairment	-	2,099,616.92	(38,227,934.01)	4,386,760.08	(270,901.32)	851,532.23	89,929,838.72	-	58,768,912.62
Impairment losses of assets	(5,297,653.48)	(41,720,768.65)	(1,441,875.73)	(10,485,426.54)	1,290,410.56	(1,472,089.97)	(98,325,943.95)	-	(157,453,347.76)
Depreciation and amortization fees	199,531,589.06	140,950,134.12	12,014,387.70	447,027,239.26	434,157,278.16	1,296,264.28	91,474,156.77	-	1,326,451,049.35
Profit before tax	(320,204,772.70)	626,920,968.22	137,203,686.86	1,329,720,315.20	536,112,397.13	106,021,405.56	(444,458,240.39)	-	1,971,315,759.88
Income tax expenses	(41,681,435.84)	150,869,824.05	14,899,200.24	216,030,936.94	61,172,124.26	26,697,886.82	(54,269,095.38)	-	373,719,441.09
Total assets	14,881,994,762.53	4,902,204,778.24	7,064,135,497.08	10,747,223,524.45	14,707,092,987.93	1,138,961,304.69	26,589,666,268.10	27,363,228,459.99	52,668,050,663.03
Total liabilities	8,977,659,921.58	867,020,161.20	2,589,776,252.61	4,584,136,049.91	5,044,695,709.88	689,033,105.79	18,073,856,378.89	13,432,965,683.85	27,393,211,896.01
Long-term equity investments to associates	7,235,799.20	-	111,725,605.08	-	216,688,635.57	-	210,843,548.52	-	546,493,588.37

2018

Unit: RMB

ITEM	Natural rubber	Polymer additives	Lightweight materials	Agricultural chemicals	High-performance materials and intermediates	Medical and pharmaceutical health	Others	Elimination between segments	Total
Revenue from external transactions	14,394,931,358.39	2,939,608,546.67	17,243,388,362.10	8,582,436,188.57	3,791,145,283.10	3,109,415,626.22	9,895,648,046.54	-	59,956,573,411.59
Revenue between segments	-	-	-	20,728,054.71	1,227,919,891.27	-	167,960,314.02	1,416,608,260.00	-
Investment income from associates	(1,094,470.85)	-	11,077,618.30	75,238,635.22	46,370,456.05	-	(30,296,533.63)	-	101,295,705.09
Impairment losses of assets	829,363,286.11	8,369,385.69	151,206,073.67	56,707,714.87	12,217,637.28	2,744,937.25	(4,159,768.38)	-	1,056,449,266.49
Depreciation and amortization fees	200,880,364.40	123,841,203.27	11,325,870.57	415,169,231.74	290,550,243.06	1,483,957.57	453,677,464.76	-	1,496,928,335.37
Profit before tax	(766,171,154.41)	698,811,440.80	147,049,328.71	2,406,625,994.16	625,092,262.99	84,533,634.46	783,099.86	-	3,196,724,606.57
Income tax expenses	(34,814,435.14)	159,743,734.93	22,727,864.99	483,147,466.36	48,370,354.25	21,722,491.87	387,550,963.63	-	1,088,448,440.89
Total assets	13,185,780,974.40	5,782,031,763.70	4,961,830,333.52	10,419,565,458.69	16,640,531,860.78	1,007,718,859.29	24,035,301,163.02	25,703,664,006.54	50,329,096,406.86
Total liabilities	7,380,177,092.91	889,261,582.49	2,757,676,374.35	4,930,179,006.95	2,579,605,086.11	609,251,063.61	11,463,488,609.42	4,281,892,118.47	26,327,746,697.37
Long-term equity investments to associates	8,184,068.70		115,426,537.75	-	200,390,549.65	-	4,125,000.00	-	328,126,156.10

XIII. OTHER SIGNIFICANT MATTERS - continued

1. Segment information - continued

(2) Summarized financial information of reporting segment - continued

Segment revenue arising from external transactions by product or business:

Unit: RMB

ITEM	2019	2018
Natural rubber	13,189,206,506.64	14,394,931,358.39
Polymer additives	2,566,091,480.21	2,939,608,546.67
Lightweight materials	14,637,882,471.84	17,243,388,362.10
Agricultural chemicals	8,653,763,291.79	8,582,436,188.57
High-performance materials and intermediates	6,154,679,468.24	3,791,145,283.10
Medical and pharmaceutical health	3,134,344,459.30	3,109,415,626.22
Others	4,510,495,387.73	9,895,648,046.54
Total	**52,846,463,065.75**	**59,956,573,411.59**

According to the segments listed in the table above, revenue other than other businesses are the Group's sales revenue of chemical commodities, which generated an amount of RMB 48,335,967,678.02 this year (2018: RMB 50,060,925,365.05).

External revenue by geographical area of source:

Unit: RMB

ITEM	2019	2018
External transaction revenue from China	27,480,037,862.13	27,805,923,569.64
External transaction revenue from other countries	25,366,425,203.62	32,150,649,841.95
Total	**52,846,463,065.75**	**59,956,573,411.59**

The total amount of non-current assets (excluding financial assets and deferred tax assets) of the Group located in China (divided by the relevant enterprise registration place) is RMB 15,541,134,561.95.

Degree of reliance on major customers

Since the principal business of the Group is rubber, chemicals, new materials and agrochemicals, etc., with a wide range of operations, there is no dependency on specific customers.

Inter-segment transfer transactions are set with reference to the fair price adopted by the third party for the exchange.

2. Guaranteed matters

The Group as the guarantor:

Unit: RMB

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Shandong Genesis Auto Radiator Co., Ltd.	10,000,000.00	2018-02-15	2019-01-14	Yes
Shandong Genesis Auto Radiator Co., Ltd.	5,000,000.00	2018-03-17	2019-03-15	Yes
Shandong Genesis Auto Radiator Co., Ltd.	8,000,000.00	2018-03-24	2019-03-23	Yes
Tai'an Tailong Flexible Shaft and Hose Factory	4,300,000.00	2018-08-15	2019-08-14	Yes
Tai'an Tailong Flexible Shaft and Hose Factory	4,000,000.00	2018-05-03	2019-04-12	Yes
Tai'an Tailong Flexible Shaft and Hose Factory	3,000,000.00	2018-05-03	2019-04-24	Yes
Tai'an Tailong Flexible Shaft and Hose Factory	6,000,000.00	2018-01-19	2019-01-17	Yes

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Aging analysis of accounts receivable

Unit: RMB

Aging	Closing balance of the year			Closing balance of the prior year		
	Accounts receivable	Provision for credit losses	Provision ratio (%)	Accounts receivable	Bad debt provision	Provision ratio (%)
0-180 days	320,397,942.29	484,328.57	0.15	691,213,744.57	-	-
181-365 days	1,644,958.17	41,123.95	2.50	281,817,479.94	-	-
Over 1 year	4,501,129.15	3,840,206.80	85.32	6,283,470.24	395,017.66	6.29
Total	**326,544,029.61**	**4,365,659.32**	**1.34**	**979,314,694.75**	**395,017.66**	**0.04**

(2) Disclosed by method of determining provision for credit losses

Unit: RMB

Category	Closing balance of the year				
	Book value		Provision for credit losses		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for which provision for credit losses is individually assessed	3,766,770.98	1.15	3,766,770.98	100.00	-
Accounts receivable for which provision for credit losses is collectively assessed	322,777,258.63	98.85	598,888.34	0.19	322,178,370.29
Including:					
Portfolio of trading enterprises	322,777,258.63	98.85	598,888.34	0.19	322,178,370.29
Total	**326,544,029.61**	**100.00**	**4,365,659.32**	**1.34**	**322,178,370.29**

Including: accounts receivable for which provision for credit losses is individually assessed

Unit: RMB

Accounts receivable (By customer)	Book value	Provision for credit losses	Provision ratio (%)	Reasons
Customer 16	13,284.80	13,284.80	100.00	Irrecoverability estimated by the management
Customer 5	3,753,486.18	3,753,486.18	100.00	Irrecoverability estimated by the management
Total	**3,766,770.98**	**3,766,770.98**	**100.00**	

Accounts receivable for which provision for credit losses is collectively assessed:

Unit: RMB

Aging	Closing balance of the year			
	Expected average loss rate (%)	Book value	Provision for credit losses	Carrying amount
0-180 days	0.15	320,397,942.29	484,328.57	319,913,613.72
181-365 days	2.50	1,644,958.17	41,123.95	1,603,834.22
Over 1 year	10.00	734,358.17	73,435.82	660,922.35
Total		**322,777,258.63**	**598,888.34**	**322,178,370.29**

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

1. Accounts receivable - continued

(3) Provision for credit losses of accounts receivable

Unit: RMB

Category	Closing balance of the prior year	Changes in accounting policies	Opening balance of the current year	Changes for the year		Closing balance of the year
				Provision	Recovery or reversal	
Accounts receivable for which provision for credit losses is individually assessed	378,555.12	-	378,555.12	3,388,215.86	-	3,766,770.98
Accounts receivable for which provision for credit losses is collectively assessed	16,462.54	3,397,038.27	3,413,500.81	-	(2,814,612.47)	598,888.34
Total	**395,017.66**	**3,397,038.27**	**3,792,055.93**	**3,388,215.86**	**(2,814,612.47)**	**4,365,659.32**

At the end of the current period, the credit risk and expected credit losses of accounts receivable are as follows:

Unit: RMB

Closing balance	Non-credit-impaired	Credit-impaired	Total
Book value	320,397,942.29	6,146,087.32	326,544,029.61
Expected credit losses	352,437.74	4,013,221.58	4,365,659.32
Carrying amount	320,045,504.55	2,132,865.74	322,178,370.29

Changes in impairment provision

Unit: RMB

Provision for impairment	Lifetime ECL
Balance at 1 January 2019	3,792,055.93
Accrued (reversed) expected credit losses this year	573,603.39
Balance at 31 December 2019	4,365,659.32

2. Factoring with receivables

Unit: RMB

ITEM	Closing balance	Cost
Bank acceptance bill	165,019,163.89	165,019,163.89
Total	**165,019,163.89**	**165,019,163.89**

The credit rating of bank acceptance bills held by the Company is high, the credit risk is not significant, and no impairment provision is made.

By the end of the year, the bank acceptance bills that the Company has endorsed or discounted but not due are RMB 318,274,974.28 (31 December 2018: RMB 188,850,120.76).

In the current year, according to the credit situation of the drawer, the Company believes that the main risks and rewards related to bank acceptance bills of RMB 262,382,962.29 (31 December 2018: RMB 78,677,927.11) among the above-mentioned endorsed or discounted undue bank acceptance bills have been transferred to the endorsee or discounter, therefore the Company derecognized these bank acceptance bills.

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Receivables at FVTOCI - continued

In the current year, according to the credit situation of the drawer, the Company believes that the main risks and rewards related to bank acceptance bills of RMB 55,892,011.99 (31 December 2018: RMB 110,172,193.65) among the above-mentioned endorsed or discounted undue bank acceptance bills are still borne by the Company. The Company continues to fully recognize the book value of the notes receivable, and fully recognizes the corresponding accounts payable or short-term loans.

As of the end of the year, the Company had no pledged bank acceptance bills (31 December 2018: Nil).

3. Other receivables

3.1. Classification of other receivables

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Interest receivable	-	27,286,323.37
Dividends receivable	506,469,910.57	387,037,711.80
Other receivables	106,130,485.17	88,037,506.98
Total	**612,600,395.74**	**502,361,542.15**

3.2. Interest receivable

(1) Classification of interest receivable

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Entrusted loan interest	-	24,229,500.00
Cash pool interest	-	3,056,823.37
Total	**-**	**27,286,323.37**

At the end of the year, the Company has no interest receivable overdue.

3.3. Dividends receivable

(1) Dividends receivable

Unit: RMB

Investee	Closing balance of the year	Closing balance of the prior year
Sinochem International (Overseas) Pte Ltd	411,379,526.92	-
Jiangsu Yangnong Chemical Group Co., Ltd.	95,090,383.65	-
Sinochem Crop Protection Products Co., Ltd.	-	330,277,285.88
Sinochem Plastics Co., Ltd.	-	56,760,425.92
Total	**506,469,910.57**	**387,037,711.80**

At the end of the year, the Company has no dividends receivable aged over 1 year.

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Other receivables - continued

3.4. Other receivables

(1) Aging analysis of other receivables

Unit: RMB

Aging	Closing balance of the year			Closing balance of the prior year		
	Other receivables	Provision for credit losses	Provision ratio (%)	Other receivables	Bad debt provision	Provision ratio (%)
Within 1 year	87,231,743.11	-	-	65,359,741.21	-	-
1-2 years	14,034,587.45	-	-	15,436,542.80	-	-
2-3 years	3,171,893.90	157,785.32	4.97	9,632,961.70	2,391,738.73	24.83
Over 3 years	26,653,286.51	24,803,240.48	93.06	24,632,575.08	24,632,575.08	100.00
Total	**131,091,510.97**	**24,961,025.80**	**19.04**	**115,061,820.79**	**27,024,313.81**	**23.49**

(2) Other receivables categorized by nature

Unit: RMB

Nature	Closing balance of the year	Closing balance of the prior year
Equity disposal	-	17,919,956.25
Futures margin	12,871,262.15	22,990,515.32
Export drawback receivable	22,361,100.38	14,488,666.93
Advance payment	64,988,616.41	30,704,684.31
Rent to be amortized	5,389,277.37	-
Others	520,228.86	1,933,684.17
Total	**106,130,485.17**	**88,037,506.98**

(3) Provision for credit losses of other receivables

Unit: RMB

Category	Opening balance	Changes for the year		Closing balance
		Provision	Recovery or reversal	
Provision for credit losses	27,024,313.81	186,711.99	(2,250,000.00)	24,961,025.80
Total	**27,024,313.81**	**186,711.99**	**(2,250,000.00)**	**24,961,025.80**

Changes in provision for credit losses of other receivables

Unit: RMB

Provision for credit losses	Phase I	Phase II	Phase III	Total
	12-month ECL	Lifetime ECL (Not credit-impaired)	Lifetime ECL (Credit-impaired)	
Balance at 1 January 2019	-	-	27,024,313.81	27,024,313.81
Provision	-	-	186,711.99	186,711.99
Reversal	-	-	(2,250,000.00)	(2,250,000.00)
Balance at 31 December 2019	-	-	**24,961,025.80**	**24,961,025.80**

(4) Other receivables actually written off this year

There is no write off of other receivables in this year.

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Other receivables - continued

3.4. Other receivables - continued

(5) The top 5 largest other receivables at the end of the year

Unit: RMB

Name of entity	Nature of other receivables	Relationship with the Company	Closing balance	Aging	As a percentage of total other receivables (%)	Closing balance of credit losses provision
Customer 17	Advance payment	Related party	25,592,168.27	Within 1 year	19.52	-
Customer 13	claim settlement	Third party	22,382,575.08	Over 3 years	17.07	22,382,575.08
Customer 14	Tax refunds receivable	Third party	22,361,100.38	Within 1 year	17.06	-
Customer 18	Advance payment	Related party	11,694,646.30	Within 1 year	8.92	-
Customer 19	Advance payment	Third party	6,334,847.47	Within 1 year	4.83	-
Total			**88,365,337.50**		**67.40**	**22,382,575.08**

4. Other current assets

Unit: RMB

ITEM	Closing balance of the year	Closing balance of the prior year
Entrusted loans (Note)	6,274,742,209.58	5,783,101,486.28
VAT input to be deducted	1,380,800.32	-
Financial products	3,757,261.40	2,867,719.51
Total	**6,279,880,271.30**	**5,785,969,205.79**

Note: The Company provides entrusted loans to the subsidiaries of large listed companies, the credit risk is not significant, and no impairment provision is made.

5. Long-term equity investments

Unit: RMB

ITEM	Closing balance of the year			Closing balance of the prior year		
	Book value	Impairment provision	Carrying amount	Book value	Impairment provision	Carrying amount
Investment to subsidiaries	9,382,306,005.91	-	9,382,306,005.91	8,605,009,733.72	-	8,605,009,733.72
Investment to associates	201,796,061.69	-	201,796,061.69	4,125,000.00	-	4,125,000.00
Total	**9,584,102,067.60**	**-**	**9,584,102,067.60**	**8,609,134,733.72**	**-**	**8,609,134,733.72**

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

5. Long-term equity investments - continued

(1) Investment to subsidiaries

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Impairment provision for the year	Closing balance of impairment provision
Sinochem International (Overseas) Pte Ltd	1,347,034,256.65	-	-	1,347,034,256.65	-	-
Jiangsu Yangnong Chemical Group Co., Ltd.	3,734,834,211.98	-	-	3,734,834,211.98	-	-
Jiangsu Ruisheng New Materials Technology Co., Ltd	460,591,814.16	-	-	460,591,814.16	-	-
Shanghai Sinochem Technology Co., Ltd.	20,000,000.00	-	-	20,000,000.00	-	-
Sinochem Crop Protection Products Co., Ltd. (Note 1)	800,000,000.00	-	(800,000,000.00)	-	-	-
Shanghai Dehuan Real Estate Co., Ltd.	542,614,043.32	-	-	542,614,043.32	-	-
Shanghai Zhanyuan New Materials Technology Co., Ltd	30,000,000.00	-	-	30,000,000.00	-	-
Sinochem Health Industry Development Co., Ltd.	349,092,719.51	-	-	349,092,719.51	-	-
Sinochem Plastics Co., Ltd.	710,842,688.10	-	-	710,842,688.10	-	-
Jiangsu Ruizhaoke Electronic Materials Co., Ltd.	80,000,000.00	-	-	80,000,000.00	-	-
Ningxia Sinochem Lithium Battery Materials Co., Ltd.	280,000,000.00	190,000,000.00	-	470,000,000.00	-	-
Sinochem Lianyungang Industrial Park Management Co., Ltd.	50,000,000.00	250,000,000.00	-	300,000,000.00	-	-
Huaian Junsheng New Energy Science&Technology Co., Ltd.	200,000,000.00	503,796,272.19	-	703,796,272.19	-	-
Sinochem (Ningbo) Runwo Membrane Technology Co., Ltd.(Note VI 2)	-	525,000,000.00	-	525,000,000.00	-	-
Hebei Sinochem Lithium Battery Technology Co., Ltd. (Note VI 2)	-	27,000,000.00	-	27,000,000.00	-	-
Sinochem Membrane Technology Co., Ltd. (Note VI 2)	-	50,000,000.00	-	50,000,000.00	-	-
Qingdao Sinochem Wenchuang Trade Co., Ltd. (Note 2)	-	1,500,000.00	-	1,500,000.00	-	-
Sinochem Green Energy Technology Co., Ltd. (Note VI 2)	-	30,000,000.00	-	30,000,000.00	-	-
Total	**8,605,009,733.72**	**1,577,296,272.19**	**(800,000,000.00)**	**9,382,306,005.91**	-	-

Note 1: On 31 September 2019, the Company transferred 100% equity of Sinochem Crop Protection Products Co., Ltd. to Jiangsu Yangnong Chemical Co., Ltd. for a consideration of RMB 912,810,904.51.

Note 2: During the year, the Company completed the subscription of RMB 1,500,000.00 to Qingdao Sinochem Wenchuang Trade Co., Ltd.

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

5. Long-term equity investments - continued

(2) Investment to associates

Unit: RMB

Investee	Opening balance	Changes for the year								Closing balance	Provision for impairment at 31 December 2019
		Additional investment	Reduce investment	Investment gains and losses recognized under the equity method	Adjustment on other comprehensive income	Other equity changes	Declaration of cash dividends or profits	Provision for impairment for the current year	Others		
Associates											
Shanghai Yinan Equity Investment Management Co., Ltd.	4,125,000.00	-	-	(542,071.98)	-	-	-	-	-	3,582,928.02	-
Nanjing Yinan Lingying New Energy Industry Investment Fund(Note V 12)	-	200,000,000.00	-	(1,786,866.33)	-	-	-	-	-	198,213,133.67	-
Total	**4,125,000.00**	**200,000,000.00**	**-**	**(2,328,938.31)**	**-**	**-**	**-**	**-**	**-**	**201,796,061.69**	**-**

XIV NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

6. Operating income and operating cost

Unit: RMB

ITEM	2019		2018	
	Revenue	Cost	Revenue	Cost
Principal business	2,848,653,033.60	2,696,730,949.92	3,437,069,210.90	3,171,634,266.37
Other business	57,260,469.55	28,523,620.33	18,526,357.94	17,868,970.42
Total	**2,905,913,503.15**	**2,725,254,570.25**	**3,455,595,568.84**	**3,189,503,236.79**

7. Investment income

(1) Details of investment income

Unit: RMB

ITEM	2019	2018
Income from long-term equity investment accounted for using the cost method	555,447,798.28	441,032,477.28
Income from long-term equity investment accounted for using the equity method	(2,328,938.31)	75,238,635.22
Investment income from disposal of long-term equity investments	112,123,298.51	2,906,786,303.98
Investment income from disposal held-for-trading financial assets	34,734,408.11	
Investment income from disposal of available-for-sale financial assets		105,665,869.60
Investment income from disposal of derivative financial assets	7,555,981.91	(16,048,792.73)
Dividend income obtained during the holding period of other equity instrument investment	962,190.77	
Investment income from entrusted loans	-	118,185,944.10
Total	**708,494,739.27**	**3,630,860,437.45**

8. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	**2019**	**2018**
1. Reconciliation of net profit to cash flows under operating activities		
Net profit	**389,883,202.19**	**2,612,241,947.88**
Add: Provision for impairment of assets	13,548,188.62	18,223,854.05
Losses (gains) of credit impairment	(1,489,684.62)	-
Depreciation of fixed assets	14,926,964.21	13,571,554.38
Amortization of intangible assets	8,083,103.65	6,268,166.90
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	(954,262.39)	74,359.35
Losses on retirement of fixed assets	98,206.44	-
Gains from changes in fair values	(381,401.30)	(8,884,636.54)
Financial expenses	106,104,239.26	223,019,711.40
Investment income	(708,494,739.27)	(3,630,860,437.45)
Decrease in deferred tax assets	7,715,282.83	162,963,101.37
Decrease in inventories	86,256,694.25	210,894,305.87
Decrease (increase) in operating receivables	630,742,363.86	(401,988,145.09)
Increase (decrease) in operating payables	(569,172,923.96)	703,601,346.32
Net Cash Flow from Operating Activities	**(23,134,766.23)**	**(90,874,871.56)**
2. Net changes in cash and cash equivalents		
Closing balance of cash	**1,074,421,233.90**	**3,292,995,199.13**
Less: Opening balance of cash	**3,292,995,199.13**	**3,988,338,946.93**
Net (decrease) increase in cash and cash equivalents	**(2,218,573,965.23)**	**(695,343,747.80)**

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Unit: RMB

ITEM	2019	2018
Gains or losses on disposal of non-current assets	(37,539,970.22)	(39,600,765.84)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	147,625,879.30	134,846,543.73
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	172,508,893.82	211,037,756.56
Reversal of provision for accounts receivable that are tested for impairment losses individually	54,682,844.54	22,143,184.20
Profit or loss on entrusted loans	-	1,096,632.78
Other non-operating income or expenses other than the above	19,515,825.99	41,672,770.19
Income from disposal of subsidiaries and associates	-	1,537,877,180.96
Income tax effects	(110,979,553.69)	(750,369,061.46)
Effects attributable to minority interests	(110,595,941.82)	(50,518,952.17)
Total	**135,217,977.92**	**1,108,185,288.95**

Basis for preparing of the breakdown of non-recurring Profit or Loss

According to the provisions of the " Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public [2008]" issued by the China Securities Regulatory Commission, non-recurring profit or loss refers to the profit or loss arising from various transactions and events that have no direct relationship with the normal business operation of the Company, and related to the normal business operation but that affect the user of the statement to make a correct judgment on the Company's operating performance and profitability due to its special and accidental nature.

2. Return on net assets and earnings per share ("EPS")

The statement of return on net assets and EPS prepared by Sinochem International (holding) Co., Ltd. (hereinafter referred to as "Sinochem International") in accordance with relevant rules of *Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share* (Revised 2010) issued by China Securities Regulatory Commission.

Profit during the reporting period	Weighted average return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	3.99%	0.17	Not applicable
Net profit attributable to common shareholders after deducting non-recurring profit and loss	2.83%	0.12	Not applicable

Company Code: 600500 Abbreviation of Company: Sinochem International

Sinochem International Corporation
2018 Annual Report

Section XI Financial Report

I. AUDITOR'S REPORT

√ Applicable □ N/A

De Shi Bao (Shen) Zi (19) No. P02750

To the shareholders of Sinochem International Corporation:

I. Opinion

We have audited the financial statements of Sinochem International Corporation ("Sinochem International "), which comprise the consolidated and Company's balance sheets as at 31 December 2018, and the consolidated and Company's income statements, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in owners' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of Sinochem International is prepared and present fairly, in all material respects, the consolidated and Company's financial position as of 31 December 2018, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Sinochem International in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

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

(I) Description of impairment of goodwill

As indicated in Note (VII) 22 to the financial statements, as at 31 December 2018, included in the consolidated balance sheet of Sinochem International, the original carrying amount of the goodwill is RMB 5,271,211,887.49; provision for impairment of goodwill is RMB 700,021,984.26 and carrying amount of goodwill is RMB 4,571,189,903.23. As indicated in Note (V) 22 to the financial statements, for goodwill arising from acquisition, Sinochem International has tested it for impairment at the year end. The management determines the recoverable amount of the asset group using the present value of future cash flows expected to be derived from the asset group. To determine the present value of the future cash flows, the management needs to estimate the key parameters such as growth of sales revenue, gross profit and depreciation rate etc. on the basis of past performance of the asset group and anticipation on the market development. As the determination of above parameters and assumptions in the impairment test involve management's significant judgements and estimates, we identify the impairment of goodwill as a key audit matter.

Audit response

Our major audit procedures in responsive to the aforesaid impairment of goodwill include:

1. Understand and assess the key internal control of Sinochem International regarding the impairment of goodwill;

2. Interview with external appraisal agencies engaged by the management, understand and assess their relevant qualification, independence and competence; we use the work of our internal valuation expert to assess the appropriateness and reasonableness of the impairment test method and model determined by the management, as well as the consistency with the test method for prior year;

3. Test the basic data used by the management as basis for impairment test of goodwill. We use the work of our internal valuation expert to assess the management's key assumptions and judgements (including but not limited to classification of asset group or portfolio of asset group, selection of key parameters of impairment test of goodwill, such as growth of sales revenue and gross profit etc.) in the impairment test of goodwill; review whether there is significant deviation of the estimated parameters relating to the impairment test of goodwill from the subsequent circumstances, and consider the effect of subsequent events on the impairment test of goodwill as well as the conclusion of the test.

4. Check the accuracy of calculation for impairment test of goodwill.

(II) Cut-off of revenue recognition

Description

As set out in Note (VII) 52 and Note (XVI) 6 (2) to the financial statements, the operating income of Sinochem International for the current year is RMB 59,956,573,411.59 which was mainly arising from the revenue from sales of chemical products and is significant to the financial statements. As stated in Note (V) 28 to the financial statements, the revenue from sales is recognized when the major risk and rewards of the ownership of relevant goods are transferred to the customer. As the revenue is one of the key performance indicators, and the revenue of Sinochem International from sales of chemical products are sourced from sales to customers in different areas over the world, there may be risk that the revenue from sales is not recognized at the point of time of transfer of the major risk and rewards of the ownership of the goods, therefore, we identify whether revenue is included in appropriate accounting period as a key audit matter.

Audit response

Our major audit procedures in responsive to the aforesaid cut-off of revenue recognition:

1. Understand and assess the design and implementation of internal controls relating to the cut-off of revenue recognition, and test its operating effectiveness;

2. Check the sales contract with major customers, identify the contract terms and conditions relating to the transfer of major risks and rewards of the ownership of goods, assess whether the timing of revenue recognition meet the requirements of Accounting Standards for Business Enterprises;

3. Implement cut-off test, sample the subsidiary ledger of revenue from sales, check the supporting documents such as sales invoice and goods circulation documents etc. and check whether the revenue is recorded in correct accounting period.

IV. Other information

The management of Sinochem International is responsible for other information. Other information include the information covered by the 2018 Annual Report of Sinochem International, but does not include the financial statements and the auditor's report.

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

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

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

V. Responsibilities of management and those charged with governance for the financial statements

The management of Sinochem International is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Sinochem International's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances。

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

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

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

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP
Shanghai, China

Chinese Certified Public Accountant
(Engagement partner)

Chinese Certified Public Accountant

19 April 2019

II. FINANCIAL STATEMENTS

The Consolidated Balance Sheets
At 31 December 2018

Prepared by: Sinochem International Corporation

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII 1	8,724,227,840.77	9,438,171,904.51
Balances with clearing agencies			
Placements with banks and other financial institutions			
Financial Assets at Fair Value through Profit or Loss ("FVTPL")	VII 2	623,070.99	50,174.72
Derivative financial assets	VII 3	86,720,808.97	82,905,837.88
Notes and accounts receivable	VII 4	6,911,217,405.66	7,739,016,096.75
Including: Notes receivable		2,621,414,388.12	2,668,005,994.60
Accounts receivable		4,289,803,017.54	5,071,010,102.15
Prepayments	VII 5	866,164,036.06	816,237,021.91
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	VII 6	1,291,346,145.82	1,077,928,469.47
Including: Interest receivable		1,895,883.54	27,533,104.02
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	VII 7	6,120,897,125.55	6,515,687,292.91
Non-current assets held for sale	VII 8		9,140,168,719.90
Non-current assets due within one year	VII 9		
Other current assets	VII 10	5,585,316,712.20	1,502,746,265.51
Total Current Assets		29,586,513,146.02	36,312,911,783.56
Non-current Assets:			
Loans and advances to customers			
Available-for-sale financial assets	VII 11	281,130,360.06	847,677,060.69
Held-to-maturity investments	VII 12		
Long-term receivables	VII 13	24,410,062.54	24,406,576.56
Long-term equity investments	VII 14	328,126,156.10	1,046,616,232.79
Investment properties	VII 15	347,241,037.63	308,968,228.42
Fixed assets	VII 16	7,725,742,382.22	6,608,413,850.04
Construction in progress	VII 17	1,172,683,332.29	922,115,454.26

Bearer biological assets	VII 18	1,528,382,460.32	1,192,274,704.22
Oil and gas assets			
Intangible assets	VII 20	3,842,907,727.51	3,630,431,631.59
Development expenditure	VII 21	1,382,265.00	1,382,265.00
Goodwill	VII 22	4,571,189,903.23	4,254,195,814.77
Long-term prepaid expenses	VII 23	56,569,662.78	56,975,053.61
Deferred tax assets	VII 24	365,514,746.47	548,337,118.24
Other non-current assets	VII 25	497,303,164.69	5,951,784.13
Total Non-current Assets		20,742,583,260.84	19,447,745,774.32
TOTAL ASSETS		50,329,096,406.86	55,760,657,557.88
Current Liabilities:			
Short-term borrowings	VII 26	5,047,419,590.38	4,527,833,428.20
Loans from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Taking from banks and other financial institutions			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	VII 28	60,861,182.25	22,764,496.48
Notes and accounts payable	VII 29	6,595,143,664.88	7,898,614,428.71
Receipts in advance	VII 30	825,705,518.90	4,454,804,525.53
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	VII 31	413,476,083.57	342,532,808.19
Taxes payable	VII 32	951,076,544.23	458,527,645.13
Other payables	VII 33	1,706,809,599.08	1,080,527,939.09
Including: Interest payable		162,775,197.40	141,589,212.38
Dividends payable		4,708,712.49	3,678,275.85
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Held-for-sale liabilities	VII 34		5,082,189,802.03
Non-current liabilities due within one year	VII 35	1,392,209,668.80	794,321,917.58
Other current liabilities	VII 36		2,445,888.93
Total Current Liabilities		16,992,701,852.09	24,664,562,879.87
Non-current Liabilities:			

Long-term borrowings	VII 37	3,730,945,086.31	3,467,064,437.77
Bonds payable	VII 38	4,540,586,461.01	5,630,460,052.85
Including: Preference shares			
Perpetual bonds			
Long-term payables	VII 39	30,470,361.28	65,322,682.09
Long-term employee benefits payable	VII 40	130,562,798.97	138,143,292.43
Provisions	VII 41		1,225,461.25
Deferred income	VII 42	77,909,044.26	53,938,800.26
Deferred tax liabilities	VII 24	704,829,738.79	658,310,372.72
Other non-current liabilities	VII 43	119,741,354.66	38,200,388.87
Total Non-current Liabilities		9,335,044,845.28	10,052,665,488.24
TOTAL LIABILITIES		26,327,746,697.37	34,717,228,368.11
OWNERS' (SHAREHOLDERS') EQUITY			
Paid-in capital (or Share capital)	VII 44	2,083,012,671.00	2,083,012,671.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII 46	3,324,204,169.24	3,449,681,500.22
Less: Treasury shares			
Other comprehensive income	VII 48	-691,405,402.69	-549,348,625.33
Special reserve	VII 49	77,789,177.55	76,691,071.65
Surplus reserve	VII 50	932,869,321.23	671,645,126.44
General risk reserve			
Retained profits	VII 51	5,516,420,085.11	5,075,617,357.45
Total owners' equity attributable to equity holders of the Company		11,242,890,021.44	10,807,299,101.43
Minority interests		12,758,459,688.05	10,236,130,088.34
TOTAL OWNERS' (SHAREHOLDERS') EQUITY		24,001,349,709.49	21,043,429,189.77
TOTAL LIABILITIES AND OWNERS' (SHAREHOLDERS') EQUITY		50,329,096,406.86	55,760,657,557.88

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

Balance Sheet of the Company

At 31 December 2018

Prepared by: Sinochem International Corporation

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		3,292,995,199.13	3,988,338,946.93
Financial Assets at Fair Value through Profit or Loss ("FVTPL")		588,423.73	33,482.08
Derivative financial assets		837,012.22	189,250.00
Notes and accounts receivable	XVII 1	1,106,510,122.22	758,105,877.86
Including: Notes receivable		127,590,445.13	155,917,393.52
Accounts receivable		978,919,677.09	602,188,484.34
Prepayments		86,786,424.59	75,981,289.75
Other receivables	XVII 2	502,361,542.15	1,042,006,788.91
Including: Interest receivable		27,286,323.37	
Dividends receivable		387,037,711.80	671,610,000.00
Inventories		200,525,404.58	431,683,698.12
Non-current assets held for sale			1,369,635,032.57
Non-current assets due within one year			
Other current assets		5,785,969,205.79	2,174,832,582.19
Total Current Assets		10,976,573,334.41	9,840,806,948.41
Non-current Assets:			
Available-for-sale financial assets		7,000,000.00	7,000,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XVII 3	8,609,134,733.72	7,265,373,828.59
Investment properties			
Fixed assets		41,156,648.50	41,882,107.41
Construction in progress		7,325,033.29	5,935,961.39
Bearer biological assets			
Oil and gas assets			
Intangible assets		24,138,033.45	14,572,820.81
Development expenditure			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		26,947,269.07	189,910,370.44
Other non-current assets			
Total Non-current Assets		8,715,701,718.03	7,524,675,088.64
TOTAL ASSETS		19,692,275,052.44	17,365,482,037.05

Current Liabilities:			
Short-term borrowings		3,370,620,478.72	581,809,552.03
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities		1,824,375.00	10,160,989.88
Notes and accounts payable		658,189,877.99	516,766,865.15
Receipts in advance		61,977,021.76	3,521,952,795.47
Employee benefits payable		8,958,329.81	3,454,549.82
Taxes payable		598,712,541.23	5,445,512.66
Other payables		470,943,979.09	224,688,309.72
Including: Interest payable		111,189,524.54	104,793,032.56
Dividends payable			
Held-for-sale liabilities			
Non-current liabilities due within one year		1,364,351,384.90	675,000,000.00
Other current liabilities			
Total Current Liabilities		6,535,577,988.50	5,539,278,574.73
Non-current Liabilities:			
Long-term borrowings		667,180,000.00	527,180,000.00
Bonds payable		2,496,980,743.90	3,688,526,945.57
Including: Preference shares			
Perpetual bonds			
Long-term payables			
Long-term employee benefits payable			
Provisions			
Deferred income			6,184,800.00
Deferred tax liabilities			
Other non-current liabilities			
Total Non-current Liabilities		3,164,160,743.90	4,221,891,745.57
TOTAL LIABILITIES		9,699,738,732.40	9,761,170,320.30
OWNERS' (SHAREHOLDERS') EQUITY:			
Paid-in capital (or Share capital)		2,083,012,671.00	2,083,012,671.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		4,167,638,490.36	4,167,638,490.36
Less: Treasury shares			
Other comprehensive income			14,950,277.84
Special reserve		19,047,084.34	19,047,084.34
Surplus reserve		932,869,321.23	671,645,126.44

Retained profits		2,789,968,753.11	648,018,066.77
TOTAL OWNERS' (SHAREHOLDERS') EQUITY		9,992,536,320.04	7,604,311,716.75
TOTAL LIABILITIES AND OWNERS' (SHAREHOLDERS') EQUITY		19,692,275,052.44	17,365,482,037.05

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

The Consolidated Income Statements
January to December 2018

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating income		59,956,573,411.59	62,466,074,604.33
Including: Operating income	VII 52	59,956,573,411.59	62,466,074,604.33
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		58,761,719,630.77	61,604,738,907.63
Including: Operating costs	VII 52	52,744,007,050.52	55,425,690,393.31
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of mounts recoverable from reinsurers)			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and levies	VII 53	189,516,370.82	176,580,678.78
Selling expenses	VII 54	1,332,279,056.44	1,398,304,110.18
Administrative expenses	VII 55	2,292,570,370.49	2,159,091,934.97
R&D expenses	VII 56	614,419,366.64	499,107,757.63
Financial expenses	VII 57	532,478,149.37	775,425,604.71
Including: Interest expenses		728,730,749.77	678,803,283.89
Interest income		93,019,929.83	84,460,214.81
Impairment losses of assets	VII 58	1,056,449,266.49	1,170,538,428.05
Add: Other income	VII 59	134,846,543.73	85,855,507.38
Investment income (loss is indicated by "-")	VII 60	1,900,128,248.03	900,902,771.38

Including: Income from investments in associates and joint ventures		101,295,705.09	242,005,729.86
Gains from changes in fair values income (loss is indicated by "-")	VII 61	-35,175,970.36	115,740,599.17
Gains on disposal of assets income (loss is indicated by "-")	VII 62	-9,396,272.18	68,296,551.12
Foreign exchange gains income (loss is indicated by "-")			
III. Operating profit (loss is indicated by "-")		3,185,256,330.04	2,032,131,125.75
Add: Non-operating income	VII 63	90,074,835.43	341,135,426.70
Less: Non-operating expenses	VII 64	78,606,558.90	333,642,765.90
IV. Total profit (total loss is indicated by "-")		3,196,724,606.57	2,039,623,786.55
Less: Income tax expenses	VII 65	1,088,448,440.89	672,629,143.71
V. Net profit income (loss is indicated by "-")		2,108,276,165.68	1,366,994,642.84
(I)Classified by the continuity of operation			
1. Net profit for the year from continuing operations income (net loss is indicated by "-")		1,966,830,648.37	1,195,692,659.11
2. Net profit for the year from discontinued operations income (net loss is indicated by "-")		141,445,517.31	171,301,983.73
(II)Classified by the ownership			
1. Profit or loss attributable to minority interests		1,197,182,176.48	718,947,533.37
2. Net profit attributable to shareholders of the parent company		911,093,989.20	648,047,109.47
VI. Other comprehensive income, net of tax		-165,909,967.04	-104,440,304.19
Other comprehensive income attributable to owners of the Company, net of tax		-142,056,777.36	-46,659,781.45
(I) Other comprehensive income that cannot be reclassified subsequently to profit or loss		13,372,363.63	-6,417,929.53
1. Changes arising from remeasurement of defined benefit plan		12,606,563.98	-5,652,129.88
2. Other comprehensive income that can't be transferred to profit or loss under equity method		765,799.65	-765,799.65
(II) Other comprehensive income that will be reclassified to profit or loss		-155,429,140.99	-40,241,851.92

1. Other comprehensive income that may be transferred to profit or loss under equity method		12,392,104.54	15,716,077.49
2. Gains or losses from changes in fair value of available-for-sale financial assets		-111,696,019.60	-6,956,182.83
3. Gains or losses from reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gains or losses from cash flow hedges			
5. Exchange differences on translation of financial statements denominated in foreign currencies		-56,125,225.93	-48,895,652.12
6. Others			-106,094.46
Other comprehensive income attributable to minority interests, net of tax		-23,853,189.68	-57,780,522.74
VII. Total comprehensive income		1,942,366,198.64	1,262,554,338.65
Total comprehensive income attributable to owners of the Company		769,037,211.84	601,387,328.02
Total comprehensive income attributable to minority interests		1,173,328,986.80	661,167,010.63
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.44	0.31
(II) Diluted earnings per share (RMB/share)		0.44	0.31

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

Income Statement of the Company

January to December 2018

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Operating income	XVII 4	3,455,595,568.84	6,538,779,518.51
Less: Operating costs	XVII 4	3,189,503,236.79	6,235,411,049.55
Taxes and levies		16,312,911.83	14,104,098.73
Selling expenses		137,559,666.42	162,840,668.54
Administrative expenses		282,091,741.34	309,780,279.43
R&D expenses		8,920,755.02	1,635,109.76
Financial expenses		192,675,100.22	196,370,040.11
Including: Interest expenses		226,628,897.78	203,258,670.89
Interest income		31,783,239.86	8,703,973.11
Impairment losses of assets		18,223,854.05	116,326,339.60
Add: Other income		2,883,773.48	409,400.00
Investment income (loss is indicated by "-")	XVII 5	3,630,860,437.45	552,618,135.06
Including: Income from investments in associates and joint ventures		75,238,635.22	146,899,883.73
Gains from changes in fair values (loss is indicated by "-")		8,884,636.54	26,339,589.06
Gains on disposal of assets (loss is indicated by "-")		-74,359.35	1,033,903.87
II. Operating profit (loss is indicated by "-")		3,252,862,791.29	82,712,960.78
Add: Non-operating income		14,480,075.86	8,751,424.43
Less: Non-operating expenses		185,567.19	131,733.01
III. Total profit (total loss is indicated by "-")		3,267,157,299.96	91,332,652.20
Less: Income tax expenses		654,915,352.08	113,510,260.86
IV. Net profit (net loss is indicated by "-")		2,612,241,947.88	-22,177,608.66
(I) Net profit for the year from continuing operations (net loss is indicated by "-")		2,612,241,947.88	-22,177,608.66
(II) Net profit for the year from discontinued operations (net loss is indicated by "-")			
V. Other comprehensive income, net of tax		-14,950,277.84	14,950,277.84
(I) Other comprehensive income that cannot be reclassified subsequently to profit or loss		765,799.65	-765,799.65
1.Changes arising from remeasurement of defined benefit plan			

2. Other comprehensive income that can't be transferred to profit or loss under equity method		765,799.65	-765,799.65
(II) Other comprehensive income that will be reclassified to profit or loss		-15,716,077.49	15,716,077.49
1. Other comprehensive income that can be transferred to profit or loss under equity method		-15,716,077.49	15,716,077.49
2. Gains or losses from changes in fair value of available-for-sale financial assets			
3. Gains or losses from reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of gains or losses from cash flow hedges			
5.Exchange differences on translation of financial statements denominated in foreign currencies			
6.Others			
VI. Total comprehensive income		2,597,291,670.04	-7,227,330.82
VII Earnings per share:			
(I) Basic earnings per share (RMB/share)		1.250	
(II) Diluted earnings per share (RMB/share)		1.250	

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

The Consolidated Cash Flow Statements
January to December 2018

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		65,575,308,187.09	73,421,639,244.46
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash receipts from premiums under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			
Net increase in disposal of financial Assets at Fair Value through Profit or Loss ("FVTPL")			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in financial assets sold under repurchase arrangements			
Receipts of tax refunds		698,147,291.74	641,547,063.90
Other cash receipts relating to operating activities	VII 66	308,128,413.57	290,090,386.02
Sub-total of cash inflows from operating activities		66,581,583,892.40	74,353,276,694.38
Cash payments for goods purchased and services received		57,440,168,037.42	66,720,647,191.24
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash payments for claims and policyholders' benefits under direct insurance contracts			
Cash payments for interest, fees and commissions			

Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		3,042,296,992.42	2,563,964,268.94
Payments of various types of taxes		1,325,239,369.35	1,243,608,827.63
Other cash payments relating to operating activities	VII 66	2,409,945,784.42	2,949,888,518.75
Sub-total of cash outflows from operating activities		64,217,650,183.61	73,478,108,806.56
Net Cash Flow from Operating Activities		2,363,933,708.79	875,167,887.82
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,133,223,650.22	6,766,130,458.76
Cash receipts from investment income		2,203,988,941.39	681,464,421.77
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		31,595,732.93	17,305,941.91
Net cash receipts from disposals of subsidiaries and other business units		-631,871,360.38	22,711,075.19
Other cash receipts relating to investing activities	VII 66	162,127,162.93	4,296,658,615.00
Sub-total of cash inflows from investing activities		4,899,064,127.09	11,784,270,512.63
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,129,328,662.31	2,627,159,495.34
Cash payments to acquire investments		5,095,943,808.21	3,659,851,107.59
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units		893,800,290.63	2,062,374,744.10
Other cash payments relating to investing activities	VII 66	51,631,450.40	181,620,473.47
Sub-total of cash outflows from investing activities		9,170,704,211.55	8,531,005,820.50
Net Cash Flow from Investing Activities		-4,271,640,084.46	3,253,264,692.13
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		3,689,838,984.70	1,027,285,942.46
Including: cash receipts from capital contributions from minority owners of subsidiaries		3,689,838,984.70	1,027,285,942.46
Cash receipts from borrowings		36,426,987,836.61	32,129,222,558.01
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities	VII 66	14,964,942.67	

Sub-total of cash inflows from financing activities		40,131,791,763.98	33,156,508,500.47
Cash repayments of borrowings		36,562,258,030.12	34,002,684,347.93
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,454,782,256.90	1,236,085,512.79
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		544,374,802.49	369,088,193.36
Other cash payments relating to financing activities	VII 66	1,753,017,876.44	57,492,710.30
Sub-total of cash outflows from financing activities		39,770,058,163.46	35,296,262,571.02
Net Cash Flow from Financing Activities		361,733,600.52	-2,139,754,070.55
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-44,166,963.78	-85,753,001.44
V. Net Increase in Cash and Cash Equivalents		-1,590,139,738.93	1,902,925,507.96
Add: Opening balance of Cash and Cash Equivalents		9,923,412,838.14	8,020,487,330.18
VI. Closing Balance of Cash and Cash Equivalents		8,333,273,099.21	9,923,412,838.14

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

Cash Flow Statement of the Company

January to December 2018

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,140,247,613.21	7,478,262,282.00
Receipts of tax refunds		33,479,475.71	22,969,230.91
Other cash receipts relating to operating activities		27,592,446.21	61,590,102.99
Sub-total of cash inflows from operating activities		3,201,319,535.13	7,562,821,615.90
Cash payments for goods purchased and services received		2,879,422,639.38	7,401,532,578.87
Cash payments to and on behalf of employees		199,349,227.00	195,329,183.76
Payments of various types of taxes		8,179,620.36	61,099,022.73
Other cash payments relating to operating activities		205,242,919.95	254,201,444.43
Sub-total of cash outflows from operating activities		3,292,194,406.69	7,912,162,229.79
Net Cash Flow from Operating Activities		-90,874,871.56	-349,340,613.89
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		9,762,878,799.45	13,340,046,390.93
Cash receipts from investment income		338,352,534.50	304,965,921.95
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		335,290.92	1,341,341.14
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities			
Sub-total of cash inflows from investing activities		10,101,566,624.87	13,646,353,654.02
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		30,251,740.85	20,963,587.47
Cash payments to acquire investments		12,974,470,987.16	11,735,348,474.32
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		13,004,722,728.01	11,756,312,061.79

Net Cash Flow from Investing Activities		-2,903,156,103.14	1,890,041,592.23
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions			
Cash receipts from borrowings		14,163,338,767.05	5,190,070,774.33
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		14,163,338,767.05	5,190,070,774.33
Cash repayments of borrowings		11,441,727,594.54	5,327,690,110.98
Cash payments for distribution of dividends or profits or settlement of interest expenses		425,728,489.67	386,221,063.20
Other cash payments relating to financing activities			
Sub-total of cash outflows from financing activities		11,867,456,084.21	5,713,911,174.18
Net Cash Flow from Financing Activities		2,295,882,682.84	-523,840,399.85
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		2,804,544.06	-9,021,420.32
V. Net Increase in Cash and Cash Equivalents		-695,343,747.80	1,007,839,158.17
Add: Opening balance of Cash and Cash Equivalents		3,988,338,946.93	2,980,499,788.76
VI. Closing Balance of Cash and Cash Equivalents		3,292,995,199.13	3,988,338,946.93

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

Consolidated Statement of Changes in Owners' Equity
January to December 2018

Unit: RMB

Item	Amount for the current period												
	Attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits		
		Preference share	Perpetual bonds	Others									
I. Closing balance of the preceding year	2,083,012,671.00				3,449,681,500.22		-549,348,625.33	76,691,071.65	671,645,126.44		5,075,617,357.45	10,236,130,088.34	21,043,429,189.77
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combination involving enterprises under common control													
Others													
II. Opening balance of the current year	2,083,012,671.00				3,449,681,500.22		-549,348,625.33	76,691,071.65	671,645,126.44		5,075,617,357.45	10,236,130,088.34	21,043,429,189.77
III. Changes for the year (decrease is indicated by "-")					-125,477,330.98		-142,056,777.36	1,098,105.90	261,224,194.79		440,802,727.66	2,522,329,599.71	2,957,920,519.72
(I) Total comprehensive income							-142,056,777.36				911,093,989.20	1,173,328,986.80	1,942,366,198.64
(II) Owners' contributions and reduction in capital					-125,477,330.98			7,850,963.15				1,902,395,892.77	1,784,769,524.94
1. Ordinary shares contributed owners					486,573,176.39							3,123,393,131.41	3,609,966,307.80

2.Capital contribution from holders of other equity instruments													
3.Share-based payment recognized in owners' equity													
4.Others					-612,050,507.37			7,850,963.15				-1,220,997,238.64	-1,825,196,782.86
(III) Profit distribution									261,224,194.79		-469,525,461.89	-544,374,802.49	-752,676,069.59
1. Transfer to surplus reserve									261,224,194.79		-261,224,194.79		
2. Transfer to general reserve													
3. Distributions to owners (shareholders)											-208,301,267.10	-544,374,802.49	-752,676,069.59
4. Others													
(IV) Transfers within owners' equity													
1. Capitalization of capital reserve (or Share capital)													
2. Capitalization of surplus reserve (or share capital)													
3. Loss offset by surplus reserve													
4. Changes in defined benefit plan carried forward to retained earnings													
5.Others													
(V) Special reserve								-6,752,857.25				-9,020,477.37	-15,773,334.62
1. Transfer to special reserve in the period								43,110,016.60				49,105,336.66	92,215,353.26
2. Amount utilized in the period								49,862,873.85				58,125,814.03	107,988,687.88
(VI) Others											-765,799.65		-765,799.65
IV. Closing balance of the current year	2,083,012,671.00				3,324,204,169.24		-691,405,402.69	77,789,177.55	932,869,321.23		5,516,420,085.11	12,758,459,688.05	24,001,349,709.49

Explanations of other changes in owners' contributions and reduction in capital:
1: This represent the changes in minority shareholders' equity in Jiangsu Yangnong Chemical Group Co., Ltd., which is a subsidiary of Sinochem International Corporation (the "Company"), with an increase of RMB 3,123,393,131.41 in minority interests and RMB 486,573,176.39 in capital reserve.
2: This represent the decrease of RMB 611,899,297.86 in capital reserve and RMB 1,008,545,886.64 in minority interests resulted from the Company's purchase of equity from minority shareholder in 2018.
3: This represent the increase of RMB 11,488,776.25 in special reserve and RMB 262,338,919.64 in minority interest due to combination of subsidiaries not involving enterprises under common control in 2018.
5: This represent the decrease of RMB 151,209.51 in capital reserve, RMB 3,637,813.10 in special reserve and RMB 474,790,271.94 in minority interests due to the Company's disposal of subsidiaries in 2018.

Explanations of other changes:
This represent the total loss of RMB 765,799.65 in the share of other comprehensive income that cannot be reclassified subsequently to profit or loss of the investee under equity method that was carried forward due to the Company's disposal of associates in 2018.

Item	Amount for the prior period												
	Attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury share	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained profits		
		Preference share	Perpetual bonds	Others									
I. Closing balance of the preceding year	2,083,012,671.00				4,479,654,691.37		-511,108,607.52	63,484,904.40	671,645,126.44		4,385,263,976.76	8,886,610,119.25	20,058,562,881.70
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combination involving enterprises under common control					730,610,252.37		8,419,763.64				229,777,411.61	5,977,162.40	974,784,590.02
Others													
II. Opening balance of the current year	2,083,012,671.00				5,210,264,943.74		-502,688,843.88	63,484,904.40	671,645,126.44		4,615,041,388.37	8,892,587,281.65	21,033,347,471.72

III. Changes for the year (decrease is indicated by "-")					- 1,760,583,443.52		-46,659,781.45	13,206,167.25			460,575,969.08	1,343,542,806.69	10,081,718.05
(I) Total comprehensive income							-46,659,781.45				648,047,109.47	661,167,010.63	1,262,554,338.65
(II) Owners' contributions and reduction in capital												1,007,285,942.46	1,007,285,942.46
1. Ordinary shares contributed by owners													
2. Capital contribution from holders of other equity instruments													
3.Share-based payment recognized in owners' equity													
4.Others												1,007,285,942.46	1,007,285,942.46
(III) Profit distribution											-187,471,140.39	-370,279,489.10	-557,750,629.49
1.Transfer to surplus reserve													
2.Transfer to general reserve													
3. Distributions to owners (or shareholders)											-187,471,140.39	-370,279,489.10	-557,750,629.49
4.Others													
(IV)Transfers within owners' equity													
1.Capitalisation of capital reserve (or share capital)													
2. Capitalization of surplus reserve (or share capital)													
3. Loss offset by surplus reserve													
4. Changes in defined benefit plan carried forward to retained earnings													
5.Others													
(V) Special reserve								14,067,986.58				25,259,087.45	39,327,074.03
1.Transfer to special reserve in the period								53,674,247.51				68,196,386.97	121,870,634.48
2.Amount utilized in the period								39,606,260.93				42,937,299.52	82,543,560.45

(VI) Others					-1,760,583,443.52			-861,819.33				20,110,255.25	-1,741,335,007.60
V. Closing balance of the current year	2,083,012,671.00				3,449,681,500.22		-549,348,625.33	76,691,071.65	671,645,126.44		5,075,617,357.45	10,236,130,088.34	21,043,429,189.77

Explanation of changes in the beginning of the period:
The adjustments at the beginning of the period represent the total decrease of RMB 1,760,879,691.85 in capital reserve due to the Company's acquisition of Sinochem Plastics Co., Ltd. etc. through business combination involving enterprises under common control in 2017.

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

Statement of Changes in Owners' Equity of the Company
Year ended 31 December 2018

Unit: RMB

Item	Amount for the current period										
	Share capital	Other equity instruments			Capital reserve	Less:Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I. Closing balance of the preceding year	2,083,012,671.00				4,167,638,490.36		14,950,277.84	19,047,084.34	671,645,126.44	648,018,066.77	7,604,311,716.75
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	2,083,012,671.00				4,167,638,490.36		14,950,277.84	19,047,084.34	671,645,126.44	648,018,066.77	7,604,311,716.75
III. Changes for the year (decrease is indicated by "-")							-14,950,277.84		261,224,194.79	2,141,950,686.34	2,388,224,603.29
(I) Total comprehensive income							-14,950,277.84			2,612,241,947.88	2,597,291,670.04
(II) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners											
2. Capital contribution from holders of other equity instruments											
3.Share-based payment recognized in owners' equity											
4.Others											
(III) Profit distribution									261,224,194.79	-469,525,461.89	-208,301,267.10
1.Transfer to surplus reserve									261,224,194.79	-261,224,194.79	
2. Distributions to owners (or shareholders)										-208,301,267.10	-208,301,267.10
3.Others											

(IV)Transfers within owners' equity											
1.Capitalisation of capital reserve (or share capital)											
2.Capitalisation of surplus reserve (or share capital)											
3.Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5.Others											
(V)Special reserve											
1.Transfer to special reserve in the period											
2.Amount utilized in the period											
((VI) Others										-765,799.65	-765,799.65
V. Closing balance of the current year	2,083,012,671.00				4,167,638,490.36			19,047,084.34	932,869,321.23	2,789,968,753.11	9,992,536,320.04

Explanations of other changes:

This represent the total loss of RMB 765,799.65 in the share of other comprehensive income that cannot be reclassified subsequently to profit or loss of the investee under equity method that was carried forward due to the Company's disposal of associates in 2018.

Item	Amount for the prior period										
	Share capital	Other equity instruments			Capital reserve	Less:Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preference share	Perpetual bonds	Others							
I. Closing balance of the preceding year	2,083,012,671.00				4,559,967,582.75			19,908,903.67	671,645,126.44	857,666,815.82	8,192,201,099.68
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	2,083,012,671.00				4,559,967,582.75			19,908,903.67	671,645,126.44	857,666,815.82	8,192,201,099.68
III. Changes for the year (decrease is indicated by "-")					-392,329,092.39		14,950,277.84	-861,819.33		-209,648,749.05	-587,889,382.93
(I) Total comprehensive income							14,950,277.84			-22,177,608.66	-7,227,330.82
(II)Owners' contributions and reduction in capital											
1. Ordinary shares contributed by owners											
2. Capital contribution from holders of other equity instruments											
3.Share-based payment recognized in owners' equity											
4.Others											
(III) Profit distribution										-187,471,140.39	-187,471,140.39
1.Transfer to surplus reserve											
2. Distributions to owners (or shareholders)										-187,471,140.39	-187,471,140.39
3.Others											
(IV) Transfers within owners' equity											

1.Capitalisation of capital reserve (or share capital)											
2.Capitalisation of surplus reserve (or share capital)											
3.Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained earnings											
5.Others											
(V) Special reserve											
1.Transfer to special reserve in the period											
2.Amount utilized in the period											
(VI) Others					-392,329,092.39			-861,819.33			-393,190,911.72
IV. Closing balance of the current year	2,083,012,671.00				4,167,638,490.36		14,950,277.84	19,047,084.34	671,645,126.44	648,018,066.77	7,604,311,716.75

Explanation of other changes:

1. This represent the adjustment of the difference between the consideration paid and the carrying amount of net assets of the acquiree against capital reserve, amounting to RMB 392,329,092.39, due to the Company's acquisition of Sinochem Plastics Co., Ltd. etc. through business combination involving enterprises under common control.

2. This represent the transfer-out of special reserve of RMB 861,819.33 due to the Company's disposal of associates in 2017.

Legal Representative: Zhang Wei
Person in Charge of the Accounting Body: Liu Hongsheng
Chief Accountant: Qin Jinke

III. BASIC INFORMATION ABOUT THE COMPANY

1. Company profile

√ Applicable □ N/A

Sinochem International Corporation (formerly known as Sinochem International Company Limited, hereinafter referred to as “the Company”) was established by the major promoter, Sinochem Group (formerly known as China National Chemicals Import & Export Corporation) with five other companies together, namely COFCO, Beijing Yanshan Petrochemical Corporation Limited, China Petrochemical Corporation, Sinopec Shanghai Petrochemical Company Limited and Zhongda Group in the form of promotion. On 14 December 1998, the Company was registered with the State Administration for Industry & Commerce of the PRC. On 21 December 1999, the Company issued RMB ordinary shares to public investors through the Shanghai Stock Exchange. The Company's registered office and the headquarter is at Changqing North Road No.233 Floor 12, Shanghai Pilot Free Trade Zone. The legal representative of the Company is Zhang Wei.

As at 31 December 2018, the Company's share capital totals to RMB 2,083,012,671.00. The Company's parent company is Sinochem Corporation Co., Ltd. and the ultimate holding company is Sinochem Group.

The scope of principal business of the Company and its subsidiaries (the "Group") include: import and export and domestic sales of chemical material, fine chemicals, agricultural chemicals, plastics, rubber products etc., manufacturing, processing and sales of pesticides and rubber ingredients, plant, processing and sales of natural rubber etc. The business scope of the Company: self-operation and agent of other goods and technology import and export business in addition to the export goods jointly operated under the State’s unified arrangement and the import goods operated by companies approved by the State; processing imported materials and processing and compensation trades (processing with materials or given samples, assembling supplied components); counter trade and entrepot trade; sales of feed, cotton, hemp, native and livestock products, textiles, clothing, daily general merchandise, paper pulp, paper products, hardware, household appliances, chemical industry, chemical materials, mineral products, petroleum products (except oil products), grease, coal, steel, rubber and rubber products, building materials, ferrous metal materials, machinery, electrical equipment, automotive (except cars), motorcycle and spare parts (except for those with specific regulations of the State); rubber crop planting; storage services; project investment; wholesale of grain and oil and its products; chemical fertilizer, agricultural plastic films, pesticides and other agricultural products business and the business advisory services, technical exchanges and technical development (subject to licenses if administrative permits required) related to these businesses above. The subsidiaries are mainly engaged in import and export and domestic trade of chemicals; Plant, processing and sales of natural rubber, manufacturing, processing and sales of pesticides and rubber ingredients etc.

The consolidated and company's financial statements of the Company were approved and authorized to issue by the board of directors of the Company on 19 April 2019.

For the scope of the Group's consolidated financial statements for the current year, please refer to Note IX (1).f

2. Scope of consolidated financial statements

√ Applicable □ N/A

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The changes for the current year are set out in Note VIII.

IV. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Company's financial statements are prepared on going concern basis.
The Group implement the Accounting Standards for Business Enterprises and regulations thereto issued by the Ministry of Finance ("MoF"). In addition, the Group also discloses relevant financial information in accordance with "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (2014 Revision)".

2. Going concern

√ Applicable ☐ N/A

The Group assessed its ability to continue as a going concern for the 12 months since 31 December 2018, and didn't notice any event or circumstance that may cash significant doubt on its ability to continue as a going concern. Therefore, the financial statements are prepared on going concern basis.

V. SINIGICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

√ Applicable ☐ N/A

The Group established specific accounting policies and accounting estimates according to actual production and operation, which are mainly reflected in the provision for bad debt of receivables, method of measurement of inventories, depreciation of fixed assets, amortization of intangible assets, criteria for capitalization of R&D expenses, revenue recognition and measurement etc.

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the consolidated financial position as at 31 December 2018 and the Company's and the consolidated results of operations, the Company's and consolidated changes in owners' equity and the Company's and consolidated cash flows for the year then ended.

2. Accounting period

The Company has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

√ Applicable ☐ Not applicable

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group's operating cycle is less than 12 months. The Group takes 12 months as the criteria for determining liquidity of assets and liabilities.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Group adopts RMB to prepare its financial statements unless otherwise specified.

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

√ Applicable ☐ N/A

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination / the aggregate face value of shares issued as consideration is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred. The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

√ Applicable ☐ N/A

6.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. When preparing the consolidated financial statements, where the accounting policies or accounting periods adopted by subsidiaries are inconsistent with those of the Company, appropriate adjustments are made to the subsidiaries' financial statements in accordance with the accounting policies and accounting periods of the Company.

All intra-group transactions are eliminated on consolidation.

The portion of net profits or losses, net other comprehensive income and total other comprehensive income of subsidiaries for the period attributable to minority interests are respectively presented as "Profit or loss attributable to minority interests" below the "net profit" line item, "net other comprehensive income attributable to minority interests" below the "net other comprehensive income" line time, and "total other comprehensive income attributable to minority interests" below the "total other comprehensive income" line time in the consolidated income statement.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests. Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

7. Classification of joint arrangements and accounting treatments of joint operations

☐ Applicable √ N/A

8. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Translation of transactions and financial statements denominated in foreign currencies

√ Applicable ☐ N/A

9.1 <u>Transactions denominated in foreign currencies</u>

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period.

When the consolidated financial statements include foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies " in other comprehensive income, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items other than "retained profits" are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate for the period in which transactions are incurred; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange for the period in which such cash flows arose. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs. In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

10. Financial instruments

√ Applicable ☐ N/A

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

For regular way purchases or sales of financial assets, the Group recognizes the assets to be received and liabilities to be assumed, or derecognizes the disposed assets on trade date basis.

10.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

10.2.1. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

10.2.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes and accounts receivable, interest receivable and other receivables etc.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost.

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

(1) Significant financial difficulty of the issuer or obligor;
(2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
(3) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
(4) observable data indicates that there is a measurable decrease in the estimated future cash flows;
(5) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost; The Group makes judgements on the basis of the extent and length of time for fair value lower than cost, together with other factors.

− Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. The present value of future cash flows is determined by discounting using the original effective interest rate of the financial assets (i.e. the effective interest rate determined at initial recognition) and also taking into consideration of the value of relevant collaterals. The interest income after impairment is calculated by applying the interest rate equivalent to the discounting rate used to discount the future cash flows when determining the impairment losses. For loans and receivables, if there is no realistic expectation of recovery, and all the collaterals have been realized or transferred to the Group, the loans and receivables and relevant impairment provision are written-off. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

− Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

− Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

10.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For continuing involvement in transferred financial assets by providing financial guarantee, the assets formed in continuing involvement is recognized at the lower of the carrying amount of the financial assets and the financial guarantee amount. The financial guarantee amount refers to the maximum amount of the consideration received that will be required to be repaid.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

10.5 Classification, recognition and measurement of financial liabilities

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.5.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

10.5.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities except for financial guarantee contracts liability and loan commitments are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

10.5.3 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts are measured at fair value at initial recognition. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 Derecognition of Financial Liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.7 Derivative instruments

Derivative financial instruments include forward exchange contracts and commodity futures. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The change in fair value is recognized in profit or loss.

10.8 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's issuing (including refinancing), repurchase, sale or cancellation of equity instruments are accounted for as changes in equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

11. Receivables

(1). Receivables that are individually significant and for which bad debt provision is individually assessed

√ Applicable ☐ N/A

Basis or monetary criteria for determining an individually significant receivable	The Group considers top five receivables that are most significant in amount as the individually significant receivables.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

(2). **Receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics**

√ Applicable □ N/A

Receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics (aging analysis, percentage of total receivables outstanding, other methods)	
Receivables other than those in (1) and (3)	For top five receivables that have past due for more than one year, the Group recognizes asset group on the basis of the similarity and correlation of credit risk characteristics. These credit risks usually reflects the debtor's ability to fully repay the amounts due in accordance with the contract terms of the assets, and are related to the calculation of the future cash flows of the reviewed assets. The Group determines the portfolio of receivables on the basis of aging and adopts aging analysis method to assess bad debt provision for accounts receivable and other receivables
Receivables from related parties	The Group makes no provision for bad debt in respect of the receivables from related parties.

Portfolios that aging analysis is used for bad debt provision

√ Applicable □ N/A

Aging	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Not past due	0	0
Including: Breakdown of aging within 1 year; Add extra rows as needed		
Overdue for less than 1 year	0-10	0-10
Overdue for 1 to 2 years	0-20	0-20
Overdue for 2-3 years	20-60	20-60
Overdue for over 3 years	60-100	60-100

Portfolios that percentage of total receivables outstanding is used for bad debt provision

□ Applicable √ N/A

Portfolios that other methods are used for bad debt provision

□ Applicable √ N/A

(3). Receivables that are not individually significant but for which bad debt provision is individually assessed

√ Applicable □ N/A

Reasons for making individual bad debt provision	The Group consider the receivables that are not top five receivables and past due for less than one as insignificant receivables, and individually assesses the bad debt provision for such receivables. For Receivables that are not individually significant but for which bad debt provision is individually assessed, the Group test them individually for impairment.
Bad debt provision methods	The difference between the expected recoverable amount and the carrying amount is recognized as bad debt provision.

12. Inventories

√ Appplicable □ N/A

12.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, goods on hand, turnover materials, materials in transit, low cost and short-lived materials and materials on consignment for further processing. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. Turnover materials include packaging materials etc.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

12.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.。

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization of low cost and short-lived materials and packaging materials

Low cost and short-lived materials and packaging materials are amortized using the immediate write-off method when they are issued for use.

13. Assets classified as held-for-sale

√ Applicable ☐ N/A

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the book value through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current assets held for sale less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period. The impairment losses of assets recognized before the classification to held-for-sale category is not reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

14. Long-term equity investments

√Applicable ☐ N/A

14.1 Determination criteria of control and significant influence

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

14.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in consolidated financial statements of ultimate controlling party is recognized as initial investment cost of long-term equity investment at the date of combination. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for using the cost method

The Company's separate financial statements adopted cost method to account for the long-term equity investments of subsidiaries. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recovered, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. An associate is an entity over which the Group has significant influence.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognized. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

14.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, and profit or loss is carried forward proportionately; Other owners' equity recognized from changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

15. Investment properties

(1). Investment properties where the cost measurement model is adopted:

Depreciation or amortization method

Investment property is property held to earn rentals or for capital appreciation or both. It includes a building that is leased out and land use rights.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

The Group derecognizes an investment property when the investment property is disposed, or permanently exit from use and no economic benefit will be obtained from its disposal.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

16. Fixed assets

(1). Recognition criteria

√ Applicable ☐ N/A

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

(2). Depreciation method

√ Applicable ☐ N/A

Category	Depreciation method	Useful life (years)	Residual value rate	Annual depreciation rate
Buildings	Straight-line method	10-50	0%-5%	1.90%-10.00%
Machinery and equipment	Straight-line method	1-15	0%-5%	6.33%-100.00%
Transportation vehicles	Straight-line method	4-25	0%-5%	3.80%-25.00%
Other equipment	Straight-line method	1-25	0%-5%	3.80%-100.00%

(3). Identification basis, valuation and depreciation method for fixed assets acquired under finance leases

√ Applicable ☐ N/A

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

17. Construction in progress

√ Applicable ☐ N/A

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing costs

√ Applicable ☐ N/A

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

19. Biological assets

√ Applicable □ N/A

The Group's biological assets are bearer biological assets.

Bearer biological assets are biological assets, for example, held for the production of agricultural produce, provision of services or rental, including economic plantation forests. A bearer biological asset is initially measured at cost. The cost of a bearer biological asset self-grown or self-bred comprises those costs necessarily incurred and directly attributable to the asset before the asset becomes available for its intended production and operating purposes, and any borrowing cost meeting the capitalization criteria. After a bearer biological asset becomes available for its intended production and operation purposes, depreciation is provided to write off the cost of the asset using the straight-line method. The useful life, estimated net residual value rate and annual depreciation rate of each category of bearer biological assets are as follows:

Category	Useful life	Estimated residual value rate (%)	Annual depreciation rate (%)
Overseas rubber plantation	30 years	0	3.33
Overseas palm grove	25 years	0	4.00

The useful life and estimated net residual value of above bearer biological assets are determined based on the experience on the actual useful life and residual value of bearer biological assets with similar nature and functions.

The Group reviews the useful life and estimated net residual value of a bearer biological assets and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

On the sale, identification of any shortages during stocktaking, death or damage of biological asset, the proceeds on disposal net of the carrying amount and relevant taxes is recognized in profit or loss for the current period.

20. Oil and gas assets

□ Applicable √ N/A

21. Intangible assets

(1). Measurement method, useful life and impairment test

√ Applicable □ N/A

Intangible assets include land use rights, proprietary technology, trademark use rights and product registration certificate, non-patent technology, customer relationship, software and others.

The land use rights obtained by the Group is usually accounted for as intangible assets. For buildings like self-developed and constructed plants etc., relevant land use rights and buildings are respectively accounted for as intangible assets and fixed assets. Payments for purchase of land and buildings are allocated between land use rights and buildings. If it is difficult to allocate the payments, all the payments are accounted for as fixed assets.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

Category	Amortization method	Useful life (years)
Cameroon land use rights	Straight-line method	Permanent
Other land use rights	Straight-line method	20-70
Proprietary technology	Straight-line method	2-20
Trademark use rights and product registration certificate	Straight-line method	10-20
Non-patent technology	Straight-line method	Indefinite
Customer relationship	Straight-line method	20
Software and others	Straight-line method	3-10

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

Intangible assets with indefinite useful life are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired. Such intangible assets are not amortized and its useful life is reviewed in each accounting period. If there is evidence that such asset has a finite useful life, it is accounted for using the policies for the above intangible assets with finite useful life.

(2). Research and development expenditure

√ Applicable □ N/A

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

(1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(2) the Group has the intention to complete the intangible asset and use or sell it;
(3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
(4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
(5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. The cost of intangible assets arising from internal research activities only include the total expenditures incurred from the time point when the criteria for capitalization is satisfied until the intangible assets are ready for intended use. For the same intangible assets under development, the expenditure that has been recognized as expense in profit or loss before the capitalization criteria are satisfied is no longer adjusted.

22. Impairment of long-term assets

√ Applicable □ N/A

The Group reviews the long-term equity investments, investment properties at cost, fixed assets, construction in progress, bearer biological assets at cost, intangible assets with a finite useful life and long-term prepaid expenses at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

It is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

23. Long-term prepaid expenses

√ Applicable □ N/A

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

Category	Amortization method	Useful life (years)
Equipment and site rental fee	Straight-line method	5-50
House decoration fee	Straight-line method	5
Leasehold improvement	Straight-line method	3-7
Long-term lease deposit	Straight-line method	3-11
Maintenance and repair fee	Straight-line method	3-5
Others	Straight-line method	3-7

24. Employee benefits

(1). Accounting treatment of short-term benefits

√ Applicable ☐ N/A

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the related expenditures are either charged to profit or loss in the period when they are incurred or included in cost of related assets. Employee benefits in non-monetary assets are measured at fair value.

In an accounting period in which an employee has rendered service to the Group, for the social security contributions (such as medical insurance, work injury insurance and maternity insurance etc.) and housing fund paid by the Group on behalf of the employee as well as the appropriation to union running cost and employee education fund according to relevant provisions, the Group determines the amount of employee benefits according to specified basis and proportion of appropriation and recognizes corresponding liabilities which are either included in profit or loss or charged to costs of related assets.

(2). Accounting treatment of post-employment benefits

√ Applicable ☐ N/A

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the amount payable calculated in accordance with the defined contribution plan is recognized as a liability by the Company and charged to profit or loss in the period, or included in cost of related assets. The Group's staff also participate in the pension insurance and unemployment insurance managed by local government, as well as the enterprise annuity, with relevant expenditures charged to cost of related assets or included in profit or loss when they are incurred.

For defined benefit plans, the Group allocates the obligations arising from defined benefit plan to the period in which the employee has rendered service using the formula determined based on projected unit credit method, and such obligations are included in profit or loss or charged to cost of related assets. Employee benefits arising from defined benefit plan are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on settlements);
- net interest of net liabilities or assets of defined benefit plan(including interest income of planned assets, interest expenses of defined benefit plan liabilities and effect of asset ceiling); and
- Changes arising from remeasurement of net liabilities or net assets of defined benefit plans.

Service costs and net interest of net liabilities and net assets of defined benefit plans are recognized in profit or loss of current period or costs of related assets. Remeasurements of the net defined benefit liability (asset) (including actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset)) are recognized in other comprehensive income.

The Group operates several defined benefit plans which require the Group to make contributions to independently managed funds. There is no capital injection to such plans. The cost of such benefit under the defined benefit plan is calculated using projected unit credit method.

The re-measurement arising from the defined benefit pension plan include actuarial gains or losses, changes in effect of asset ceiling (excluding the amount included in the net interest of net liabilities of defined benefit plan) and return on planned assets (excluding the amount included in net interest of net liabilities of defined benefit plan) are immediately recognized in balance sheet, and included in shareholders' equity through other comprehensive income for the period in which they are incurred, and will not reversed to profit or loss in subsequent periods. At the earlier of the following, the past service cost is recognized as expenses for the current period: when revising defined benefit plan; the Group recognize relevant restructuring expenses or termination benefits.

Net interest is calculated using the discount rate based on the net liabilities or net assets of the defined benefit plan. The Group recognizes the following changes in net obligation of defined benefit plan in operating costs, administrative expenses, and financial expenses in the income statement: serve cost, including service cost for the current period, past service cost and settlement gains or losses; net interest includes the interest income from planned assets, interest expenses on planned obligation as well as the interest expenses of the effect of asset ceiling.

(3). Accounting treatment of termination benefits

√ Applicable ☐ N/A

A liability for a termination benefit is recognized in profit or loss at the earlier of when the Group cannot unilaterally withdraw from the termination plan or the redundancy offer and when it recognizes any related restructuring costs.

(4). Accounting treatment of other long-term employee benefits

☐ Applicable √ N/A

25. Provisions

√ Applicable ☐ N/A

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

26. Share-based payments

☐ Applicable √ N/A

27. Preference shares, perpetual bonds and other financial instruments

☐ Applicable √ N/A

28. Revenue

√ Applicable ☐ N/A

Revenue is recognized when it is probable that the economic benefit will flow the Group and the amount can be measured reliably, and the following criteria are satisfied.

28.1 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the associated costs incurred or to be incurred can be measured reliably. The revenue from sales of goods is determined based on the contract or agreement price received or to be received from the buyer, except for where the contract or agreement price received or to be received is unfair.

28.2 Revenue from rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the Group; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on surveys of work performed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

28.3 Interest income

Interest income is calculated based on the length of time for which the Group's funds is used by others and effective interest rate.

29 Government grants

√ Applicable ☐ N/A

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

Where the government documents stipulate that the government grants is used for acquisition and construction of long-term assets or forming long-term assets in other ways, such government grants are asset-related government grants; where the government grants has no clear stipulation, determine on the basis of the necessary basic conditions for obtaining the government grants, if the basic condition is to form long-term assets through acquisition and construction or in other ways, such government grants are asset-related government grants, while the other government grants are income-related government grants.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

29.1 Determination basis and accounting treatments for government grants related to assets

Included in the Group's government grants, the grants relating to the purchase of equipment and improvement of manufacturing line is a government grant related to an asset, because the government grant are used to acquire and construct long-term assets or form long-term assets in other ways. Such government grants are asset-related government grants.

The asset-related government grants are recognized as deferred income and averagely allocated to profit or loss for the period. Where related assets are sold, transferred, retired or damaged before reaching the end of its useful life, the undistributed balance of deferred income is transferred to profit or loss for the period in which the assets are disposed.

29.2 Determination basis and accounting treatments for government grants related to income

For the enterprise supporting funds included in the Group's government grants, as the funds is not related to assets investment, such government grants are income-related government grants.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognized in other income based on the substance of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

30 Deferred tax assets/ deferred tax liabilities

√ Applicable ☐ N/A

The income tax expenses include current income tax and deferred income tax.

30.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

30.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

30.3. Income tax offsetting

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

31. Leases

(1). Accounting treatment of operating leases

√ Applicable ☐ N/A

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period.

The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

(2). Accounting treatment of finance leases

√ Applicable ☐ N/A

The Group as lessee under finance leases

Relevant accounting treatments refer to Note (V) "16.3 Identification basis, valuation and depreciation method for fixed assets acquired under finance leases".

Unrecognized finance charges are recognized as finance charge for the period using the effective interest method over the lease term. The net amount of minimum lease payments less unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

32. Other significant accounting policies and accounting estimates

√ Applicable ☐ N/A

32. 1 Discontinued operations

A discontinued operation is a component of an entity that can be clearly distinguished and satisfies one of the following conditions, and such component has been disposed of or is classified as held for sale:

- Such component represents a separate major line of business or geographical area of operations;
- Such component is part of the separate major line of business or geographical area of operations to be disposed of based on the associated plan;
- Such component is a subsidiary acquired exclusively for the purpose of resale.

32. 2 Safety production cost

Safety production cost accrued based on the regulations shall be recorded in the costs of related products or recognized in profit or loss for the current period, and included in the special reserve. The safety production costs are accounted for respectively based on whether fixed assets are formed or not; when the expenditure incurred as an expense, it is immediately charged against special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized in the cost of fixed assets, which will be recognized when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

33. Significant changes in accounting policies and accounting estimates

(1). Significant changes in accounting policies

√ Applicable ☐ N/A

Changes in accounting policies and reasons	Approval procedures	Remark (name and amount of the items in the financial statements that are affected significantly)
Since the preparation of the 2018 financial statements, the Company adopts the "Circular on Revising the Format of Printing and Distribution of 2018 Financial Statements for General Enterprises" (Cai Kuai (2018) No.15, the "Cai Kuai No.15 Doc.") issued by MoF on 15 June 2018.	Changes in accounting policies	Changes of format of presentation of financial statements, part of the accounts are combined or separately presented,
Cai Kuai No.15 Doc. Revises the presentation items of balance sheet and income statement, adding line items of "notes and accounts receivable", "notes and accounts payable", "R&D expenses", revising the presentation content of line items of "other receivables"' "fixed assets", "construction in progress", "other payables" and "long-term payables", "administrative expenses", removing the line items of "notes receivable", "accounts receivable", "dividends receivable", "interest receivable", "disposal of fixed assets", "materials for construction of fixed assets", "notes payable", "accounts payable", "interest payable", "dividends payable" and "special payables", adding "including: interest expenses" and "interest income" under the line item of "financial expenses", adjusting the presentation position of part of the items in income statement. For above changes in presentation items, the Group adopts retrospective adjustments for accounting and retrospectively adjusted the comparative figures of prior year.	is approved by the board of directors of the Company	Having no effect on the Group's total assets, total liabilities and total profit for the current period.

Other descriptions

Nil

(2). Significant changes in accounting estimates

☐ Applicable √ N/A

33. Others

√ Applicable □ N/A

Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of above accounting policies, certain items in the financial statements may involve significant judgements and accounting estimates. These judgements and estimates will affect the reporting amount of expenses, assets and liabilities as well as the disclosure of contingent liabilities at balance sheet date. However, the results of uncertainties in these estimates may cause significant adjustments to the carrying amount of the affected assets or liabilities in the future.

In applying the Group's accounting policies, the management has made the following judgements that have significant impact on the amounts recognized in the financial statements:

The Group as lessor under operating lease

The Group entered into lease contract in respect of the assets leased out. The Group believes that according to the terms of the lease contract, the Group has retained all the major risks and rewards of ownership of these assets, therefore accounted for such leases as operating lease.

Classification of investment properties and self-use properties

Properties where the Group has ownership and held for the purpose of earning rent through operating leases are classified as investment properties by the Group. All other properties are classified as self-use properties.

Useful life of Cameroon land use rights and non-patent technology

The Group's land use rights in Cameroon was granted by Cameroon government, with a standard useful life of 50 years which may be extended before the expiry of useful life on the basis of its nominal value. In light of the continuous investment and expansion of rubber plantation, the Group's management anticipates that there is minor possibility that the land use rights can't be extended upon the expiry of existing standard useful life, therefore, this portion of land use rights is of permanent useful life and is not amortized. The Group's non-patent technology represent the rubber production process technology, of which the useful life depends on the period that the rubber is demanded in the market. The Group's management believes that there is minor possibility of termination of market demand of rubber products, therefore, this technology is of indefinite useful life and is not amortized.

At the balance sheet date, the key assumptions and uncertainties in accounting estimates that may cause significant adjustments to the carrying amount of the assets and liabilities in future periods mainly include:

Bad debt provision for receivables

The bad debt provision for receivables is assessed on the basis of recoverability of receivables. In light of that the bad debt provision for receivables requires management's judgements and estimates, the difference between the actual results and previous estimates will affect the carrying amount of receivables and provision or reversal of bad debt of receivables in the period in which the estimates have changed.

Net realizable value of inventories

The net realizable value of inventories is based on the marketability and net realizable value of assessed inventories. Determining the impairment of inventories requires the management to make judgements and estimates on the basis of clear evidence and taking into consideration of the factors such as the purpose of holding the inventories and the effect of post balance sheet date events etc. The difference between the actual results and previous estimates will affect the carrying amount of inventories and assessing or reversal of provision for decline in value of inventories in the period in which the estimates have changed.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets, and immediately recognizes the changes in its fair value in other comprehensive income. When the fair value declines, the management makes assumptions in respect of the decline in value so as to determine whether it is necessary to recognize the impairment loss in profit or loss.

Impairment of non-current assets other than financial assets and goodwill

At the balance sheet date, the Group determines whether there is indication that the non-current assets other than financial assets and goodwill may be impaired. For intangible assets with indefinite useful life, they are tested for impairment annually and whenever there is indication of impairment. Other non-current assets other than financial assets and goodwill are tested for impairment when there is indication showing that its carrying amount can't be recovered. Where the carrying amount of an asset or asset group is higher than its recoverable amount, i.e. the higher of fair value net of cost to sell and the present value of expected future cash flows, the asset or asset group is impaired. The fair value net of cost to sell is determined by referring to the price of sales agreement for similar assets in fair transactions or observable market price less the increment cost that is directly attributable to the disposal of such asset. In estimating the present value of future cash flows, the management must estimate the expected future cash flows of such asset or asset group, and choose appropriate discount rate to determine the present value of future cash flows.

Depreciation and amortization of investment properties, fixed assets, bearer biological assets and intangible assets with finite useful life

The Group depreciate and amortize the investment properties, fixed assets, bearer biological assets and intangible assets with finite useful life over their useful life after considering their residual value. The group respectively determines the useful life and residual value of the above long-term assets. The estimates are based on the experience on the actual useful life and residual value of long-term assets with similar nature and functions, and may be subject to significant changes due to technical innovation, natural factors and industrial competition. When the expected useful life and residual value are less than previous estimates, the Group will increase the depreciation rate so as to affect the profit or loss for the period in which the estimates have changed.

Impairment of goodwill

At the year end, the Group performs impairment test of goodwill and assesses the recoverable amount of relevant asset group that contains goodwill. In determining the recoverable amount of relevant asset group, the Group's management estimates the expected future cash flows of relevant asset group, discount rate and present value of the expected future cash flows. The assessment involves management's application of accounting assumptions and judgements, including the past performance of the asset group and management's anticipation on the market development, expected revenue from sales, gross profit and appropriate discount rate.

Deferred tax assets

Deferred tax assets are recognized for all unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilized. This requires management to apply much judgement to estimate the timing and amount of future taxable profits, and also take into consideration of the taxation planning strategy, so as to determine the amount of deferred tax assets to be recognized.

VI. TAXATION

1. Major categories of taxes and tax rates

√ Applicable ☐ N/A

Category of tax	Basis of tax computation	Tax rate
VAT	VAT on taxable income (VAT payable is calculated by applying appropriate tax rate to taxable operating income, net of deductible input VAT for the current period)	The Company and subsidiaries in Mainland China: 6% and 10% (before 1 May 2018: 11%), 13% and 16% (before 1 May 2018: 17%); implement simple taxation method with tax rates of 3% and 5%. Subsidiaries in Singapore: 7%; subsidiaries in India: 4%; subsidiaries in Thailand: 7%; subsidiaries in Philippine: 12%; subsidiaries in Australia: 10%; subsidiaries in Brazil: 20%; subsidiaries in Argentina: 21%.
Consumption tax		
Business tax		
City maintenance and construction tax	Turnover tax paid	1%, 5% or 7%
Enterprise income tax	Taxable income	Different tax rates for different taxable entities
Educational surcharge	Turnover tax paid	3%
Local education surcharge	Turnover tax paid	2%
Property tax	Self-use property: levied on the basis of cost of the property net of 10% - 30% of the cost; Property for lease: levied on the basis of rental income	Self-use property: 1.2%; Property for lease:12%

Disclosures of taxable entities with different tax rates

√ Applicable ☐ N/A

Name of taxable entity	Income tax rate (%)
The Company and subsidiaries in Mainland China	15 or 25
Subsidiaries in Hong Kong China	16.5
Subsidiaries in Singapore	17
Subsidiaries in India	30.9
Subsidiaries in Thailand	20
Subsidiaries in Philippine	30
Subsidiaries in Australia	30
Subsidiaries in Brazil	15
Subsidiaries in Argentina	35

2. Tax incentives

√ Applicable ☐ N/A

According to Cai Shui [2018] No.32 "Circular of General Tax Bureau of the Ministry of Finance on Adjusting VAT Rate", since 1 May 2018, for taxable sales and import of goods, the original applicable tax rate of 17% and 11% are adjusted to 16% and 10%; for purchase of agricultural products, the original applicable deduction rate of 11% is adjusted to 10%; for export of goods of which the original applicable tax rate and export rebate rate is 17%, the export rebate rate is adjusted to 16%; for export of goods of which the original applicable tax rate and export rebate rate is 11%, the export rebate rate is adjusted to 10%. For goods exported by foreign trade enterprise before 31 July 2018, of which the original applicable tax rate and export rebate rate is 17%, and the VAT has been levied at the original tax rate when purchasing the goods, apply the export rebate rate before the adjustment. For goods exported by production enterprise before 31 July 2018, of which the original applicable tax rate and export rebate rate is 17%, implement the export rebate rate before the adjustment.

According to the "Law of the People's Republic of China on Enterprise Income Tax" issued on 16 March 2007, the high-tech enterprises within the Group that need to be supported by the State as key enterprises are as follows:

Shenyang Sciencreat Chemicals Co., Ltd. obtained the certificate of high-tech enterprise (Certificate No. GR201621000324) in 2016, therefore applies preference tax rate of 15% from 2016 to 2018.

Jiangsu Yangnong Chemical Group Co., Ltd. (Yangnong Group) obtained the certificate of high-tech enterprise (Certificate No. GR201621000324) in 2017, therefore applies preference tax rate of 15% from 2017 to 2019.

Jiangsu Yangnong Chemical Co., Ltd. obtained the certificate of high-tech enterprise (Certificate No. GR201732001109) in 2017, therefore applies preference tax rate of 15% from 2017 to 2019.

Jiangsu Youjia Plant Protection Co., Ltd. obtained the certificate of high-tech enterprise (Certificate No. GR201632000081) in 2016, therefore applies preference tax rate of 15% from 2016 to 2018.

Jiangsu Ruixiang Chemical Co., Ltd. obtained the certificate of high-tech enterprise (Certificate No. GR201632000081) in 2016, therefore applies preference tax rate of 15% from 2016 to 2018.

Except for the above subsidiaries, the Group's other subsidiaries in Mainland China apply income tax rate of 25%.

3. Others

☐ Applicable √ N/A

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	30,952,133.32	27,585,735.17
Bank deposit	8,281,608,216.92	9,234,758,359.63
Other currency funds	411,667,490.53	175,827,809.71
Total	8,724,227,840.77	9,438,171,904.51
Including: Total overseas deposit	1,521,161,007.63	1,266,323,089.40

Other descriptions

The Group's bank deposits generate interest income at the interest rate for demand deposits at bank. The term of short-term time deposit varies from 7 days to 3 months, depending on the Group's cash demand, and the interest income is calculated at the interest rate for corresponding time deposit.

Therein, the restricted cash and bank balances are as follows:

RMB

Item	Closing balance	Opening balance
Other currency funds		
- Deposit for notes	160,883,242.65	87,141,892.06
- Deposit for guarantees	71,743.44	2,657,677.71
- Deposit for letter of credit	452,055.58	18,673,436.75
- Deposit for borrowings	15,669,924.78	38,843,477.27
- Deposit for house maintenance	1,350,293.62	1,336,178.23
- Performance payment for equity acquisition (note 1)	191,514,174.31	-
-Others (note 2)	21,013,307.18	7,409,222.75
Total	390,954,741.56	156,061,884.77

Note 1: As at 31 December 2018, the payment for acquisition of equity received Group's subsidiary Yangnong Group on behalf of natural person shareholders amounting to RMB 144,655,077.08 is deposited at special account. The Group's subsidiary Taian Sennics Chemical Engineering Co., Ltd. deposited specific-purpose funds amounting to RMB 46,859,097.23 at special account due to acquisition of Shandong Huahong Chemical Co., Ltd.

Note 2: As at 31 December 2018, the Group's restricted cash and bank balances mainly represent the forward foreign exchange guarantee of RMB 18,007,870.93.

2. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

√ Applicable □ N/A

Unit: RMB

ITEM	Closing balance	Opening balance
Held-for-trading financial assets	623,070.99	50,174.72
Including: Debt instrument investments		
Equity instrument investments	623,070.99	50,174.72
Derivative financial assets		
Others		
Financial assets designated as at fair value through profit or loss ("FVTPL")		
Including: Debt instrument investments		
Equity instrument investments		
Others		
Total	623,070.99	50,174.72

Other descriptions: Nil

3. Derivative financial assets

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
Commodity futures	2,511,522.35	47,746,901.81
Forward exchange agreement	84,209,286.62	35,158,936.07
Total	86,720,808.97	82,905,837.88

Other descriptions:

The Group's derivative financial assets mainly include commodity futures and forward exchange agreement. Therein, the closing fair value of commodity futures is calculated at the settlement price at the last transaction date of corresponding futures exchange as at the balance sheet date; the closing fair value of forward exchange agreement is calculated at the quoted price of forward exchange provided by relevant institutions at the balance sheet date. The gains or losses from changes in fair value are included in profit or loss.

4. Notes and accounts receivable

(1). Presentation by category

√ Applicable □ N/A

Unit: RMB

ITEM	Closing balance	Opening balance
Notes receivable	2,621,414,388.12	2,668,005,994.60
Accounts receivable	4,289,803,017.54	5,071,010,102.15
Total	6,911,217,405.66	7,739,016,096.75

Other descriptions:
□ Applicable √ N/A

Notes receivable

(2). Presentation of notes receivable by category

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptances	2,621,414,388.12	2,668,005,994.60
Commercial acceptances		
Total	2,621,414,388.12	2,668,005,994.60

(3). Notes receivable pledged by the Company at the period end

√ Applicable □ N/A

Unit: RMB

Item	Pledged amount at the period end
Bank acceptances	192,505,023.60
Commercial acceptances	
Total	192,505,023.60

(4). Notes receivable endorsed or discounted but not yet due at the balance sheet date

√ Applicable □ N/A

Unit: RMB

Item	Amount derecognized at period end	Amount not derecognized at period end
Bank acceptances	1,681,551,825.42	1,072,464,020.16
Commercial acceptances		
Total	1,681,551,825.42	1,072,464,020.16

(5). Notes receivable converted to accounts receivable due to failure of performance by the issuer at the end of the period.

☐ Applicable √ N/A

Other descriptions

☐ Applicable √ N/A

Accounts receivable

(1). Disclosure of accounts receivable by category:

√ Applicable ☐ N/A

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion for provision (%)		Amount	Proportion (%)	Amount	Proportion for provision (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,063,722,026.89	23.80	57,128,936.15	5.37	1,006,593,090.74	1,134,258,121.27	21.53	44,633,491.19	3.94	1,089,624,630.08
Accounts receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics	371,941,984.89	8.32	44,867,298.03	12.06	327,074,686.86	654,206,163.14	12.42	103,373,725.85	15.80	550,832,437.29
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	3,034,414,826.18	67.88	78,279,586.24	2.58	2,956,135,239.94	3,479,950,452.37	66.05	49,397,417.59	1.42	3,430,553,034.78
Total	4,470,078,837.96	/	180,275,820.42	/	4,289,803,017.54	5,268,414,736.78	/	197,404,634.63	/	5,071,010,102.15

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually:

√ Applicable ☐ N/A

Unit: RMB

Accounts receivable (by entity)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion for provision (%)	Reason for provision
Entity I	443,681,060.32	44,368,106.03	10.00	Overdue, and the management expects that part of the amount will not be recovered.
Entity II	300,275,500.70			No bad debt risk
Entity III	127,608,301.18	12,760,830.12	10.00	Overdue, and the management expects that part of the amount will not be recovered.
Entity IV	105,845,875.46			No bad debt risk
Entity V	86,311,289.23			No bad debt risk
Total	1,063,722,026.89	57,128,936.15	/	/

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

√ Applicable ☐ N/A Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year			
Including: Sub-items within 1 year			
Within 1 year	352,952,352.91	28,295,082.27	8.02
Sub-total of amount within 1 year	352,952,352.91	28,295,082.27	8.02
1 to 2 years	2,037,658.58	395,429.35	19.41
2 to 3 years	1,199,194.61	424,007.62	35.36
Over 3 years			
3 to 4 years	892,324.77	892,324.77	100
4 to 5 years	6,217,384.05	6,217,384.05	100
Over 5 years	8,643,069.97	8,643,069.97	100
Total	371,941,984.89	44,867,298.03	12.06

Descriptions of determination basis of the portfolio:

The Group's management believes that the aging of the Group's accounts receivable is able to reflect its credit risk characteristic, therefore, aging analysis method is adopted to assess bad debt provision for accounts receivable.

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach
☐ Applicable √ N/A

Accounts receivable portfolios for which bad debt provision has been assessed using other methods
☐ Applicable √ N/A

(2). Provisions, recovery or reversal of bad debts for the period

In the current year, the Group made provision for bad debt of RMB 66,567,938.65 and recovered or reversed bad debt of RMB 65,904,167.06.

Including recovery or reversal of bad debt provision that is significant in amount:
☐ Applicable √ N/A

(3). Accounts receivable written off in the reporting period

√ Applicable ☐ N/A

Unit: RMB

Item	Write-off amounts
Accounts receivable actually written-off	4,631,571.09

Including significant written-off of accounts receivable
☐ Applicable √ N/A

Description of the write-off of accounts receivable:
√ Applicable ☐ N/A

These accounts receivable are generally aged over 3 years and are not expected to be recovered, therefore they are written off.

(4). Top five accounts receivable categorized by debtor

√ Applicable ☐ N/A

The total closing balance of the top five accounts receivable at the end of the year is RMB 1,063,722,026.89, accounting for 23.80% of the total closing carrying amount of the accounts receivable, and the balance of bad debt provision is RMB 57,128,936.15.

(5). Accounts receivable derecognized due to the transfer of financial assets

☐ Applicable √ N/A

(6). Amount of financial assets and liabilities arising from continuing involvement in transferred accounts receivable

☐ Applicable √ N/A

Other descriptions:
√ Applicable ☐ N/A

At the end of the current year, the Group pledged accounts receivable of RMB 15,078,652.61 as collateral for bank borrowings.

5. Prepayments

(1). Aging analysis of prepayments is as follows:

√ Applicable ☐ N/A

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	850,860,168.76	98.23	793,157,967.86	97.17
1 to 2 years	6,269,403.89	0.72	17,011,627.80	2.09
2 to 3 years	5,513,831.86	0.64	2,475,281.86	0.30
Over 3 years	3,520,631.55	0.41	3,592,144.39	0.44
Total	866,164,036.06	100.00	816,237,021.91	100.00

Description of reason for why the prepayments with significant balances and aged more than one year are not settled in a timely manner:

At the end of the current year, the Group's prepayments aged more than one year represent the prepayments for goods that are not yet settled.

(2). Top five closing balances of prepayments categorized by receivers

√ Applicable ☐ N/A

At the end of the current year, the total closing balance of the top five prepayments is RMB 251,869,541.04, accounting for 29.08% of the total closing carrying amount of prepayments.

Other descriptions

☐ Applicable √ N/A

6. Other receivables

(1). Other receivables by categories

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	1,895,883.54	27,533,104.02
Dividends receivable		
Other receivables	1,289,450,262.28	1,050,395,365.45
Total	1,291,346,145.82	1,077,928,469.47

Other descriptions:
☐ Applicable √ N/A

Interest receivable

(2). Categories of interest receivable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Time deposit	936,069.77	27,518,237.22
Entrusted loan	957,957.00	
Bond investment		
Others	1,856.77	14,866.80
Total	1,895,883.54	27,533,104.02

(3). Significant overdue interest

☐ Applicable √ N/A

Other descriptions:
☐ Applicable √ N/A

(4). Dividends receivable

☐ Applicable √ N/A

(5). Significant dividends receivable aged more than one year

☐ Applicable √ N/A

Other descriptions:
☐ Applicable √ N/A

Other receivables

(6). Disclosure of other receivables by category:

√ Applicable ☐ N/A

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	450,167,299.47	27.90	24,632,575.08	5.47	425,534,724.39	476,889,239.50	34.23	45,138,212.49	9.47	431,751,027.01
Other receivables portfolio for which bad debt provision is collectively assessed on credit risk basis	307,053,933.56	19.03	246,550,969.00	80.30	60,502,964.56	472,389,325.53	33.91	281,675,804.68	59.63	190,713,520.85
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	856,339,519.26	53.07	52,926,945.93	6.18	803,412,573.33	443,826,213.52	31.86	15,895,395.93	3.58	427,930,817.59
Total	1,613,560,752.29	/	324,110,490.01	/	1,289,450,262.28	1,393,104,778.55	/	342,709,413.10	/	1,050,395,365.45

Other receivables that are individually significant and for which bad debt provision has been assessed individually at the end of the period

√ Applicable ☐ N/A

Unit: RMB

	Closing balance			
Other receivables (By entity)	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Entity VI	347,438,690.67			No bad debt risk
Entity VII	33,762,546.95			No bad debt risk
Entity VIII	24,632,575.08	24,632,575.08	100.00	It is expected that the full amount can't be recovered
Entity IX	23,373,659.36			No bad debt risk
Entity X	20,959,827.41			No bad debt risk
Total	450,167,299.47	24,632,575.08	/	/

Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

√ Applicable ☐ N/A

Unit: RMB

Aging	Closing balance		
	Other receivables	Bad debt provision	Proportion of provision (%)
Within 1 year			
Including: Sub-items within 1 year			
Within 1 year	28,985,213.72	854,218.41	2.95
Sub-total of amount within 1 year	28,985,213.72	854,218.41	2.95
1 to 2 years	20,601,707.70	3,125,573.11	15.17
2 to 3 years	24,073,637.52	9,740,358.13	40.46
Over 3 years			
3 to 4 years	9,923,687.15	9,361,131.88	94.33
4 to 5 years	70,201,777.61	70,201,777.61	100.00
Over 5 years	153,267,909.86	153,267,909.86	100.00
Total	307,053,933.56	246,550,969.00	80.30

Descriptions of determination basis of the portfolio:

The Group's management believes that the aging of the Group's other receivables is able to reflect its credit risk characteristic, therefore, aging analysis is adopted to assess bad debt provision for other receivables.

Other receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:
☐ Applicable √ N/A

Other receivables portfolios for which bad debt provision has been assessed using other methods:
☐ Applicable √ N/A

(7). Categorization by nature

√ Applicable ☐ N/A

Unit: RMB

Nature	Closing carrying amount	Opening carrying amount
Transaction balances	347,438,690.67	327,696,600.00
Deposit	179,306,811.22	106,819,371.02
Receivables from disposal of equity in associates	17,919,956.25	92,820,390.98
Tax rebates receivable	349,650,348.12	69,405,138.45
Advances for others	6,837,247.06	2,289,505.84
Others	388,297,208.96	451,364,359.16
Total	1,289,450,262.28	1,050,395,365.45

(8). Provision, recovery or reversal of bad debt provision for the period

The bad debt provision for the current period is RMB 23,687,086.61; the recovery or reversal of bad debt for the current period is RMB 37,374,835.68.

Including significant reversal or recovery of bad debt provision for the period:
☐ Applicable √ N/A

(9). Other receivables written off in the reporting period
√ Applicable ☐ N/A

Unit: RMB

Item	Write-off amounts
Other receivables actually written-off	5,531,455.37

Including significant written-off of other receivables:

☐ Applicable √ N/A

Explanations of the write-off of other receivables:
√ Applicable ☐ N/A

These accounts receivable are generally aged over 3 years and are not expected to be recovered, therefore they are written off.

(10). Top five closing balances of other receivables categorized by debtor
√ Applicable ☐ N/A

Unit: RMB

Name of entity	Nature of the amount	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of bad debt provision
Entity VI	Transaction balance	347,438,690.67	1 to 2 years	21.53	
Entity VII	Deposit	33,762,546.95	Within 1 year	2.09	
Entity VIII	Claim compensation	24,632,575.08	Over 5 years	1.53	24,632,575.08
Entity IX	Deposit	23,373,659.36	Within 1 year	1.45	
Entity X	Tax rebates receivable	20,959,827.41	Within 1 year	1.30	
Total	/	450,167,299.47	/	27.90	24,632,575.08

(11). Other receivables related to government grants

☐ Applicable √ N/A

(12). Other receivables derecognized due to the transfer of financial assets

☐ Applicable √ N/A

(13). The amount of financial assets and liabilities arising from continuing involvement in transferred other receivables

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

7. Inventories

(1). Categories of inventories

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	816,642,125.45	3,990,589.89	812,651,535.56	1,125,827,076.37	4,446,025.72	1,121,381,050.65
Work in progress	412,574,557.84	13,305,146.39	399,269,411.45	375,585,024.01	8,403,331.57	367,181,692.44
Goods on hand	4,667,510,087.72	133,225,212.40	4,534,284,875.32	4,845,374,493.29	187,012,888.61	4,658,361,604.68
Turnover materials	21,276,179.29	1,327,896.60	19,948,282.69	23,270,040.33	4,999,206.66	18,270,833.67
Consumable biological assets						
Completed but not yet billed assets arising from						

construction contracts						
Materials in transit	15,013,703.20		15,013,703.20	83,030,614.31		83,030,614.31
Low cost and short-lived materials	205,935,049.01		205,935,049.01	165,515,519.46		165,515,519.46
Materials on consignment for further processing	133,794,268.32		133,794,268.32	101,945,977.70		101,945,977.70
Total	6,272,745,970.83	151,848,845.28	6,120,897,125.55	6,720,548,745.47	204,861,452.56	6,515,687,292.91

(2). Provision for decline in value of inventories

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	4,446,025.72	1,366,570.58		1,822,006.41		3,990,589.89
Work in progress	8,403,331.57	6,031,218.21		1,129,403.39		13,305,146.39
Goods on hand	187,012,888.61	344,142,679.69	3,516,797.49	401,447,153.39		133,225,212.40
Turnover materials	4,999,206.66			3,671,310.06		1,327,896.60
Consumable biological assets						
Completed but not yet billed assets arising from construction contracts						
Total	204,861,452.56	351,540,468.48	3,516,797.49	408,069,873.25		151,848,845.28

(3). Description of capitalized borrowing costs included in the closing balance of inventories

☐ Applicable √ N/A

(4). Completed but not yet billed assets arising from construction contracts at the end of the period

☐ Applicable √ N/A

Other descriptions

√ Applicable ☐ N/A

At the end of the current year, the Group's inventories of RMB 301,632,173.06 was pledged as collateral for obtaining bank borrowings from financial institutions.

8. Non-current assets held for sale

√ Applicable ☐ N/A

Unit: RMB

Item	Closing carrying amount	Fair value	Expected disposal expense	Expected timing of disposal
Related assets of Sinochem International Logistics Co., Ltd.	0			
Total	0			/

Other descriptions:

In 2017, the Group entered into Contract of Property Rights Transaction with Erdos Junzheng Energy & Chemical Industry Co., Ltd., Beijing Chunguang Land Real Estate Development Co., Ltd. and Beijing Huatai Xingnong Agricultural Technology Co., Ltd. (collectively the "buyer"), the Group sells 100% equity of Sinochem International Logistics Co., Ltd. (the "Sinochem Logistics") to the buyer at the price of RMB 3.45 billion. Sinochem Logistics was classified as held-for-sale. The transaction has been completed in the current year.

9. Non-current assets due within one year

☐ Applicable √ N/A

Other descriptions
Nil

10. Other current assets

√ Applicable ☐ N/A

Unit: RMB

ITEM	Closing balance	Opening balance
Available-for-sale financial assets	2,253,357,719.51	1,106,156,434.87
Prepaid income tax	68,763,030.30	26,074,493.26
Input VAT to be deducted	451,612,938.11	358,693,103.19
Input VAT to be verified	2,076,387.81	1,811,103.70
Loans to others	2,808,236,324.70	10,000,000.00
Others	1,270,311.77	11,130.49
Total	5,585,316,712.20	1,502,746,265.51

Other descriptions

At the end of the current year, the Group provided loans of RMB 2,676,866,324.70 and RMB 131,370,000.00 to Sinochem Logistics and Shanghai Sizhi Automotive Engineering Technology Co., Ltd. respectively.

11. Available-for-sale financial assets

(1). Available-for-sale financial assets

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Available-for-sale debt instruments:				554,000,000.00		554,000,000.00
Available-for-sale equity instruments:	305,533,699.16	24,403,339.10	281,130,360.06	317,097,991.52	23,420,930.83	293,677,060.69
Measured at fair value	278,525,274.34	20,493,812.79	258,031,461.55	290,068,159.49	19,511,404.52	270,556,754.97
Measured at cost	27,008,424.82	3,909,526.31	23,098,898.51	27,029,832.03	3,909,526.31	23,120,305.72
Total	305,533,699.16	24,403,339.10	281,130,360.06	871,097,991.52	23,420,930.83	847,677,060.69

(2). Available-for-sale financial assets measured at fair value at the end of the period.

√ Applicable □ N/A

Unit: RMB

Classification of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Cost of equity instruments /amortized cost of debt instruments	297,485,655.46			297,485,655.46
Fair value	258,031,461.55			258,031,461.55
Changes in fair value accumulated in other comprehensive income	-18,960,381.12			-18,960,381.12
Impairment provided	-20,493,812.79			-20,493,812.79

(3). Available-for-sale financial assets measured at cost at the end of the period

√ Applicable □ N/A

Unit: RMB

Investee	Carrying amount				Impairment provision				Proportion of ownership interest in the investee (%)	Cash dividends for the period
	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Opening balance	Increase in the current period	Decrease in the current period	Closing balance		
Shanghai Information Exchange Center	7,384,865.37			7,384,865.37					0.00	
Beijing Iron Ore Trading Center Corporation	5,000,000.00			5,000,000.00					6.25	
Yangzhou Fuyuan Chemical Technology Co., Ltd.	3,033,073.30			3,033,073.30					9.18	1,516,500.00
Vantone Holdings Co., Ltd.	2,540,000.00			2,540,000.00					0.15	
Hainan New World Co., Ltd.	2,400,000.00			2,400,000.00	2,400,000.00			2,400,000.00	3.57	
Shanghai Baoding Investment Co., Ltd.	1,928,640.00			1,928,640.00					0.48	172,524.00
Others	4,743,253.36	26,250.00	47,657.21	4,721,846.15	1,509,526.31			1,509,526.31		
Total	27,029,832.03	26,250.00	47,657.21	27,008,424.82	3,909,526.31			3,909,526.31	/	1,689,024.00

(4). Changes of impairment of available-for-sale financial assets for the reporting period

√ Applicable ☐ N/A

Unit: RMB

Available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Balance of impairment provision at the beginning of the period	23,420,930.83			23,420,930.83
Provision for the period				
Including: Transferred from other comprehensive income				
Decrease in the current period				
Including: Reversal due to increase in fair value after the period	/			
Translation difference of financial statements denominated in foreign currencies	982,408.27			982,408.27
Balance of impairment provision at the end of the period	24,403,339.10			24,403,339.10

(5). Description about the significant or prolonged decline in the fair value of available-for-sale equity instruments but no impairment provided

☐ Applicable √ N/A

Other descriptions

☐ Applicable √ N/A

12. Held-to-maturity investments

(1). Held-to-maturity investments

☐ Applicable √ N/A

(2). Significant held-to-maturity investments at the end of the period

☐ Applicable √ N/A

(3). Reclassified held-to-maturity investments for the period

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

13. Long-term receivables

(1). Long-term receivables

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Gross carrying amount	Bad debt provision	Net carrying amount	Gross carrying amount	Bad debt provision	Net carrying amount	
Finance leases							
Including: Unearned finance income							
Installment sales							
Rendering of services settled by installments							
Long-term loans	23,960,062.54		23,960,062.54	23,806,576.56		23,806,576.56	
Others	450,000.00		450,000.00	600,000.00		600,000.00	
Total	24,410,062.54		24,410,062.54	24,406,576.56		24,406,576.56	/

(2). Long-term receivables derecognized due to transfer of financial assets

☐ Applicable √ N/A

(3). Amount of assets and liabilities arising from transfer of long-term receivables and continuing involvement

☐ Applicable √ N/A

Other descriptions

☐ Applicable √ N/A

14. Long-term equity investments

√ Applicable ☐ N/A

Unit: RMB

Investee	Opening balance	Changes for the period								Closing balance	Closing balance of impairment provision
		Additional investment	Reduction in investment	Investment income or loss recognized under equity method	Other comprehensive income adjustments	Other changes in equity	Cash dividends or profit declared	Impairment provision	Others		
I. Joint venture											
Sub-total											
II. Associates											
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	779,651,848.20		829,680,919.81	75,238,635.22	-2,671,690.59		22,537,873.02				
Jiangsu Yangnong Kumho Chemical Co., Ltd.	134,085,505.64			44,073,693.44						178,159,199.08	
Shanxi Ya Xin Coking Co., Ltd.	99,747,857.92			11,434,536.11						111,182,394.03	
Ningxia Ruizhu Real Estate Co., Ltd.	19,934,587.96			2,296,762.61						22,231,350.57	
Dongguan Sinochem Huamei Plastic Co., Ltd.	7,429,697.02			-356,917.81					361,746.30	7,434,525.51	3,190,381.79
Silver Saddle Equity Investment Management (Shanghai) Co., Ltd.		4,125,000.00								4,125,000.00	
Feltex Co., Ltd.	8,789,181.07			-1,094,470.85					475,140.12	8,169,850.34	
PT Sarana Sumsel Ventura	15,000.00								-781.64	14,218.36	
Sub-total	1,049,653,677.81	4,125,000.00	829,680,919.81	131,592,238.72	-2,671,690.59		22,537,873.02		836,104.78	331,316,537.89	3,190,381.79
Total	1,049,653,677.81	4,125,000.00	829,680,919.81	131,592,238.72	-2,671,690.59		22,537,873.02		836,104.78	331,316,537.89	3,190,381.79

Other descriptions

Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co. (the "Jiangshan Agrochemical") is an A-share listed company, where the Company holds 29.19% equity. As approved by the State-owned Assets Supervision and Administration Commission of the State Council, the Company transferred the 29.19% equity of Jiangshan Agrochemical through public offering. On 29 September 2018, the Company and the transferee Sichuan Leshan Fuhua Crop Protection Technology Investment Co., Ltd. entered into "Equity Transfer Agreement", as at 31 December 2018, the above equity transfer has been completed.

Silver Saddle Equity Investment Management (Shanghai) Co., Ltd. is a limited corporation jointly established by the Company, Shanghai Damo Enterprise Management Co., Ltd., Suzhou Yin'an Wuren Enterprise Management Partnership (Limited Partnership) and Sinochem Capital Investment Management Co., Ltd. on 4 September 2018. The Company made capital contribution of RMB 4,125,000.00 and holds 27.50% equity.

15. Investment properties

Measurement mode of investment properties

(1). Investment properties measured at cost

Unit: RMB

Item	Buildings	Land use rights	Construction in progress	Total
I. Original carrying amount				
1.Opening balance	401,086,072.37			401,086,072.37
2. Increase in the current period	87,322,392.23			87,322,392.23
(1)Outsourced	2,474,601.14			2,474,601.14
(2)Transfer from inventories/fixed assets/ construction in progress	60,160,167.09			60,160,167.09
(3)Increase from business combination	24,687,624.00			24,687,624.00
3. Decrease in the current period	7,821,855.15			7,821,855.15
(1) Disposal				
(2) Other transfer-out				
(3) Changes in exchange rate	7,821,855.15			7,821,855.15
4.Closing balance	480,586,609.45			480,586,609.45
II. Accumulated depreciation and amortization				
1. Opening balance	92,117,843.95			92,117,843.95
2. Increase in the current period	41,470,930.97			41,470,930.97
(1) Provision or amortization	9,718,154.38			9,718,154.38
(2) Transfer from inventories/fixed assets /construction in progress	31,752,776.59			31,752,776.59
3. Decrease in the current period	243,203.10			243,203.10
(1) Disposal				
(2)Other transfer-out				
(3) Changes in exchange rate	243,203.10			243,203.10
4.Closing balance	133,345,571.82			133,345,571.82
III. Impairment provision				
1.Opening balance				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	347,241,037.63			347,241,037.63
2. Opening carrying amount	308,968,228.42			308,968,228.42

(2). Investment properties of which certificates of title have not been obtained:

☐ Applicable √ N/A

Other descriptions

☐ Applicable √ N/A

16. Summary of fixed assets

(1). Presentation by category

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	7,725,742,382.22	6,608,413,850.04
Disposal of fixed assets		
Total	7,725,742,382.22	6,608,413,850.04

Other descriptions:

☐ Applicable √ N/A

Fixed assets

(2). Fixed assets

√ Applicable ☐ N/A

Unit: RMB

Item	Buildings	Machinery and equipment	Transportation vehicles	Other equipment	Total
I. Original carrying amount:					
1.Opening balance	3,852,016,116.73	4,420,532,525.48	359,713,352.67	887,905,730.02	9,520,167,724.90
2. Increase in the current period	538,405,574.76	1,406,508,303.49	29,513,890.83	196,077,772.15	2,170,505,541.23
(1)Additions	49,813,480.42	204,981,582.26	25,680,993.92	52,485,810.25	332,961,866.85
(2) Transfer from construction in progress	350,402,763.03	1,084,527,544.22	1,015,349.12	133,356,239.08	1,569,301,895.45
(3) Increase from business combination	117,021,150.16	88,825,630.14	2,817,547.79	3,456,336.35	212,120,664.44
(4) Changes in exchange rate	21,168,181.15	28,173,546.87		6,779,386.47	56,121,114.49
3. Decrease in the current period	98,047,837.76	359,991,419.94	11,174,414.82	21,994,478.94	491,208,151.46
(1)Disposal or retirement	58,909,933.78	357,366,249.79	8,798,549.59	21,905,547.81	446,980,280.97
(2) Transfer to investment properties	37,442,467.09				37,442,467.09
(3) Transfer to construction in progress	1,695,436.89	2,625,170.15		88,931.13	4,409,538.17

(4) Changes in exchange rate			2,375,865.23		2,375,865.23
4.Closing balance	4,292,373,853.73	5,467,049,409.03	378,052,828.68	1,061,989,023.23	11,199,465,114.67
II. Accumulated depreciation					
1.Opening balance	786,169,410.18	1,467,013,916.80	223,482,914.83	371,623,839.82	2,848,290,081.63
2. Increase in the current period	200,398,962.95	443,464,347.21	18,622,064.85	272,632,368.36	935,117,743.37
(1) Provision	187,274,429.36	439,527,122.21	18,622,064.85	269,778,489.36	915,202,105.78
(2) Changes in exchange rate	13,124,533.59	3,937,225.00		2,853,879.00	19,915,637.59
3. Decrease in the current period	63,711,628.54	327,888,518.45	8,041,827.22	17,326,346.47	416,968,320.68
(1)Disposal or retirement	35,388,304.90	327,666,239.18	7,016,346.41	17,326,346.47	387,397,236.96
(2) Transfer to investment properties	27,436,413.07				27,436,413.07
(3) Transfer to construction in progress	886,910.57	222,279.27			1,109,189.84
(4) Changes in exchange rate			1,025,480.81		1,025,480.81
4.Closing balance	922,856,744.59	1,582,589,745.56	234,063,152.46	626,929,861.71	3,366,439,504.32
III. Impairment provision					
1.Opening balance	17,996,526.67	44,666,053.15	11,096.16	790,117.25	63,463,793.23
2. Increase in the current period	6,701,127.59	43,864,243.33		1,350.86	50,566,721.78
(1) Provision	6,417,744.25	43,864,243.33		1,350.86	50,283,338.44
(2) Changes in exchange rate	283,383.34				283,383.34
3. Decrease in the current period	6,038,946.35	694,417.11		13,923.42	6,747,286.88
(1)Disposal or retirement	6,038,946.35	694,417.11		13,923.42	6,747,286.88
4.Closing balance	18,658,707.91	87,835,879.37	11,096.16	777,544.69	107,283,228.13
IV. Carrying amount					
1. Closing carrying amount	3,350,858,401.23	3,796,623,784.10	143,978,580.06	434,281,616.83	7,725,742,382.22
2. Opening carrying amount	3,047,850,179.88	2,908,852,555.53	136,219,341.68	515,491,772.95	6,608,413,850.04

(3). Temporary idle fixed asset

√ Applicable □ N/A

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount	Remark
Buildings	47,446,462.72	36,841,712.69	7,199,919.52	3,404,830.51	
Machinery and equipment	126,897,210.51	90,040,333.04	32,642,667.47	4,214,210.00	
Transportation vehicles	72,605.08	59,261.25	11,096.16	2,247.67	
Other equipment	6,165,486.49	4,857,342.62	776,193.83	531,950.04	

(4). Fixed assets obtained under finance leases

√ Applicable □ N/A

Unit: RMB

Item	Original carrying amount	Accumulated depreciation	Impairment provision	Carrying amount
Transportation vehicles	1,491,599.77	1,345,438.10		146,161.68
Other equipment	34,350.21			34,350.21

(5). Fixed assets leased out under operating leases

□ Applicable √ N/A

(6). Fixed assets of which certificates of title have not been obtained

√ Applicable □ N/A

Unit: RMB

Item	Carrying amount	Reasons why certificates of title have not been obtained
Sinochem International Plaza	635,506,836.89	Record for completion not yet completed

Other descriptions:

√ Applicable □ N/A

At the end of the current year, the Group's fixed assets of RMB 381,381,529.58 was pledged as collateral for obtaining bank borrowings from financial institutions.

Disposal of fixed assets

□ Applicable √ N/A

17. Summary of construction in progress

(1). Presentation by category

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	1,126,179,614.84	886,371,959.91
Materials for construction of fixed assets	46,503,717.45	35,743,494.35
Total	1,172,683,332.29	922,115,454.26

Other descriptions:
☐ Applicable √ N/A

Construction in progress
(2). Construction in progress
√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Ruiheng Lianyungang Project	317,094,185.20		317,094,185.20	51,070,000.00		51,070,000.00
Annual capacity of 10000 ton NCM anode material Phase II project	137,855,145.28		137,855,145.28			
1.8 watt-hour Ternary Lithium Ion Battery Production Line Project	81,948,359.40		81,948,359.40			
Non-tire Business Plantation Project	65,622,419.29		65,622,419.29	55,856,683.37		55,856,683.37
Three Wastes Comprehensive Treatment Project	58,823,990.41		58,823,990.41	2,014,611.10		2,014,611.10
Reduction of epoxy by-products	51,194,999.64		51,194,999.64	788,754.85		788,754.85
Ruitai Phase I and Phase II	39,252,697.99		39,252,697.99	59,916,233.47		59,916,233.47
SYP-9625 Production Workshop Construction Project	37,630,232.43		37,630,232.43			

International Tyre Processing Equipment Project	33,963,906.37		33,963,906.37	15,403,082.00		15,403,082.00
IS Insoluble Sulfur Expansion Project	26,376,046.55	25,032,496.55	1,343,550.00	145,426,826.28		145,426,826.28
Youjia Phase II project	23,641,147.47		23,641,147.47	1,386,873.99		1,386,873.99
Dichlorobenzene Equipment Technical renovation	23,301,884.41		23,301,884.41			
Aramid Fiber Project	17,842,723.36		17,842,723.36	168,217,255.24		168,217,255.24
IS Technical Renovation project	12,838,917.28		12,838,917.28	8,841,977.74		8,841,977.74
Annual capacity 10,000 tons NCM anode material Phase I project	4,747,842.62		4,747,842.62	47,441,697.28		47,441,697.28
Imidacloprid dichloride				133,703,600.00		133,703,600.00
Youjia Huayuan Project				38,693,972.87		38,693,972.87
Boiler Optimization And Modification Project				31,506,300.00		31,506,300.00
Others	219,077,613.69		219,077,613.69	126,255,446.28	151,354.56	126,104,091.72
Total	1,151,212,111.39	25,032,496.55	1,126,179,614.84	886,523,314.47	151,354.56	886,371,959.91

(3). Changes in significant construction in progress

√ Applicable □ N/A

Unit: RMB

Project name	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Other decreases	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Ruiheng Lianyungang Project	1,346,785,195.00	51,070,000.00	266,024,185.20			317,094,185.20	23.54	23.54%				Own funds
Annual capacity of 10000 ton NCM anode material Phase II project	652,104,500.00		137,855,145.28			137,855,145.28	21.14	21.14%				Own funds

1.8 watt-hour Ternary Lithium Ion Battery Production Line Project	168,335,490.29		81,948,359.40			81,948,359.40	48.68	48.68%				Own funds
Non-tire Business Plantation Project	381,645,488.00	55,856,683.37	56,202,574.97	46,090,049.73	346,789.32	65,622,419.29	29.27	29.27%				Own funds
Three Wastes Comprehensive Treatment Project	98,529,000.00	2,014,611.10	56,809,379.31			58,823,990.41	59.70	59.70%				Own funds
Reduction of epoxy by-products	51,200,000.00	788,754.85	50,406,244.79			51,194,999.64	99.99	99.99%				Own funds
Ruitai Phase I and Phase II	550,000,000.00	59,916,233.47	521,818.00	21,185,353.48		39,252,697.99	10.99	10.99%				Own funds
SYP-9625 Production Workshop Construction Project	77,622,400.00		37,630,232.43			37,630,232.43	48.48	48.48%				Own funds
International Tyre Processing Equipment Project	98,865,237.20	15,403,082.00	31,018,629.51	12,457,805.14		33,963,906.37	46.95	46.95%				Own funds
IS Insoluble Sulfur Expansion Project	179,000,000.00	145,426,826.28	34,418,095.14	153,468,874.87		26,376,046.55	100.00	100.00%				Own funds
Youjia Phase II project	1,980,000,000.00	1,386,873.99	197,473,898.86	175,219,625.38		23,641,147.47	10.04	10.04%				Own funds
Dichlorobenzene Equipment Technical renovation	27,910,000.00		23,301,884.41			23,301,884.41	83.49	83.49%				Own funds
Aramid Fiber Project	1,412,000,000.00	168,217,255.24	69,625,468.12	220,000,000.00		17,842,723.36	16.84	16.84%				Own funds
IS Technical Renovation project	46,593,340.00	8,841,977.74	24,891,086.98	20,894,147.44		12,838,917.28	72.40	72.40%				Own funds
Annual capacity 10,000 tons NCM anode material Phase I project	149,077,797.49	47,441,697.28	86,394,483.88	129,088,338.54		4,747,842.62	89.78	89.78%				Own funds
Imidacloprid dichloride	500,000,000.00	133,703,600.00	367,641,227.00	501,344,827.00			100.00	100.00%				Own funds
Youjia Huayuan Project	179,800,000.00	38,693,972.87	15,207,205.46	53,901,178.33			100.00	100.00%				Own funds

Boiler Optimization And Modification Project	45,500,000.00	31,506,300.00	12,492,579.08	43,998,879.08			100.00	100.00%					Own funds
Total	7,944,968,447.98	760,267,868.19	1,549,862,497.82	1,377,649,078.99	346,789.32	932,134,497.70	/	/				/	/

(4). Provision for impairment losses for construction in progress

√ Applicable ☐ N/A

Unit: RMB

Item	Provision	Reason for provision
IS Insoluble Sulfur Expansion Project	25,032,496.55	Part of the engineering equipments is not available for use
Total	25,032,496.55	/

Other descriptions

☐ Applicable √ N/A

Materials for construction of fixed assets

(5). Materials for construction of fixed assets

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Carrying amount	Gross carrying amount	Impairment provision	Carrying amount
Materials for construction of fixed assets	46,503,717.45		46,503,717.45	35,743,494.35		35,743,494.35
Total	46,503,717.45		46,503,717.45	35,743,494.35		35,743,494.35

18. Bearer biological assets

(1). Bearer biological assets measured at cost

√ Applicable ☐ N/A

Unit: RMB

Item	Planting		Animal husbandry		Forestry		Aquaculture		Total
	Category	Category	Category	Category	Overseas rubber plantations	Overseas palm grove	Category	Category	
I. Original carrying amount									
1.Opening balance					1,472,297,791.93	27,471,919.90			1,499,769,711.83
2. Increase in the current period					363,071,361.55	418,751.10			363,490,112.65
(1) Outsourced					338,317,386.56				338,317,386.56

(2) Self-cultivated									
(3)Changes in exchange rate					24,753,974.99	418,751.10			25,172,726.09
3. Decrease in the current period						27,890,671.00			27,890,671.00
(1)Disposal						27,890,671.00			27,890,671.00
(2) Others									
4.Closing balance					1,835,369,153.48	0			1,835,369,153.48
II. Accumulated depreciation									
1.Opening balance					278,144,843.08				278,144,843.08
2. Increase in the current period					26,869,034.96				26,869,034.96
(1)Provision					11,165,874.31				11,165,874.31
(2)Changes in exchange rate					15,703,160.65				15,703,160.65
3. Decrease in the current period									
(1) Disposal									
(2) Others									
4.Closing balance					305,013,878.04				305,013,878.04
III. Impairment provision									
1.Opening balance					1,878,244.63	27,471,919.90			29,350,164.53
2. Increase in the current period					94,570.49	418,751.10			513,321.59
(1) Provision									
(2) Changes in exchange rate					94,570.49	418,751.10			513,321.59
3. Decrease in the current period						27,890,671.00			27,890,671.00
(1) Disposal						27,890,671.00			27,890,671.00
(2) Others									
4.Closing balance					1,972,815.12				1,972,815.12
IV. Carrying amount									
1.Closing carrying amount					1,528,382,460.32				1,528,382,460.32
2. Opening carrying amount					1,192,274,704.22				1,192,274,704.22

(2). Bearer biological assets measured at fair value

☐ Applicable √ N/A

Other descriptions
√ Applicable ☐ N/A

The overseas rubber plantations represent the rubber plantations owned by the Group and located in Cameroon and Ivory Coast, covering 122,964 hectares. As at 31 December 2018, the net book value of the overseas rubber plantation not yet ready for intended use is RMB 1,272,575,276.73 (31 December 2017: RMB 1,016,179,181.40). Considering the market value and fair value of the rest of the rubber plantations that are ready for the intended use cannot be reliably measured, the carrying value of the overseas rubber plantations was recognized based on the historical cost. The rubber plantations that are ready for intended use were amortized at 3.33% per year.

19. Oil and gas assets

☐ Applicable √ N/A

20. Intangible assets

(1). Intangible assets

√ Applicable ☐ N/A

Unit: RMB

Item	Land use rights	Patents	Non-patent technology	Trademark use rights and product registration certificates	Customer relationship	Software and others	Total
I. Original carrying amount							
1.Opening balance	2,755,140,317.71	1,201,286,247.92	75,143,300.00	188,752,465.02	23,241,160.00	131,402,432.31	4,374,965,922.96
2. Increase in the current period	254,034,108.38	66,300,000.00	3,783,500.00		15,827,420.00	51,799,840.32	391,744,868.70
(1)Additions	66,007,432.45					36,727,924.29	102,735,356.74
(2) Internal R&D							
(3) Increase from business combination	141,028,208.11	66,300,000.00			13,301,190.00	10,276,800.00	230,906,198.11
(4) Changes in exchange rate	46,998,467.82		3,783,500.00		2,526,230.00	4,795,116.03	58,103,313.85
3. Decrease in the current period	22,717,700.00			4,407,381.20		2,563,454.09	29,688,535.29
(1)Disposal						2,563,454.09	2,563,454.09
(2) Changes in exchange rate				4,407,381.20			4,407,381.20
(3)Other decreases	22,717,700.00						22,717,700.00
4.Closing balance	2,986,456,726.09	1,267,586,247.92	78,926,800.00	184,345,083.82	39,068,580.00	180,638,818.54	4,737,022,256.37
II. Accumulated amortization							
1.Opening balance	238,040,905.66	336,297,553.46		88,674,204.27	2,000,427.00	78,980,248.20	743,993,338.59
2. Increase in the current period	47,801,998.31	75,506,766.01		12,984,148.98	3,220,404.50	19,240,753.93	158,754,071.73
(1)Provision	47,801,998.31	75,506,766.01		12,984,148.98	3,092,840.00	17,063,103.42	156,448,856.72
(2) Changes in exchange rate					127,564.50	2,177,650.51	2,305,215.01
3. Decrease in the current period	4,578,062.36			2,129,340.76		2,214,950.87	8,922,353.99
(1)Disposal						2,214,950.87	2,214,950.87

(2) Changes in exchange rate	261,698.84			2,129,340.76			2,391,039.60
(3)Other decreases	4,316,363.52						4,316,363.52
4.Closing balance	281,264,841.61	411,804,319.47		99,529,012.49	5,220,831.50	96,006,051.26	893,825,056.33
III. Impairment provision							
1.Opening balance						540,952.78	540,952.78
2. Increase in the current period							
(1)Provision							
3. Decrease in the current period						251,480.25	251,480.25
(1)Disposal							
(2) Changes in exchange rate						251,480.25	251,480.25
4.Closing balance						289,472.53	289,472.53
IV. Carrying amount							
1. Closing carrying amount	2,705,191,884.48	855,781,928.45	78,926,800.00	84,816,071.33	33,847,748.50	84,343,294.75	3,842,907,727.51
2. Opening carrying amount	2,517,099,412.05	864,988,694.46	75,143,300.00	100,078,260.75	21,240,733.00	51,881,231.33	3,630,431,631.59

(2). Land use rights of which certificates of title have not been obtained

☐ Applicable √ N/A

Other descriptions:

√ Applicable ☐ N/A

Note 1: The land use rights in Cameroon owned by the Group were granted by the Cameroon government. The normal useful life is 50 years, and the Group can extend the period in nominal value before the expiry date. Considering the continuing investment and development on the rubber plantation, the Group is unlikely to fail in extending before the expiry date of the normal useful life. Therefore, the useful life is regarded as indefinite without amortization. When solid evidence that the land use rights cannot be extended exists, the Group will estimate the expected useful life of the related land, and amortize the related land according to the amortization policy of the intangible assets with definite lives.

Note 2: Included in the trademark use rights, the useful life for trademark use rights of RMB 4,687,505.77 is not specified in the contract. At the end of the year, the trademark use right is tested for impairment but not amortized. At 31 December 2018, the Group believes that the trademark use right is not impaired.

Note 3: The Group's non-patent technology represent the rubber production process technology. The useful life of this technology depends on the period of market demand of the rubber products. The Group believes that there is minor possibility of termination of market demand of rubber products, therefore the useful life of this technology is set to be indefinite. This technology is not amortized and tested for impairment at each year end. At 31 December 2018, the Group believes that this non-patent technology is not impaired.

Others:

At the end of the year, the Group's land use rights of RMB 484,779,566.70 was pledged as collateral for obtaining bank borrowings form financial institutions.

21. Development expenditure

√ Applicable □ N/A

Unit: RMB

Item	Opening balance	Increase in the current period			Decrease in the current period			Closing balance
		In-house	Others		Recognized as intangible assets	Transfer to profit or loss		
Research and development expenditures	1,382,265.00							1,382,265.00
Total	1,382,265.00							1,382,265.00

22. Goodwill

(1). Original carrying amount of goodwill

√ Applicable □ N/A

Unit: RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Arising from business combination	Effect of exchange rate changes	Disposal		
Natural rubber asset group (note 1)	2,351,719,977.16	624,674,657.27	162,975,808.67			3,139,370,443.10
Polymer additives asset group (note 2)	1,325,622,199.22	163,696,462.81				1,489,318,662.03
Yangnong asset group (note 3)	624,477,727.67					624,477,727.67
Junsheng asset group (note 4)		18,045,054.69				18,045,054.69
Total	4,301,819,904.05	806,416,174.77	162,975,808.67			5,271,211,887.49

Note 1: In the current year, the addition of goodwill of natural rubber asset group amounting to RMB 624,674,657.27 was arising from the cost of acquisition of Kelvin Terminals B.V. (formerly "RCMA Terminals B.V.")/Centrotrade Hatyai Co., Ltd. (formerly "RCMA (Hatyai) Limited"), PT Pulau Bintan Djaya and PT Sumber Alam/PT Sumber Djantin by the Group subsidiary Halcyon Agri Corporation Limited through business combination not involving enterprises under common control exceeding the share of net identifiable assets of acquiree obtained. At the beginning of the year, the goodwill of natural rubber asset group was arising from the Group's acquisition of Halcyon Agri Corporation Limited, Corrie Maccoll Pte. Ltd., Teck Bee Hang Co., Ltd., ITCA, Euroma Rubber Industries Sendirian Berhad through business combination not involving enterprises under common control in prior years. Details are set out in note (VIII).

Note 2: In the current year. The addition of goodwill of Polymer additives asset group amounting to RMB 163,696,462.81 was arising from the cost of acquistion of Shandong Huahong Chemical Co., Ltd. by the Group's subsidiary Sennics Co., Ltd. (Sennics) through business combination not involving enterprises under common control exceeding the share of fair value of net identifiable assets of the acquiree. At the beginning of the year, the addition of goodwill of Polymer additives asset group was arising from the Group's acquisition of Sennics Co., Ltd. Anhui and Sennics Co., Ltd. through business combination not involving enterprises under common control in prior years.

Note 3: The goodwill of Yangnong asset group was arising from the Group's acquisition of Jiangsu Yangnong Chemical Group Co., Ltd. through business combination not involving enterprises under common control in prior years.

Note 4: In the current year, the addition of goodwill of Junsheng asset group amounting to RMB 18,045,054.69 was arising from the cost of the Group's acquisition of Huaian Junsheng New Energy Technology Co., Ltd. ("Huaian Junsheng") through business combination not involving enterprises under common control exceeding the share of fair value of net identifiable assets of Huaian Junsheng. Details are set out in Note (VIII).

(2). Provision for impairment of goodwill

√ Applicable □ N/A

Unit: RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Provision	Effect of exchange rate changes	Disposal		
Natural rubber asset group	47,624,089.28	650,000,000.00	2,397,894.98			700,021,984.26
Polymer additives asset group						
Yangnong asset group						
Junsheng asset group						
Total	47,624,089.28	650,000,000.00	2,397,894.98			700,021,984.26

The impairment of natural rubber asset group is mainly due to the low market demand of natural rubber, decline in international rubber price, and the present value of expected future cash flows of relevant asset group that contains goodwill is less than its carrying amount.

(3). Relevant information of the asset group or portfolio of asset group to which the goodwill is attributable

√ Applicable □ N/A

At 31 December 2018, the carrying amount and impairment provision of goodwill of each asset group are as follows:

RMB

Asset group	Cost	Impairment provision	Net book value
Natural rubber asset group	3,139,370,443.10	700,021,984.26	2,439,348,458.84
Polymer additives asset group	1,489,318,662.03	-	1,489,318,662.03
Yangnong Asset Group	624,477,727.67	-	624,477,727.67
Junsheng Asset Group	18,045,054.69	-	18,045,054.69
Total	5,271,211,887.49	700,021,984.26	4,571,189,903.23

(4). Describe the process of impairment test of goodwill, key parameters (such as estimated growth in estimating the present value of expected future cash flows, stable period growth, profit margin, discount rate and forecast period etc. if applicable) and the method of recognition of impairment of goodwill

√ Applicable ☐ N/A

Natural rubber asset group

The recoverable amount of natural rubber asset group is determined based on the present value of expected future cash flows, and assessed by the third party appraisal institution Zhongtongcheng Asset Appraisal Co., Ltd. The future cash flows are based on the 2019-2023 finance budget as approved by the management. The present value of future cash flows is estimated based on the key assumption that: estimate the expected growth of revenue from sales (2019-2023: about 8% to 15%, after 2023: 0), gross profit rate and discount rate (about 11.48%) on the basis of past performance of the asset group and expectation on the market development.

For natural rubber asset group, the management assessed provision of RMB 650,000,000.00 for impairment of goodwill on the basis of the results of above calculation.

Polymer additives asset group

The recoverable amount of polymer additives_asset group is determined based on the present value of expected future cash flows. The future cash flows are based on the 2019-2023 finance budget as approved by the management. The present value of future cash flows is estimated based on the key assumption that: estimate the expected growth of revenue from sales (2019-2023: about 5% to 14%, after 2023: about 3%) and discount rate (about 14.5%) on the basis of past performance of the asset group and expectation on the market development.

The management believes that any reasonable changes in the above assumptions will not result in the total carrying amount of the polymer additives_asset group exceeding its recoverable amount.

Yangnong asset group

The recoverable amount of Yangnong_asset group is determined based on the present value of expected future cash flows. The future cash flows are based on the 2019-2023 finance budget as approved by the management. The present value of future cash flows is estimated based on the key assumption that: estimate the expected growth of revenue from sales (2019-2023: about -11% to 6%, after 2023: about 3%) and discount rate (about 13%) on the basis of past performance of the asset group and expectation on the market development. The management believes that any reasonable change in the above assumptions will not result in the total carrying amount of Yangnong asset group exceeding its recoverable amount.

(5). Effect of impairment test of goodwill

√ Applicable ☐ N/A

In the current year, the Group has made provision for impairment of goodwill equivalent to RMB 650,000,000.00 through asset group assessment and impairment test of goodwill, and recognized the impairment provision in profit or loss for 2018, reducing total profit and net profit attributable to owners of the Company for 2018 by RMB 650,000,000.00.

Other descriptions
☐ Applicable √ N/A

23. Long-term prepaid expenses
√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization for the period	Other decreases	Closing balance
Equipment and site rental fee	19,927,119.84	306,158.99	1,854,976.84		18,378,301.99
Building decoration	22,822,944.26	6,842,064.72	4,357,266.99	104,004.75	25,203,737.24
Maintenance and repair fee	10,643,848.42	9,566,928.97	9,374,674.95		10,836,102.44
Others	3,581,141.09	13,357,445.09	13,189,335.32	1,597,729.75	2,151,521.11
Total	56,975,053.61	30,072,597.77	28,776,254.10	1,701,734.50	56,569,662.78

24. Deferred tax assets/ deferred tax liabilities
(1). Deferred tax assets that are not offset
√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	457,731,566.40	85,416,551.82	472,848,390.86	96,740,189.62
Unrealized profit from intragroup transactions	76,590,099.08	17,474,850.65	61,648,546.38	12,297,954.38
Deductible losses	807,962,071.37	148,401,846.15	1,152,008,769.19	242,647,035.08
Evaluation of derivative financial instruments	39,430,800.48	6,791,700.11	211,055,174.53	36,692,258.86
Accrued expenses	224,397,886.93	56,601,919.20	291,786,298.41	78,252,260.72
Deferred income	28,470,439.21	4,563,587.53	38,936,006.96	6,525,547.71
Book-tax difference of depreciation of fixed assets	30,836,723.84	7,709,180.96	32,302,708.93	8,003,571.14
Book-tax difference of	23,997.36	5,999.34	28,803.83	7,200.96

amortization of intangible assets				
Payables for which invoices are not obtained	412,259,864.93	61,838,979.75	434,620,723.72	65,193,108.56
Others	10,149,623.22	2,855,929.61	44,649,218.16	6,709,991.84
Total	2,087,853,072.82	391,660,545.12	2,739,884,640.97	553,069,118.87

(2). Deferred tax liabilities without offset

√ Applicable □ N/A

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Assessment appreciation of assets acquired through business combination not involving enterprises under common control				
Changes in fair value of available-for-sale financial assets	93,760,361.87	18,078,986.94	102,192,373.53	18,759,116.69
Retained profits from subsidiaries with different tax rates	1,441,815,812.37	144,936,277.90	1,445,226,731.81	148,492,436.93
Assessment appreciation of long-term assets	2,264,523,270.22	490,986,866.41	2,158,248,988.20	474,006,047.04
Book-tax difference of amortization of intangible assets	16,714,959.85	2,841,543.17	17,235,893.18	2,930,101.84
Book-tax difference of depreciation of fixed assets	209,594,626.10	33,189,256.63	1,840,932.27	446,213.62
Valuation of derivative financial instruments	207,670,495.70	32,839,367.64	202,287.20	50,571.80
Others	47,666,110.47	8,103,238.75	107,901,455.70	18,357,885.43
Total	4,281,745,636.58	730,975,537.44	3,832,848,661.89	663,042,373.35

(3). Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

√ Applicable ☐ N/A

Unit: RMB

Item	Offset amount between deferred tax assets and liabilities at the end of the period	Closing balance of deferred tax assets or liabilities after offset	Offset amount between deferred tax assets and liabilities at the beginning of the period	Opening balance of deferred tax assets or liabilities after offset
Deferred tax assets	26,145,798.65	365,514,746.47	4,732,000.63	548,337,118.24
Deferred tax liabilities	26,145,798.65	704,829,738.79	4,732,000.63	658,310,372.72

(4). Details of unrecognized deferred tax asset

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	275,267,248.50	38,740,797.48
Deductible losses	629,713,938.29	209,594,496.44
Total	904,981,186.79	248,335,293.92

(5). Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

√ Applicable ☐ N/A

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2018		19,486,153.73	
2019	24,825,203.31	29,299,375.66	
2020	51,991,730.41	44,603,912.97	
2021	66,980,978.65	19,539,707.98	
2022	62,433,468.56		
2023	42,945,261.76		
After 2023	380,537,295.60	96,665,346.10	
Total	629,713,938.29	209,594,496.44	/

Other descriptions:

☐ Applicable √ N/A

25. Other non-current assets

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Prepaid long-term assets	497,303,164.69	5,951,784.13
Total	497,303,164.69	5,951,784.13

26. Short-term borrowings

(1). Categories of short-term borrowings

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Pledge borrowings	13,500,000.00	
Mortgage borrowings	509,844,626.42	231,095,231.94
Guaranteed borrowings	20,000,000.00	
Credit borrowings	4,494,199,128.35	4,287,581,527.76
Documentary credit borrowings	9,875,835.61	9,156,668.50
Total	5,047,419,590.38	4,527,833,428.20

(2). Short-term borrowings overdue but not yet repaid

☐ Applicable √ N/A

Therein, the significant overdue but not yet repaid short-term borrowings are described as below:

☐ Applicable √ N/A

Other descriptions

☐ Applicable √ N/A

27. Financial liabilities at fair value through profit or loss

☐ Applicable √ N/A

28. Derivative financial liabilities

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Commodities futures	8,758,265.73	11,272,064.34
Forward exchange agreement	52,102,916.52	11,492,432.14
Total	60,861,182.25	22,764,496.48

Other descriptions:

The Group's derivative financial liabilities mainly include commodity futures and forward exchange agreement, among which the fair value of the commodity futures at the year-end refers to the settlement price on the last trading day as at the balance sheet date; the fair value of the forward exchange agreement at the year-end refers to the forward exchange quotation of the related institutions as at the balance sheet date.

29. Summary of notes and accounts payable

(1). Presentation by category

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Notes payable	2,342,938,002.00	2,005,189,927.59
Accounts payable	4,252,205,662.88	5,893,424,501.12
Total	6,595,143,664.88	7,898,614,428.71

Other descriptions:

☐ Applicable √ N/A

Notes payable

(2). Presentation of notes payable

√ Applicable ☐ N/A

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptances		
Bank acceptances	2,342,938,002.00	2,005,189,927.59
Total	2,342,938,002.00	2,005,189,927.59

As at 31 December 2018, the Group did not have note payables due but not paid.

Accounts payable

(3). Presentation of accounts payable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Commodities procurement payment	3,881,284,682.65	5,388,387,963.03
Service fee	14,874,980.20	5,406,478.11
Engineering project payment	356,046,000.03	499,630,059.98
Total	4,252,205,662.88	5,893,424,501.12

(4). Significant accounts payable aged more than one year

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Reason for not paid or carried-forward
Engineering project payment	49,148,675.17	Temporarily estimated project payment not yet settled
Total	49,148,675.17	/

Other descriptions
☐ Applicable √ N/A

30. Receipts in advance

(1). Presentation of receipts in advance

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance from disposal of equity in Sinochem Logistics		3,448,316,037.73
Receipts in advance from sales	819,765,937.69	1,001,382,491.13
Receipt in advance for service rendered	5,939,581.21	5,105,996.67
Total	825,705,518.90	4,454,804,525.53

(2). Significant receipts in advance aged more than one year

☐ Applicable √ N/A

(3). Billed but not yet completed projects arising from construction contracts at the end of the period

☐ Applicable √ N/A

Other descriptions
☐ Applicable √ N/A

31. Employee benefits payable

(1). Employee benefits payable

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term benefits	318,278,995.47	2,569,096,753.27	2,500,662,842.88	386,712,905.86
II. Post-employment benefits-defined contribution plan	23,394,242.95	212,279,379.43	209,404,994.67	26,268,627.71
III. Termination benefits	859,569.77	4,270,102.50	4,635,122.27	494,550.00
IV. Other benefits due within one year				
Total	342,532,808.19	2,785,646,235.20	2,714,702,959.82	413,476,083.57

(2). Short-term employee benefits

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	261,951,640.27	2,126,929,129.28	2,060,424,795.55	328,455,974.00
II. Staff welfare	6,590,947.06	149,929,678.66	149,732,145.35	6,788,480.37
III. Social security contributions	8,406,200.86	96,428,842.80	93,431,706.60	11,403,337.06
Including: Medical insurance	8,202,300.86	85,232,263.03	82,049,874.93	11,384,688.96
Work injury insurance	203,900.00	6,446,549.91	6,644,807.02	5,642.89
Maternity insurance		4,750,029.86	4,737,024.65	13,005.21
IV. Housing funds	773,897.06	104,974,214.24	104,888,479.16	859,632.14
V. Employee union fund and employee education fund	38,631,195.14	39,429,526.68	41,000,684.60	37,060,037.22
VI. Short-term paid absence				
VII. Short-term profit-sharing plan				
VIII. Others	1,925,115.08	51,405,361.61	51,185,031.62	2,145,445.07
Total	318,278,995.47	2,569,096,753.27	2,500,662,842.88	386,712,905.86

(3). Defined contribution plan

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pensions	3,061,961.78	152,879,773.14	152,229,897.09	3,711,837.83
2. Unemployment insurance		4,284,325.97	4,273,602.90	10,723.07
3. Enterprise annuity contribution	20,332,281.17	55,115,280.32	52,901,494.68	22,546,066.81
Total	23,394,242.95	212,279,379.43	209,404,994.67	26,268,627.71

Other descriptions:

☐ Applicable √ N/A

32. Taxes payable

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
VAT	167,954,780.65	55,939,037.94
Consumption tax		
Business tax		
Enterprise income tax	659,200,003.03	315,745,263.65
Individual income tax	58,516,158.68	13,878,071.99
City maintenance and construction tax	9,043,308.49	2,050,059.72
Educational surcharge	5,454,788.11	1,577,037.06
Others	50,907,505.27	69,338,174.77
Total	951,076,544.23	458,527,645.13

33. Summary of other payables

(1). Presentation by categories

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	162,775,197.40	141,589,212.38
Dividends payable	4,708,712.49	3,678,275.85
Other payables	1,539,325,689.19	935,260,450.86
Total	1,706,809,599.08	1,080,527,939.09

Other descriptions:

□ Applicable √ N/A

Interest payable

(2). Presentation by categories

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	16,375,655.97	14,562,494.06
Interest on corporate debenture	131,217,053.11	122,195,671.94
Interest payable on short-term borrowings	15,182,488.32	4,831,046.38
Interest of preference shares/perpetual bonds classified as financial liability		
Total	162,775,197.40	141,589,212.38

Significant unpaid overdue interest
☐ Applicable √ N/A

Other descriptions:
☐ Applicable √ N/A

Dividends payable
(3). Presentation by categories
√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Dividends of ordinary shares	4,708,712.49	3,678,275.85
Dividends of preference shares/perpetual bonds classified as equity instruments		
Dividends of preference shares /perpetual bonds -XXX		
Dividends of preference shares /perpetual bonds -XXX		
Dividends payable-XXX		
Dividends payable-XXX		
Total	4,708,712.49	3,678,275.85

Other payables
(1). Other payables by nature
√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Freight and incidental fees	157,163,254.10	169,621,779.35
Pledge and deposits	60,202,189.14	46,089,481.92
Accrued expenses	399,036,822.06	414,327,700.07
Estimated project payment	239,173,449.18	
Royalties	32,278,436.16	30,731,110.50
Payment for acquisition of equity	109,765,098.06	
Transaction balances	243,876,239.18	
Others	297,830,201.31	274,490,379.02
Total	1,539,325,689.19	935,260,450.86

(2). Significant other payables aged more than one year

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

34. Liabilities classified as held-for-sale

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Sinochem Logistics		5,082,189,802.03
Total		5,082,189,802.03

35. Non-current liabilities due within one year

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	197,858,283.90	794,321,917.58
Bonds payable due within one year	1,194,351,384.90	
Long-term payables due within one year		
Total	1,392,209,668.80	794,321,917.58

36. Other current liabilities

Other current liabilities

☐ Applicable √ N/A

Changes of short-term bonds payable:

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

37. Long-term borrowings

(1). Categories of long-term borrowings

√ Applicable ☐ N/A

Unit: RMB

ITEM	Closing balance	Opening balance
Pledge loans		
Collateral loans	312,301,719.70	330,817,890.68
Guaranteed loans		
Credit loans	3,418,643,366.61	3,136,246,547.09
Total	3,730,945,086.31	3,467,064,437.77

Other descriptions including interest rate range:
√ Applicable □ N/A

As at 31 December 2018, the Group's land use rights with carrying amount of RMB 484,779,566.70 has been pledged as collateral for bank borrowings of RMB 302,865,091.55 at annual interest rate of 4.275%.

As at 31 December 2018, the Group's fixed assets with carrying amount of RMB 71,980,737.75 has been pledged as collateral for bank borrowings of RMB 28,309,885.13 at annual interest rate of COF plus 2.25%.

As at 31 December 2018, the annual interest rate for the Group's long-term borrowings decreased from 1.35% to 7.15%. As at 31 December 2018, the Group has no long-term borrowings that are due but not yet repaid.

38. Bonds payable

(1). Bonds payable

√ Applicable □ N/A

Unit: RMB

Item	Closing balance	Opening balance
11 Sinochem 02		1,192,967,567.88
16 Sinochem 01	2,496,980,743.90	2,495,559,377.69
Senior unsecured notes	2,043,605,717.11	1,941,933,107.28
Total	4,540,586,461.01	5,630,460,052.85

(2). Changes of bonds payable (Excluding other financial instruments (preference shares, perpetual bonds and others) classified as financial liabilities

√ Applicable □ N/A

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening balance	Issued during the period	Interest accrued based on par value	Amortization of premiums or discounts	Repayment during the period	Closing balance
11 Sinochem 02	100	2012-03-05	5 +2 years	1,200,000,000.00	1,192,967,567.88		59,709,633.10	1,383,817.02	59,709,633.10	
16 Sinochem 01	100	2016-06-07	5 years	2,500,000,000.00	2,495,559,377.69		90,250,000.00	1,421,366.21	90,250,000.00	2,496,980,743.90
Senior unsecured notes	USD 100	2017-07-25	5 years	2,018,490,000.00	1,941,933,107.28		64,342,500.00	3,765,175.78	64,342,500.00	2,043,605,717.11
Total	/	/	/	5,718,490,000.00	5,630,460,052.85		214,302,133.10	6,570,359.01	214,302,133.10	4,540,586,461.01

(3). Description about converting terms and period of convertible corporate bonds

☐ Applicable √ N/A

(4). Other financial instruments classified as financial liabilities

Basic information of other financial instruments including outstanding preference shares and perpetual bonds at the end of the period

☐ Applicable √ N/A

Changes of financial instruments including outstanding preference shares and perpetual bonds at the end of the period

☐ Applicable √ N/A

Basis for classifying other financial instruments to financial liabilities:

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

39. Summary of Long-term payables

(1). Long-term payables by categories

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	3,583,173.96	2,336,021.71
Special payables	26,887,187.32	62,986,660.38
Total	30,470,361.28	65,322,682.09

Other descriptions:

☐ Applicable √ N/A

Long-term payables

(2). Long-term payables by nature

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Closing balance
Finance lease payables	2,336,021.71	3,583,173.96

Special payables

(3). Special payables by nature

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Compensation for policy relocation	59,449,171.18		33,394,555.29	26,054,615.89	Compensation for policy relocation
Others	3,537,489.20		2,704,917.77	832,571.43	Policy relocation and reconstruction
Total	62,986,660.38		36,099,473.06	26,887,187.32	/

40. Long-term employee benefits payable

√ Applicable ☐ N/A

(1). Long-term employee benefits payable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
1. Post-employment benefits- net liability of defined benefit plans	130,562,798.97	138,143,292.43
2. Termination benefits		
3. Other long-term benefits		
Total	130,562,798.97	138,143,292.43

(2). Changes of defined benefit plans

Present value of defined benefit plans obligation:

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Opening balance	138,143,292.43	83,532,364.15
II. Defined benefits costs recognized in profit or loss for the period	31,111,334.55	23,738,786.94
1. Current service costs	13,261,025.90	13,716,097.41
2. Past service costs	4,402,149.88	-35,520.41
3. Settlement gains (losses are indicated by "-")	5,232,622.03	2,702,187.94
4. Net interest	8,215,536.74	7,356,022.00
III. Defined benefits cost recognized in other comprehensive income	-27,620,715.23	10,278,468.59
1.Acturay gains (losses are indicated by "-")	-27,620,715.23	10,278,468.59
IV. Other changes	-11,071,112.78	20,593,672.75

1.Consideration paid upon settlement		
2.Benefits paid	-21,153,711.78	-10,113,739.86
3. Translation differences	-1,586,160.56	30,707,412.61
4. Increase due to acquisition of subsidiaries	11,668,759.56	
V. Closing balance	130,562,798.97	138,143,292.43

Planned assets:
☐ Applicable √ N/A

Net liabilities (assets) of defined benefits plan
√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Opening balance	138,143,292.43	83,532,364.15
II. Defined benefits cost recognized in profit or loss for the period	31,111,334.55	23,738,786.94
III. Defined benefits cost included in other comprehensive income	-27,620,715.23	10,278,468.59
IV. Other changes	-11,071,112.78	20,593,672.75
V. Closing balance	130,562,798.97	138,143,292.43

Contents of defined benefit plans and related risks, and its impact over the company's future cash flows, timing and uncertainty:

☐ Applicable √ N/A

Significant actuarial assumptions and sensitivity analysis of the defined benefits plan

√ Applicable ☐ N/A

Sensitive analysis is based on reasonable changes of corresponding assumptions at the end of the reporting period:

When the discount rate is increased by 1 basepoint, the present value of defined benefit plans obligations decrease RMB 10,809,631.80.

When the growth of salary is increased by 1 basepoint, the present value of defined benefit plans obligations will increase by RMB 12,970,207.80.

Since part of assumptions may be correlative, it is unlikely that one assumption will change in an isolated manner. As such, above sensitivity analysis cannot necessarily reflect actual changes of present value of defined benefit plans.

In sensitivity analysis above, the calculation method of net liability from defined benefit plans is the same calculation method used to recognize related liability in balance sheet at the end of the period.

Compared with previous years, method and assumptions adopted to analyze sensitivity remain unchanged

Other descriptions:
☐ Applicable √ N/A

41. Provisions
√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Closing balance	Reasons
Guarantees provided to outsiders			
Pending litigations	1,225,461.25		
Products quality assurance			
Restructuring obligation			
Onerous contracts to be performed			
Others			
Total	1,225,461.25		/

42. Deferred income
Deferred income
√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government grants	53,938,800.26	37,342,977.38	13,372,733.38	77,909,044.26	
Total	53,938,800.26	37,342,977.38	13,372,733.38	77,909,044.26	/

Items relating to government grants:
√ Applicable ☐ N/A

Unit: RMB

Liabilities	Opening balance	Increase in the period	Amount recognized in non-operating income of the current period	Amount recognized in other income of the current period	Other changes	Closing balance	Related to assets/related to income
R&D and industrialization of Key tech of clean production of green pesticide	7,000,000.00			3,471,428.60	542,857.14	2,985,714.26	Related to assets
Special finance allocation	6,942,212.50			636,691.56	-45,745.78	6,259,775.16	Related to assets
Rudong Coastal Economic Development Zone Management Committee Phase I Land subsidy	6,032,480.00			377,030.00		5,655,450.00	Related to assets

Rudong Coastal Economic Development Zone Management Committee Phase I Project Construction Incentive Rewards	5,444,600.00			340,287.50		5,104,312.50	Related to assets
Plant relocation compensation	5,098,220.62			179,136.12	-6,194.61	4,912,889.89	Related to assets
Project of recycling glyphosate thermal oxidation liquors	2,714,285.69			571,428.60		2,142,857.09	Related to assets
Laboratory of clean production	1,714,285.64			428,571.48		1,285,714.16	Related to assets
Structure optimization of lead compounds and candidate pesticide varieties	1,480,000.00			1,270,000.00		210,000.00	Related to assets
1.73 million annual production of 1400 tons of herbicide nitrate ketone construction project	1,038,000.00			173,000.00		865,000.00	Related to assets
1 million Liaoning chemical reaction risk and engineering amplification technology project lab	1,000,000.00			200,000.00		800,000.00	Related to assets
Special subsidy for lithium battery project technology transformation		34,690,000.00				34,690,000.00	Related to assets
Others	15,474,715.81	2,704,917.77		2,578,402.43	2,603,899.95	12,997,331.2	Related to assets
Total	53,938,800.26	37,394,917.77		10,225,976.29	3,094,816.7	77,909,044.26	

Other descriptions:

☐ Applicable √ N/A

43. Other non-current liabilities

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Borrowings from minority shareholders (note)	82,004,285.00	
Assets under custody	18,855,799.04	18,855,799.04
Subsidy for employees' purchase of house	8,009,266.38	8,281,700.98
Personnel placement obligation	6,968,000.00	6,968,000.00
Others	3,904,004.24	4,094,888.85
Total	119,741,354.66	38,200,388.87

Other descriptions:

Note: The Company's subsidiary Sinochem Plastics (Spain), S.L. issued preference shares amounting to EUR 10,450,000 (equivalent to RMB 82,004,285.00) to Seth Holdings Corporation Limited.

44. Share capital

√ Applicable ☐ N/A

Unit: RMB

	Opening balance	Changes for the period					Closing balance
		New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	
Total shares	2,083,012,671.00						2,083,012,671.00

45. Other equity instruments

(1). Basic information of other financial instruments including outstanding preference shares and perpetual bonds at the end of the period

☐ Applicable √ N/A

(2). Movements of financial instruments including outstanding preference shares and perpetual bonds at the end of the period

☐ Applicable √ N/A

Changes of other equity instruments, reasons for such change and basis for related accounting treatments

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

46. Capital reserve

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium (Share premium)	3,315,167,474.17	486,573,176.39	612,050,507.37	3,189,690,143.19
Other capital reserve	134,514,026.05			134,514,026.05
Total	3,449,681,500.22	486,573,176.39	612,050,507.37	3,324,204,169.24

Other descriptions, including changes for the period and reasons for such change:

Note 1: This represent the increase in capital reserve by RMB 486,573,176.39 due to the capital injection to the Company's subsidiaries by minority shareholders.

Note 2: This represent the decrease in capital reserve by RMB 611,899,297.86 due to the Group's acquisition of equity from minority shareholder and decrease in capital reserve by RMB 151,209.51 due to disposal of subsidiaries in 2018.

47. Treasury shares

☐ Applicable √ N/A

48. Other comprehensive income

√ Applicable ☐ N/A

Unit: RMB

Item	Opening balance	Amount recognized in the current period					Closing balance
		Amount incurred for current period before tax	Less: amount previously included in other comprehensive income and transferred to profit or loss for the period	Less: Income tax expenses	Attributable to owners of the Company after tax	Attributable to minority interests after tax	
I. Other comprehensive income that cannot be reclassified subsequently to profit or loss	-9,181,599.04	28,386,514.88		4,695,521.59	13,372,363.63	10,318,629.66	4,190,764.59
Including: Changes arising from remeasurement of defined benefit plan	-8,415,799.39	27,620,715.23		4,695,521.59	12,606,563.98	10,318,629.66	4,190,764.59
Other comprehensive income that can't be transferred to profit or loss under equity method	-765,799.65	765,799.65			765,799.65		
II. Other comprehensive income that will be reclassified to profit or loss	-540,167,026.29	-177,236,703.18	13,044,386.90	-680,129.75	-155,429,140.99	-34,171,819.34	-695,596,167.28
Including: Other comprehensive income that can be transferred to profit or loss under equity method	-12,392,104.54	25,436,491.44	13,044,386.90		12,392,104.54		
Profit or loss on changes in fair value of available-for-sale financial assets	73,860,256.36	-119,614,679.94		-680,129.75	-111,696,019.60	-7,238,530.59	-37,835,763.24
Profit or loss on reclassification of held-to-maturity investments to available-for-sale financial assets							
Effective portion of profit or loss of cash flow hedges							
Exchange differences on translation of financial statements denominated in foreign currencies	-601,635,178.11	-83,058,514.68			-56,125,225.93	-26,933,288.75	-657,760,404.04
Total other comprehensive income	-549,348,625.33	-148,850,188.30	13,044,386.90	4,015,391.84	-142,056,777.36	-23,853,189.68	-691,405,402.69

49. Special reserve

√ Applicable □ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety production expenses	76,691,071.65	54,598,792.85	53,500,686.95	77,789,177.55
Total	76,691,071.65	54,598,792.85	53,500,686.95	77,789,177.55

50. Surplus reserve

√ Applicable □ N/A

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	671,645,126.44	261,224,194.79		932,869,321.23
Discretionary surplus reserve				
Reserve fund				
Enterprise development fund				
Others				
Total	671,645,126.44	261,224,194.79		932,869,321.23

Other descriptions, including changes for the period and its reasons:

According to the Company Law and Articles of Association of the Company, the Company makes appropriation to statutory surplus reserve at 10% of net profit. The appropriation may be ceased when the accumulated statutory surplus reserve reaches 50% of the registered capital.

51. Retained profits

√ Applicable □ N/A

Unit: RMB

Item	Current period	Prior period
Retained profits at the end of prior year before adjustment	5,075,617,357.45	4,385,263,976.76
Adjustment of retained profits at the beginning of the year (increase +, decrease -)		229,777,411.61
Retained profits at the beginning of the year after adjustment	5,075,617,357.45	4,615,041,388.37
Add: Net profit attributable to owners of the Company	911,093,989.20	648,047,109.47
Less: Appropriation to statutory surplus reserve	261,224,194.79	
Appropriation to discretionary surplus reserve		
Appropriation to general reserve		
Cash dividend payables of ordinary shares	208,301,267.10	187,471,140.39

Conversion of ordinary shares' dividends into share capital		
Transfer from other comprehensive income that can't be transferred to profit or loss under equity method	765,799.65	
Retained profits at the end of the period	5,516,420,085.11	5,075,617,357.45

52. Operating income and operating costs

(1). Operating income and operating costs

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	59,610,122,772.85	52,504,929,449.33	61,832,339,946.08	54,846,800,165.50
Other operating activities	346,450,638.74	239,077,601.19	633,734,658.25	578,890,227.81
Total	59,956,573,411.59	52,744,007,050.52	62,466,074,604.33	55,425,690,393.31

53. Taxes and levies

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Consumption tax		
Business tax		
City maintenance and construction tax	30,108,357.87	27,854,108.51
Educational surcharge	22,077,741.15	21,214,740.71
Resource tax		
Property tax	26,335,236.06	25,307,760.68
Land use tax	19,276,353.70	20,572,868.77
Vehicle and vessel tax	189,187.26	309,563.52
Stamp duty	21,153,102.10	23,968,642.20
Rubber plantation development cost	50,360,944.77	52,523,079.17
Others	20,015,447.91	4,829,915.22
Total	189,516,370.82	176,580,678.78

54. Selling expenses

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Freight and packing expenses	543,615,872.36	603,754,815.67
Wages and salaries	394,993,426.43	364,793,019.43
Storage and freight	84,633,673.07	125,225,814.59
Lump sum charge	108,661,210.12	42,330,639.11
Business expenditure	78,824,343.71	121,835,202.87
Insurance expenses	33,445,372.97	34,100,551.12
Sales commission	32,111,143.41	32,446,371.81
Advertisement exhibition sample fee	18,619,680.74	29,186,865.16
Commodity wastage	6,247,869.67	6,562,633.98
Depreciation expenses	2,513,152.15	1,608,027.50
Repair costs	204,430.51	347,143.64
Others	28,408,881.30	36,113,025.30
Total	1,332,279,056.44	1,398,304,110.18

55. Administrative expenses

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Wages and salaries	1,251,597,021.46	1,085,859,137.28
Amortization of intangible assets	150,652,429.66	136,592,010.71
Depreciation expenses	116,307,522.72	118,646,160.86
Consulting fees	76,261,781.16	91,408,562.23
Travelling expenses	90,429,492.98	81,390,438.10
Sewage charge	51,486,650.07	81,185,750.26
Rental expenses	90,506,332.61	73,795,404.82
Office expenses	53,903,720.51	56,146,799.17
Repair costs	50,197,182.91	37,935,322.77
Intermediary organs	48,855,886.49	31,415,301.21
Business entertainment cost	27,585,354.94	28,673,941.32
Insurance expenses	17,061,224.12	18,824,781.91
Employee union fund	11,238,269.73	10,634,527.31
Legal costs	6,514,934.67	4,291,639.70
Others	249,972,566.46	302,292,157.32
Total	2,292,570,370.49	2,159,091,934.97

56. R&D expenses

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Direct materials	316,106,234.09	248,863,250.93
Wages and salaries	175,457,967.75	153,416,556.35
Repair costs		
Depreciation expenses	42,759,129.26	35,427,758.13
Commission fees	17,319,168.44	13,227,549.46
Utilities and energy charges	9,693,278.08	12,767,596.30
Rental expenses	8,538,341.45	8,817,457.74
Experimental expenses	10,762,518.34	5,702,949.07
Others	33,782,729.23	20,884,639.65
Total	614,419,366.64	499,107,757.63

57. Financial expenses

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	728,730,749.77	678,803,283.89
Less: Interest income	-93,019,929.83	-84,460,214.81
Exchange losses/ (gains)	-145,973,879.46	128,677,496.23
Others	42,741,208.89	52,405,039.40
Total	532,478,149.37	775,425,604.71

58. Impairment losses of assets

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Bad debt losses	-15,143,612.24	161,411,529.34
II. Written-down of inventories	346,277,043.74	896,475,566.96
III. Impairment on available-for-sale financial assets		
IV. Impairment on held-to-maturity investments		

V. Impairment on long-term equity investments		
VI. Impairment on investment properties		
VII. Impairment on fixed assets	50,283,338.44	63,563,990.34
VIII. Impairment on materials for construction of fixed assets		
IX. Impairment on construction in progress	25,032,496.55	
X. Impairment on bearer biological assets		1,463,252.13
XI. Impairment on oil and gas assets		
XII. Impairment on intangible assets		
XIII. Impairment on goodwill	650,000,000.00	47,624,089.28
XIV. Others		
Total	1,056,449,266.49	1,170,538,428.05

59. Other income

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Financial supporting fund	99,381,565.82	26,496,000.00
Amortization of deferred income	10,225,976.29	10,418,701.05
Tax refund	9,572,592.53	14,781,412.68
Others	15,666,409.09	34,159,393.65
Total	134,846,543.73	85,855,507.38

60. Investment income

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investment under equity method	101,295,705.09	242,005,729.86
Investment income on disposal of long-term equity investments	1,537,877,180.96	429,299,658.37
Investment income from holding financial assets at fair value through profit or loss ("FVTPL")		
Investment income from disposal of financial assets at fair value through profit or loss ("FVTPL")		
Investment income from holding held-to-maturity investments		
Investment income from disposal of held-to-maturity investments		
Investment income from available-for-sale financial assets	12,935,327.60	8,132,999.81

Investment income from disposal of available-for-sale financial assets	280,707,518.50	239,930,333.54
Gains arising from re-measured remaining equity at fair value after the loss of control		
Investment losses on disposal of derivative financial assets	-34,493,791.58	-17,176,780.53
Others	1,806,307.46	-1,289,169.67
Total	1,900,128,248.03	900,902,771.38

61. Gains from changes in fair values

√ Applicable □ N/A

Unit: RMB

Source of gains from changes in fair values	Amount for the current period	Amount for the prior period
Financial assets at fair value through profit or loss	2,920,715.41	-1,992,322.54
Including: Gains from changes in fair values of derivative financial instruments	3,814,971.09	-2,857,899.91
Financial liabilities at fair value through profit or loss	-38,096,685.77	117,732,921.71
Investment properties carried at fair value		
Total	-35,175,970.36	115,740,599.17

62. Gains on disposal of assets

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Fixed assets	-9,396,272.18	1,698,206.69
Construction in progress		67,338,149.57
Investment properties		-739,805.14
Total	-9,396,272.18	68,296,551.12

63. Non-operating income

Non-operating income

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	140,465.83		140,465.83
Including: Gains from disposal of fixed assets	140,465.83		140,465.83
Gains from disposal of intangible assets			
Gains on debt restructuring			
Gains on exchange of non-monetary assets			

Donations received			
Government grants	33,394,555.29	324,761,443.64	33,394,555.29
External claim income	36,392,008.86	6,174,430.62	36,392,008.86
Others	20,147,805.45	10,199,552.44	20,147,805.45
Total	90,074,835.43	341,135,426.70	90,074,835.43

Details of government grants included in profit or loss

√ Applicable ☐ N/A

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Related to assets/related to income
Financial supporting funds		60,000,000.00	Related to income
Relocation subsidy (note)	33,394,555.29	264,761,443.64	Related to income
Total	33,394,555.29	324,761,443.64	

Other descriptions:

☐ Applicable √ N/A

64. Non-operating expenses

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the current period
Total losses on disposal of non-current assets			
Including: Losses from disposal of fixed assets			
Losses on disposal of intangible assets			
Losses on debt restructuring			
Losses on exchange of non-monetary assets			
Donations to third parties	1,987,177.60	954,850.00	1,987,177.60
External claim settlement expenses	2,055,272.75	9,492,882.68	2,055,272.75
Penalty cost	2,272,868.06	653,992.55	2,272,868.06
Relocation expenses	33,394,555.29	264,761,443.64	33,394,555.29
Total losses on retirement of non-current assets	30,344,959.49	52,437,009.80	30,344,959.49
Others	8,551,725.71	5,342,587.23	8,551,725.71
Total	78,606,558.90	333,642,765.90	78,606,558.90

65. Income tax expenses

(1). Income tax expenses

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Current income tax expenses	909,115,032.02	753,570,279.73
Deferred income tax expenses	179,333,408.87	-80,941,136.02
Total	1,088,448,440.89	672,629,143.71

(2). Adjustment on accounting profit and income tax expense

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period
Profit before tax	3,196,724,606.57
Income tax expense calculated based on statutory/applicable tax rate	799,181,151.64
Effect of different tax rates of subsidiaries operating in other jurisdictions	-146,855,429.91
Effect of adjustment on income tax for the prior period	-7,766,196.23
Effect of non-taxable income	-105,666,308.09
Effect of non-deductible cost, expense and loss	491,201,897.74
Effect of utilizing deductible loss not recognized for deferred tax assets for prior period	-30,608,300.84
Effect of deductible temporary difference or deductible loss not recognized for deferred tax assets for the current period	88,961,626.58
Income tax expenses	1,088,448,440.89

Other descriptions:

☐ Applicable √ N/A

66. Items in cash flow statement

(1). Other cash receipts relating to operating activities

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Interest income received	93,019,929.83	84,460,214.81
Claim compensation received	2,055,272.75	6,174,416.73
Government grants received	159,310,567.44	91,652,037.31
Others	53,742,643.55	107,803,717.17
Total	308,128,413.57	290,090,386.02

(2). Other cash payments relating to operating activities

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Operating cost and administrative expenses paid	2,101,653,609.89	2,775,385,631.04
Bank charges and others	42,741,208.89	52,405,039.40
Non-operating expenses	14,867,044.06	14,169,124.43
Payment of restricted deposit	176,317,332.99	41,194,169.41
Others	74,366,588.59	66,734,554.47
Total	2,409,945,784.42	2,949,888,518.75

(3). Other cash receipts relating to investing activities

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Receipts in advance from disposal of equity	162,127,162.93	3,448,316,037.73
Government compensation for relocation		180,400,000.00
Receipts of transfer on constructing ships		656,669,896.00
Security deposit of ships		11,272,681.27
Total	162,127,162.93	4,296,658,615.00

(4). Other cash payments relevant to investing activities

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Security deposit of ships	18,236,895.04	38,528,199.12
Relocation expenses	33,394,555.36	143,092,274.35
Total	51,631,450.40	181,620,473.47

(5). Other cash receipts relating to financing activities

√ Applicable ☐ N/A

Unit: RMB

ITEM	Amount for the current period	Amount for the prior period
Loan deposit	14,964,942.67	
Total	14,964,942.67	

(6). Other cash payments relating to financing activities

√ Applicable □ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Loan deposit paid		3,507,247.65
Acquisition of minority interests	1,753,017,876.44	53,985,462.65
Total	1,753,017,876.44	57,492,710.30

67. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

√ Applicable □ N/A

Unit: RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,108,276,165.68	1,366,994,642.84
Add: Provision for impairment of assets	1,056,449,266.49	1,170,538,428.05
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of bearer biological assets	1,272,182,310.01	1,180,111,796.50
Amortization of intangible assets	187,221,030.16	154,636,994.77
Amortization of long-term prepaid expenses	37,524,995.20	38,992,035.58
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	9,396,272.18	-49,043,490.96
Losses on write-off of fixed assets (gains are indicated by "—")	30,204,493.66	32,932,306.19
Losses on changes in fair values (gains are indicated by "—")	35,175,970.36	-115,740,599.17
Financial expenses (income is indicated by "—")	582,756,870.31	807,480,780.12
Losses arising from investments (gains are indicated by "—")	-1,900,128,248.03	-900,902,771.38
Decrease in deferred tax assets (increase is indicated by "—")	182,822,371.77	175,555,347.35
Increase in deferred tax liabilities (decrease is indicated by "—")	42,503,974.23	-121,759,264.21
Decrease in inventories (increase is indicated by "—")	39,732,901.39	-321,948,013.78
Decrease in receivables from operating activities (increase is indicated by "—")	-36,578,834.78	1,299,653,593.77
Increase in payables from operating activities (decrease is indicated by "—")	-1,284,703,935.74	-3,881,660,971.88
Others	1,098,105.90	39,327,074.03
Net Cash Flow from Operating Activities	2,363,933,708.79	875,167,887.82
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		

Closing balance of cash	8,333,273,099.21	9,923,412,838.14
Less: Opening balance of cash	9,923,412,838.14	8,020,487,330.18
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net Increase in Cash and Cash Equivalents	-1,590,139,738.93	1,902,925,507.96

(2). Net cash payment for acquisition of subsidiaries in the current period

√ Applicable □ N/A

Unit: RMB

	Amount
Payment of cash and cash equivalents due to business combination in the current period	937,753,357.42
Shandong Huahong Chemical Co., Ltd.	223,307,944.99
Huaian Junsheng New Energy Technology Co., Ltd.	
RCMA Terminals B.V./ RCMA (Hatyai) Limited	201,161,085.35
PT Pulau Bintan Djaya	92,281,420.28
PT Sumber Djantin/PT Sumber Alam	420,163,901.61
Corrie Maccoll Limited	839,005.19
Less: Cash and cash equivalents held by subsidiaries at acquisition date	43,953,066.79
Shandong Huahong Chemical Co., Ltd.	22,564,769.33
Huaian Junsheng New Energy Technology Co., Ltd.	3,428,762.85
RCMA Terminals B.V./ RCMA (Hatyai) Limited	5,605,894.2
PT Pulau Bintan Djaya	6,005,135.5
PT Sumber Djantin/PT Sumber Alam	6,348,504.91
Corrie Maccoll Limited	
Add: Cash and cash equivalents paid in the current period for business combination incurred in prior periods	
Net cash paid for acquisitions of subsidiaries	893,800,290.63

Other descriptions:

The Company acquired Huaian Junsheng New Energy Technology Co., Ltd. by increasing capital and expanding stocks. The payment of additional capital contribution is offset in the consolidated statements.

(3). Net cash received from disposal of subsidiaries in the current period

√ Applicable □ N/A

Unit: RMB

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current period	1,222,848.24
Yangzhou Longda Taxi Co., Ltd.	1,222,848.24
Less: Cash and cash equivalents held by subsidiaries at the date of losing control	633,094,208.62
Sinochem International Logistics Co., Ltd.	633,094,208.62
Add: Cash and cash equivalents received in the current period for business combination incurred in prior periods	
Net cash receipts from disposal of subsidiaries	-631,871,360.38

(4). Composition of cash and cash equivalents

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	8,333,273,099.21	9,923,412,838.14
Including: Cash on hand	30,952,133.32	27,617,916.61
Bank deposits	8,281,608,216.92	9,867,820,386.77
Other currency funds	20,712,748.97	27,974,534.76
Deposits with the central bank		
Deposits made with other banks		
Placements with banks		
II. Cash and cash equivalents		
Including: Investments in debt securities due within three months		
III. Closing Balance of Cash and Cash Equivalents	8,333,273,099.21	9,923,412,838.14
Including: Cash and cash equivalents used by the Company and subsidiaries within the Group		

Other descriptions:

☐ Applicable √ N/A

68. Items in the statement of changes in owners' equity

Describe matters such as the names and the adjustment amounts of the items included in "others" in respect of adjustments to the closing balances of the prior year:

☐ Applicable √ N/A

69. Assets with restricted ownership or use right

√ Applicable ☐ N/A

Unit: RMB

Item	Closing carrying amount	Reasons for the restrictions
Cash and bank balances	390,954,741.56	Note 1
Notes receivable	192,505,023.60	Note 2
Inventories	301,632,173.06	Note 3
Fixed assets	381,381,529.58	Note 4
Intangible assets	484,779,566.70	Note 5
Accounts receivable	15,078,652.61	Note 6
Total	1,766,331,687.11	/

Other descriptions:

Note 1: As at 31 December 2018, the balance of assets with restricted ownership or use right was equivalent to RMB 390,954,741.56 which mainly include: (1) deposit of RMB 15,669,924.78 pledged by the Group for bank loans; (2) deposit of RMB 160,883,242.65 pledged by the Group for issuing bank acceptances; (3) deposit of RMB 452,055.58 pledged by the Group for issuing letter of credit; (4) deposit of RMB 191,514,174.31 at special account made by the Group for acquisition of equity; (5) deposit of RMB 18,007,870.93 made by the Group for forward exchange settlement; (6) deposit of RMB 71,743.44 pledged by the Group for issuing letter of guarantee; (7) deposit of RMB 1,350,293.62 made by the Group for house repairing.

Note 2: As at 31 December 2018, the Group pledged notes receivable of RMB 192,505,023.60.

Note 3: As at 31 December 2018, the Group's inventories of RMB 301,632,173.06 was pledged as collateral for obtaining bank borrowings from local financial institutions.

Note 4: As at 31 December 2018, the Group's fixed assets of RMB 381,381,529.58 was pledged as collateral for obtaining bank borrowings from local financial institutions.

Note 5: As at 31 December 2018, the Group's land use rights of RMB 484,779,566.70 was pledged as collateral for obtaining bank borrowing from local financial institutions.

Note 6: As at 31 December 2018, the Group's accounts receivable of RMB 15,078,652.61 was pledged as collateral for bank borrowings.

70. Foreign currency monetary items

(1). Foreign currency monetary items

√ Applicable □ N/A

Unit: RMB

Item	Closing balance of foreign currency	Exchange rate	Closing RMB equivalent
Cash and bank balances			
Including: USD	190,835,198.92	6.86320	1,309,740,137.26
Euro	60,596,052.34	7.84730	475,515,401.52
HKD	957,805.86	0.87620	839,229.49
KRW	16,441,085.00	0.00613	100,783.85
JPY	408,926,874.00	0.06189	25,308,484.23
ARS	735,938.35	0.18210	134,014.37
BRL	454,474.25	1.77420	806,328.21
FCFA	1,862,526,673.17	0.01196	22,275,819.01
PHP	188,312,481.85	0.13080	24,631,272.63
MYR	7,287,799.61	1.64790	12,009,564.98
THB	961,016,009.11	0.21100	202,774,377.92
SGD	1,895,024.20	5.00620	9,486,870.17
TWD	1,352,193.03	0.22340	302,079.92
INR	362,417,349.40	0.09799	35,513,276.07
IDR	103,956,066,522.13	0.00047	48,859,351.27
GBP	1,242,733.28	8.67620	10,782,202.49

XAF	36,749,545,337.98	0.01196	439,524,562.24
Accounts receivable			
Including: USD	400,426,676.52	6.86320	2,748,208,366.27
EUR	22,880,566.60	7.84730	179,550,670.28
JPY	316,264,185.00	0.06189	19,573,590.41
AUD	45,894,689.07	4.82500	221,441,874.76
MYR	10,897,411.52	1.64790	17,957,844.45
NAD	809,563.68	4.59540	3,720,268.94
IDR	12,227,213,000.00	0.00047	5,746,790.11
THB	101,543,641.05	0.21100	21,425,708.26
PHP	142,676,836.34	0.13080	18,662,130.19
INR	442,719,658.24	0.09799	43,382,099.31
Other receivables			
Including: USD	64,157,426.52	6.86320	440,325,249.69
EUR	50,646,786.31	7.84730	397,440,526.21
HKD	1,862,494.06	0.87620	1,631,917.30
JPY	43,762,502.75	0.06189	2,708,461.30
SGD	2,376,256.23	5.00620	11,896,013.94
AUD	404,352.68	4.82500	1,951,001.68
MYR	7,923,011.93	1.64790	13,056,331.36
IDR	173,423,556,042.55	0.00047	81,509,071.34
THB	144,429,571.73	0.21100	30,474,639.64
TWD	437,430.00	0.22340	97,721.86
PHP	8,582,831.22	0.13080	1,122,634.32
INR	19,656,018.45	0.09799	1,926,093.25
XAF	19,746,078,175.59	0.01196	236,163,094.98
Short-term borrowings			
Including: USD	405,339,615.55	6.86320	2,781,926,849.44
EUR	4,906,922.31	7.84730	38,506,091.44
JPY	402,781,450.00	0.06189	24,928,143.94
AUD	125,066,272.67	4.82500	603,444,765.63
MYR	5,854,489.15	1.64790	9,647,612.67
IDR	1,069,482,142,845.73	0.00047	502,656,607.14
XAF	5,854,964,729.63	0.01196	70,025,378.17
Accounts payable			
USD	135,205,425.14	6.86320	927,941,873.80
JPY	14,431,256.00	0.06189	893,150.43
EUR	2,721,459.96	7.84730	21,356,112.74
GBP	63,648.00	8.67620	552,222.78
AUD	5,866,310.53	4.82500	28,304,948.31
MYR	13,982,578.95	1.64790	23,041,891.85
IDR	19,684,338,255.32	0.00047	9,251,638.98

TBP	9,149,192.80	0.21100	1,930,479.68
PHP	50,127,037.14	0.13080	6,556,616.46
ARS	186,788,104.48	0.18210	34,014,113.83
INR	143,319,757.08	0.09799	14,043,903.00
XAF	6,148,094,602.01	0.01196	73,531,211.44
Other payables			
USD	22,523,821.98	6.86320	154,585,494.99
HKD	588,800.05	0.87620	515,906.60
JPY	6,185,865.00	0.06189	382,843.18
EUR	2,255,309.80	7.84730	17,698,092.59
SGD	650,262.72	5.00620	3,255,345.23
AUD	3,235,197.32	4.82500	15,609,827.07
MYR	4,890,376.67	1.64790	8,058,851.71
NZD	5,423.76	4.59540	24,924.35
IDR	56,760,715,851.06	0.00047	26,677,536.45
THB	149,508,915.77	0.21100	31,546,381.23
KRW	11,838,583.00	0.00613	72,570.51
TWD	55,956.00	0.22340	12,500.57
PHP	72,902,188.24	0.13080	9,535,606.22
ARS	43,306.24	0.18210	7,886.07
INR	312,150,382.42	0.09799	30,587,615.97
XAF	3,797,730,320.23	0.01196	45,420,854.63
Non-current liabilities due within one year			
USD	2,749,920.88	6.86320	18,873,256.98
XAF	751,256,431.44	0.01196	8,985,026.92
Long-term borrowings			
USD	297,816,627.99	6.86320	2,043,975,081.22
XAF	53,840,027,378.08	0.01196	643,926,727.44
Bonds payable			
USD	297,762,809.93	6.86320	2,043,605,717.11

Other descriptions:
Nil.

(2). Description of overseas operating entities, including significant overseas operating entities, of which the major operation place, functional currency and choosing basis as well as change of functional currency should be disclosed:

☐ Applicable √ N/A

71. Hedge

☐ Applicable √ N/A

72. Government grants

(1). Basic information of government grants

√ Applicable ☐ N/A

Unit: RMB

Category	Amount	Presenting item	Amount included in profit or loss
Finance supporting funds	99,381,565.82	Other income	99,381,565.82
Amortization of deferred income	10,225,976.29	Other income	10,225,976.29
Tax refunds	9,572,592.53	Other income	9,572,592.53
Others	15,666,409.09	Other income	15,666,409.09
Relocation grant	33,394,555.29	Non-operating income	33,394,555.29

(2). Return of government grants

☐ Applicable √ N/A

VIII. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combination not involving enterprises under common control

√ Applicable ☐ N/A

(1). Business combinations not involving enterprises under common control incurred in the current period

√ Applicable ☐ N/A

Unit: RMB

Name of acquiree	Timing of equity acquisition	Acquisition cost	Proportion acquired (%)	Acquisition approach	Acquisition date	Determination basis of acquisition date	Revenue of the acquiree from the acquisition date to the period-end	Net profit of the acquiree from the acquisition date to the period-end
Huaian Junsheng New Energy Technology Co., Ltd.("Huaian Junsheng")	9 November 2018	200,000,000.00	79.49%	Capital increase and share expansion	9 November 2018	Date on which the control over the acquiree is obtained		-5,683,005.01
Shandong Huahong Chemical Co., Ltd. ("Shandong Huahong")	31 August 2018	270,167,042.22	100.00%	Acquisition of equity	31 August 2018	Date on which the control over the acquiree is obtained	152,134,431.58	7,326,067.80
Kevin Terminals B.V./Centrotrade Hatyai Co., Ltd.(formerly called: RCMA Terminals B.V./ RCMA (Hatyai) Limited) ("RCMA")	9 January 2018	201,161,085.35	100.00%	Acquisition of equity	9 January 2018	Date on which the control over the acquiree is obtained	58,963,844.78	-6,086.80

PT Pulau Bintan Djaya ("Pulau")	27 February 2018	92,281,420.28	80.00%	Acquisition of equity	27 February 2018	Date on which the control over the acquiree is obtained	165,636,515.59	-805,609.85
PT Sumber Djantin/PT Sumber Alam ("Sumber")	23 April 2018	420,163,901.61	100.00%	Acquisition of equity	23 April 2018	Date on which the control over the acquiree is obtained	395,924,096.36	2,363,663.60
Corrie Maccoll Limited (formerly called: Corrie MacColl Trading Limited) ("CMT")	26 February 2018	839,005.19	100.00%	Acquisition of equity	26 February 2018	Date on which the control over the acquiree is obtained		-97,470.56

Other descriptions:

Note: On 30 October 2018, the Group and Huaian Junsheng and its shareholders entered into the Capital Increasing and Share Expansion Agreement, proposing to invest RMB 1,000,000,000.00 in Huaian Junsheng. Therein, the capital of RMB 200,000,000.00 has been paid at the end of the year according to the schedule of investments.

(2). Combination cost and goodwill

√ Applicable ☐ N/A

Unit: RMB

Combination cost	Huaian Junsheng	Shandong Huahong	RCMA	Pulau	Sumber	CMT
--Cash	200,000,000.00	270,167,042.22	201,161,085.35	92,281,420.28	420,163,901.61	839,005.19
-- Fair value of non-cash assets						
-- Fair value of issued or assumed debts						
-- Fair value of equity securities issued						
-- Fair value of contingent consideration						
-- Fair value of equity at the date of acquisition held prior to acquisition date						
--Others						
Total combination cost	200,000,000.00	270,167,042.22	201,161,085.35	92,281,420.28	420,163,901.61	839,005.19
Less: Share of fair value of identifiable net asset acquired	181,954,945.31	106,470,579.41	22,792,419.46	6,489,319.20	59,650,011.31	839,005.19
Amount of goodwill/combination cost less than share of fair value of identifiable net assets	18,045,054.69	163,696,462.81	178,368,665.89	85,792,101.08	360,513,890.30	

Method for determining the fair value of the combination cost, variable consideration and its changes:
Nil.

Major reasons for large amount goodwill:

1. RCMA Terminals B.V. and RCMA (Hatyai) Limited has the world's oldest rubber trading brand. This acquisition will provide unprecedented technology, experiment and certification support for the company's latex and rubber and help the company increase its global sales.

2. PT Pulau Bintan Djaya is the only rubber manufacturer in the region that enjoys tax-free import. Through the acquisition, the company will expand its business to Riau Province in western Indonesia and also improve its competitiveness through tax incentives for imported raw materials.

3. PT Sumber Alan and PT Sumber Djantin has four factories in Indonesia. The acquisition will boost the company's total productivity, which will boost its competitiveness in the international tire market, making it Indonesia's largest rubber producer and exporter.

4. The two factories of Shandong Huahong has the qualification for production of raw material as needed by Sennics, with mature process and stable quality. By acquiring Huahong Sennics, the company can realize self-supply of raw materials and keep the cost advantages of raw materials; and can also achieve benchmarking of production process, reducing rectification link and saving energy.

Other descriptions:
Nil.

(3). Identifiable assets and liabilities at the date of acquisition in the investee

√ Applicable □ N/A

Unit: RMB

	Huaian Junsheng	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	464,619,389.88	397,907,542.00
Cash and bank balances	203,428,762.85	203,428,762.85
Receivables	136,878,463.96	136,878,463.96
Inventories	943,983.21	943,983.21
Fixed assets	9,931,319.73	9,690,086.27
Intangible assets	83,933,091.6	17,462,477.18
Other current assets	4,093,972.02	4,093,972.02
Other non-current assets	25,409,796.51	25,409,796.51
Liabilities:	29,300,550.64	12,622,588.67
Loans		
Accounts payable	8,978,133.63	8,978,133.63
Deferred tax liabilities	16,677,961.97	
Other current liabilities	3,644,455.04	3,644,455.04
Net assets	435,318,839.24	385,284,953.33
Less: Minority interests	253,363,893.93	243,101,943.93

Net assets acquired	181,954,945.31	142,183,009.40

	Shandong Huahong	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	251,586,460.79	212,944,077.47
Cash and bank balances	22,564,769.33	22,564,769.33
Receivables	111,268,127.21	111,268,127.21
Inventories	15,820,672.42	15,820,672.42
Fixed assets	56,873,726.07	42,953,835.66
Intangible assets	44,820,300.00	20,097,807.09
Other non-current assets	238,865.76	238,865.76
Liabilities:	145,115,881.38	135,455,285.55
Loans	75,000,000.00	75,000,000.00
Accounts payable	36,053,546.89	36,053,546.89
Deferred tax liabilities	9,660,595.83	
Other current liabilities	24,401,738.66	24,401,738.66
Net assets	106,470,579.41	77,488,791.92
Less: Minority interests		
Net assets acquired	106,470,579.41	77,488,791.92

	RCMA	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	40,148,356.23	30,380,044.64
Cash and bank balances	5,605,894.20	5,605,894.20
Receivables	8,038,954.21	8,038,954.21
Inventories	15,980.43	15,980.43
Fixed assets	13,186,337.39	3,418,025.80
Intangible assets	13,301,190.00	13,301,190.00
Liabilities:	17,355,936.77	8,850,643.49
Loans		
Accounts payable	8,838,887.77	8,838,887.77
Deferred tax liabilities	8,502,120.00	
Other current liabilities	14,929.00	11,755.72

Net assets	22,792,419.46	21,529,401.15
Less: Minority interests		
Net assets acquired	22,792,419.46	21,529,401.15

	Pulau	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	75,432,047.60	44,098,445.30
Cash and bank balances	6,005,135.50	6,005,135.50
Receivables	22,725,193.40	22,725,193.40
Inventories	2,552,968.60	2,552,968.60
Fixed assets	42,988,188.56	11,654,586.26
Intangible assets		
Investment properties	1,160,561.54	1,160,561.54
Liabilities:	67,320,398.60	59,491,714.10
Loans	47,651,221.80	47,651,221.80
Accounts payable	9,796,859.80	9,796,859.80
Deferred tax liabilities	7,696,634.40	-132,050.10
Other current liabilities	31,440.50	31,440.50
Other non-current liabilities	2,144,242.10	2,144,242.10
Net assets	8,111,649.00	-15,393,268.80
Less: Minority interests	1,622,329.80	-3,078,653.76
Net assets acquired	6,489,319.20	-12,314,615.04

	Sumber	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	344,970,547.13	288,838,083.38
Cash and bank balances	6,348,504.91	6,348,504.91
Receivables	9,486,599.18	11,572,311.89
Inventories	126,846,929.59	127,597,980.05
Fixed assets	177,992,709.20	119,023,482.28
Intangible assets		
Investment properties	23,527,062.46	23,527,062.46
Other non-current assets	768,741.79	768,741.79
Liabilities:	285,320,535.82	282,501,638.52
Loans	137,920,396.17	141,505,083.45
Accounts payable	131,472,037.61	131,472,037.92
Deferred tax liabilities	6,403,584.58	
Other current liabilities		
Other non-current liabilities	9,524,517.46	9,524,517.15

Net assets	59,650,011.31	6,336,444.86
Less: Minority interests		
Net assets acquired	59,650,011.31	6,336,444.86

	CMT	
	Fair value at acquisition date	Carry amount at acquisition date
Assets:	839,005.19	839,005.19
Cash and bank balances		
Receivables	839,005.19	839,005.19
Inventories		
Fixed assets		
Intangible assets		
Liabilities:		
Loans		
Accounts payable		
Deferred tax liabilities		
Net assets	839,005.19	839,005.19
Less: Minority interests		
Net assets acquired	839,005.19	839,005.19

Determination method of fair value of identifiable assets and liabilities:

The Group engaged independent appraisal institution to assess the fair value of the acquiree using the income approach/ asset-based approach. The Group determines the fair value of net identifiable assets of the acquiree at the acquisition date on the basis of the results of assessment of the appraisal institution.

Contingent liabilities of the acquiree assumed in the business combination:
Nil.

Other descriptions:
Nil.

(4). **Gains or losses arising from equity held prior to the acquisition date remeasured at fair value**

Whether there is a transaction to realize the enterprise combination through multiple transactions step by step and gain the control during the reporting period

☐ Applicable √ N/A

(5**). Descriptions about that the combination consideration or fair value of identifiable assets of the acquiree and liabilities cannot be determined reasonably at the acquisition date or at the end of the current period**

☐ Applicable √ N/A

(6). Other descriptions

☐ Applicable √ N/A

2. Business combinations involving enterprises under common control

☐ Applicable √ N/A

(1). Business combinations involving enterprises under common control incurred in the current period

☐ Applicable √ N/A

(2). Combination cost

☐ Applicable √ N/A

(3). Carrying amount of assets and liabilities of the acquiree at the combination date

☐ Applicable √ N/A

3. Counter purchase

☐ Applicable √ N/A

Package deal
☐ Applicable √ N/A

Non-package deal
☐ Applicable √ N/A

4. Disposal of subsidiaries

Whether there is such case that control is lost in single disposal of investments in subsidiaries?
√ Applicable ☐ N/A

Unit: RMB

Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Equity disposal approach	Time point of losing control	Determination basis for time point of losing control	Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level	Proportion of remaining equity at the date of losing control	Carrying amount of remaining equity at the date of losing control	Fair value of remaining equity at the date of losing control	Gains or losses arising from re-measuring remaining equity at fair value	Determination method and major assumptions about fair value of remaining equity at the date of losing control	Amount of other comprehensive income related to equity investments of the original subsidiary transferred to investment profit or loss
Sinochem Logistics	3,450,000,000.00	100%	Cash receipts	31 December 2018	Handover of rights of decision on operation and management	624,959,330.88					N/A	

Other descriptions:
☐ Applicable √ N/A

Whether there is disposal of investments through multiple transactions and the control is lost in current period?
☐ Applicable √ N/A

5. Other reasons for changes in scope of consolidation

Describe changes in consolidation scope incurred by other reasons (such as incorporate of new subsidiaries, liquidation of subsidiaries and others) and other related circumstances

√ Applicable □ N/A

The Group has newly established the following major companies in the current year:

(1) Ningxia Lithium Battery Materials Co., Ltd. ("Ningxia Lithium Battery ") is a limited company established by the Company on 15 October 2018, with registered capital of RMB 500,000,000.00 which was fully subscribed by the Company. As at 31 December 2018, the Company has paid RMB 280,000,000.00.

(2) Sinochem Lianyungang Industrial Park Management Co., Ltd. ("Sinochem Lianyungang") is a limited company established by the Company on 19 September 2018, with registered capital of RMB 300,000,000.00 which was fully subscribed by the Company. As at 31 December 2018, the Company has paid RMB 50,000.000.00.

(3) Jiangsu Ruizhaoke Electronic Materials Co., Ltd. ("Ruizhaoke") is a limited company jointly established by the Company and its subsidiary Yangnong Group on 6 March 2018, with registered capital of RMB 200,000,000.00 of which RMB 80,000,000.00 was subscribed by the Company and RMB 120,000,000.00 was subscribed by Yangnong Group.

(4) Sinochem Plastics (Spain), S.L. ("SPS") is a Spanish subsidiary jointly established by the Company's subsidiaries Sinochem International (Overseas) Pte Ltd("SIO") and Seth Holdings Corporation Limited on 15 October 2018. As at 31 December 2018, the Company has fully paid the subscribed capital of EUR 36,000,000.00.

6. Others

□ Applicable √ N/A

IX. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1). Composition of enterprise group

√ Applicable ☐ N/A

Name of subsidiary	Principal operation place	Place of incorporation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Direct	Indirect	
Shenyang Sinochem Agrochemicals R&D Co., Ltd.	Shenyang, China	Shenyang, China	R&D of chemicals	100.00		Acquired through business combination involving enterprises under common control
Sinochem Plastics Co., Ltd.	Beijing, China	Beijing, China	Chemical trade	100.00		Acquired through business combination involving enterprises under common control
Sinochem Health Industry Development Co., Ltd.	Shandong, China	Shandong, China	Chemical trade	100.00		Acquired through business combination involving enterprises under common control
Jiangsu Yangnong Chemical Group Co., Ltd. (note)	Yangzhou, China	Yangzhou, China	Chemical production	40.00		Acquired through business combination involving enterprises under common control
Sinochem Japan Co., Ltd.	Japan	Japan	Import and export trading		100.00	Acquired through business combination involving enterprises under common control
Sinochem International Chemicals (Hong Kong) Ltd.	Hong Kong, China	Hong Kong, China	Chemicals import and export trading		100.00	Acquired through business combination involving enterprises under common control
Sinochem Agro Co., Ltd.	Shanghai, China	Shanghai, China	Product trade		100.00	Acquired through business combination involving enterprises under common control
Sinochem Agro Hong Kong Limited	Hong Kong, China	Hong Kong, China	Chemical trade		100.00	Acquired through business combination involving enterprises under common control
Sinochem Guangdong Co., Ltd.	Beijing, China	Beijing, China	Chemical trade		100.00	Acquired through business combination involving enterprises under common control
Sinochem (Qingdao Bonded Zone) Industrial Trade Industry Co., Ltd.	Shandong, China	Shandong, China	Chemical trade		90.00	Acquired through business combination involving enterprises under common control
Sinochem Jiangsu Co., Ltd.	Jiangsu, China	Jiangsu, China	Chemical trade		100.00	Acquired through business combination involving enterprises under common control
Shanghai Dehuan Properties Co., Ltd	Shanghai, China	Shanghai, China	Development and operation of real estate	100.00		Acquired through business combination involving enterprises under common control

Shanghai Sinochem Technology Co., Ltd.	Shanghai, China	Shanghai, China	Chemical trade	100.00		Acquired through establishment or investment
Qingdao Sinochem Wenchuang Trade Co., Ltd.	Qingdao China	Qingdao China	Chemical trade	100.00		Acquired through establishment or investment
Shanghai Zhanyuan New Materials Technology Co., Ltd.	Shanghai, China	Shanghai, China	Agricultural scientific research and experimental development	100.00		Acquired through establishment or investment
Sinochem International (Overseas) Pte.,Ltd	Singapore	Singapore	Import and export trading	100.00		Acquired through establishment or investment
Sinochem Crop Protection Products Co., Ltd.	Shanghai, China	Shanghai, China	Product trading	100.00		Acquired through establishment or investment
Sinochem International (Hong Kong) Chemical Investment Co., Ltd.	Hong Kong, China	Hong Kong, China	Import and export trading of chemicals	100.00		Acquired through establishment or investment
Ningxia Sinochem Lithium Battery Materials Co., Ltd	Ningxia, China	Ningxia, China	Production of lithium battery	94.00		Acquired through establishment or investment
Sinochem Lianyungang Industrial Park Management Co., Ltd.	Jiangsu, China	Jiangsu, China	Industrial park management	100.00		Acquired through establishment or investment
Sinorgchem Industrial Company Limited	Singapore	Singapore	Import and export trading		100.00	Acquired through establishment or investment
Sinochem International Development Pte. Ltd	Singapore	Singapore	Import and export trading		100.00	Acquired through establishment or investment
Sinochem International Crop Care (Overseas) Pte. Ltd.	Singapore	Singapore	Import and export trading		100.00	Acquired through establishment or investment
Sinochem Plastics (Spain), S.L.	Spain	Spain	Product trading		97.30	Acquired through establishment or investment
Huaian Junsheng New Energy Technology Co., Ltd.	Jiangsu, China	Jiangsu, China	Production of lithium battery	79.49		Acquired through business combination not involving enterprises under common control
Halcyon Agri Corporation Limited	Singapore	Singapore	Natural rubber plant, processing and sales		54.99	Acquired through business combination not involving enterprises under common control
Sennics Co., Ltd.	Jiangsu, China	Jiangsu, China	Rubber antiager production		60.98	Acquired through business combination not involving enterprises under common control

Description about that shareholding proportion held in subsidiary is different that voting right proportion:

According to the "Trilateral Strategic Cooperation Agreement" among Jiangsu Yangzhou Municipal People's Government, Yangnong Group and the Company and the "Agreement on Capital Increasing and Share Expansion of Jiangsu Yangnong Chemical Group Co., Ltd." entered into on 1 December 2011, the Company acquired 40.53% equity of Yangnong Group at RMB 1.8 billion. Till date, the equity structure of Yangnong Group is: Jiangsu Jinmao Chemical Pharmaceutical Group Co., Ltd. ("Jinmao Chemical") and the Company hold 40.59% and 40.53% respectively, the natural shareholders hold 18.88%.

According to the "Reply on the Issue of Transfer of State-owned Equity in Jiangsu Yangnong Chemical Group Co., Ltd. at Consideration" of SASAC, the Sinochem Group received 0.06% state-owned equity of Yangnong Group from Jinmao Chemical at consideration in 2014. Till then, the equity structure of Yangnong Group is: the Company, Sinochem Group and Jinmao Chemical holds 40.53%, 0.06% and 40.53% respectively, while the natural shareholders hold 18.88%. At 22 January 2014, the Sinochem Group and Jinmao Chemical entered into the "Concerted Action Agreement", according to which Jinmao Chemical will keep concerted with the Sinochem upon voting at the shareholders meeting. This Concerted Action Agreement ceases when the total equity held by Sinochem Group or its related parties in Yangnong Group reaches or exceeds 51%.

At 30 December 2015, the Company and Sinochem Group entered into "Equity Custody Agreement", according to which the Company is entrusted to manage the 0.06% equity of Yangnong Group held by Sinochem, and exercise all the shareholders' rights attached to the equity under custody other than the revenue, disposal rights within the scope of custody, inheriting the Concerted Action Agreement between the Sinochem and Jinmao Chemical, and fulfill the shareholders' obligation of Sinochem Group in respect of the equity under custody. Till then, the voting power of each shareholder is: 81.12% held by the Company and 18.88% held by natural shareholders.

The Company becomes the controlling party of Yangnong Group, while Sinochem becomes the ultimate controlling party of Yangnong Group.

At 27 June 2018, Sinochem Group's subsidiary Sinochem Zhejiang Chemical Co., Ltd. ("Sinochem Zhejiang") acquired part of the equity of Yangnong Group from the natural shareholders and Jinmao Chemical respectively, meanwhile made joint investments in Yangnong Group with other shareholders. As at 31 December 2018, the equity structure of Yangnong Group is: 39.995% held by the Company, 39.844% held by Sinochem Zhejiang, 20.00% held by Jinmao Chemical, 0.04% held by Sinochem and 0.121% held by natural shareholders. Till then, the Concerted Action Agreement between Sinochem Group and Jinmao Chemical was terminated.

Meanwhile, the Company entered into "Equity Custody Agreement" respectively with Sinochem Zhejiang and Sinochem Group. According to the agreement, the Company was entrusted to manage the 39.84% and 0.04% equity of Yangnong Group held by Sinochem Zhejiang and Sinochem Group respectively. Within the period of custody, the Company is entitled to exercise all the shareholders' rights corresponding to the equity under custody other than the revenue and disposal rights, and fulfill the shareholders' obligation of Sinochem Zhejiang and Sinochem Group in respect of the equity under custody. As at 31 December 2018, the proportion of voting power held by shareholders of Yangnong Group is: 79.88% held by the Company and 20.12% held by others. The Company continues to be the controlling party of Yangnong Group, and Sinochem Group continues to be the ultimate controlling party of Yangnong Group.

The aforesaid "Equity Custody Agreement" entered into by the Company with Sinochem Group and Sinochem Zhejiang respectively was terminated when Sinochem Group and Sinochem Zhejiang no longer hold the equity of Yangnong Group.

(2). Significant non-wholly owned subsidiaries

√ Applicable ☐ N/A

Unit: RMB

Name of subsidiary	Shareholding proportion by minority interests	Profit or loss attributable to minority interests for the current period	Dividends announced for distribution to minority interests in the current period	Closing balance of minority shareholder interests' equity
Yangnong Group	60.00%	1,007,171,057.43	161,025,463.55	8,487,052,893.17
Sennics	39.02%	193,021,938.61	235,139,112.00	1,387,761,038.04
Halcyon Agri Corporation Limited	45.01%	-16,879,439.48	71,897,649.68	2,615,395,586.85

Description about that the shareholding proportion of minority interests is different than voting rights proportion:

√ Applicable ☐ N/A

Please refer to the above description of Yangnong Group

Other descriptions:

☐ Applicable √ N/A

(3). Major financial information of significant non-wholly owned subsidiaries

√ Applicable ☐ N/A

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jiangsu Yangnong Chemical Group Co., Ltd.	10,772,411,421.18	6,110,813,904.71	16,883,225,325.89	4,746,756,286.26	211,274,478.17	4,958,030,764.43	7,177,831,029.48	5,368,596,760.03	12,546,427,789.51	5,290,920,556.41	131,681,561.30	5,422,602,117.71
Sennics Co. Ltd.	2,998,980,598.80	946,951,898.92	3,945,932,497.72	750,853,530.36	15,160,862.10	766,014,392.46	3,331,636,105.58	673,501,417.73	4,005,137,523.31	773,084,228.07	8,416,634.82	781,500,862.89
Halcyo n Agri Corpor ation Limited	5,072,560,029.28	7,531,655,877.03	12,604,215,906.31	4,319,597,425.37	3,019,509,082.17	7,339,106,507.54	4,787,741,726.43	6,089,981,403.16	10,877,723,129.59	2,205,793,991.58	2,926,989,698.05	5,132,783,689.63

Name of subsidiary	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Jiangsu Yangnong Chemical Group Co., Ltd.	9,197,135,521.71	1,361,138,346.44	1,350,626,538.13	1,463,102,878.99	7,984,926,263.51	786,977,191.14	765,491,420.26	1,645,189,839.05
Sennics Co., Ltd.	2,939,608,546.67	534,904,576.41	538,069,015.75	466,462,569.58	2,823,138,927.65	452,513,754.79	452,991,165.52	277,028,609.85
Halcyon Agri Corporation Limited	14,230,885,836.88	-142,564,532.73	-184,713,037.37	-265,534,243.75	14,563,548,774.50	2,927,934.03	-113,925,175.08	-222,749,815.02

(4). Significant restriction on use of the group assets and pay off the group debts

☐ Applicable √ N/A

(5). Financial or other support provided to structured entities included in consolidated financial statements

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

2. Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries

☐ Applicable √ N/A

3. Equity in joint ventures or associates

√ Applicable ☐ N/A

(1). Significant associates or joint ventures

☐ Applicable √ N/A

(2). Major financial information of significant joint ventures

☐ Applicable √ N/A

(3). Major financial information of significant associates

☐ Applicable √ N/A

(4). Summary financial information of insignificant joint ventures and associates

√ Applicable ☐ N/A

Unit: RMB

	Closing balance/ Amount for the current period	Opening balance/ Amount for the prior period
Joint ventures:		
Total carrying amount of investments		
Total amounts calculated based on shareholding proportions		
–Net profit		
–Other comprehensive income		
–Total comprehensive income		
Associates:		
Total carrying amount of investments	328,126,156.10	1,046,616,232.79
Total amounts calculated based on shareholding proportions		
–Net profit	56,147,825.77	242,005,729.86
–Other comprehensive income		14,950,277.84
–Total comprehensive income	56,147,825.77	256,956,007.70

(5). Descriptions about significant restriction on the ability of joint ventures or associates to transfer funds to the Group

☐ Applicable √ N/A

(6). Excessive loss of joint venture or associates

☐ Applicable √ N/A

(7). Unrecognized commitment relating to investments in joint ventures

☐ Applicable √ N/A

(8). Contingent liabilities relating to investments in joint ventures or associates

☐ Applicable √ N/A

4. Significant joint operations

☐ Applicable √ N/A

5. Interests in structured entities that are not included in consolidated financial statements

Description about structured entities that are not included in consolidated financial statements:

☐ Applicable √ N/A

6. Others

☐ Applicable √ N/A

X. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

√ Applicable ☐ N/A

The Group's major financial instruments include cash and bank balances, equity investments, debt investments, borrowings, accounts receivable, accounts payable and bonds payable etc. Details of these financial instruments are disclosed in Note (VII). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyze how the profit and loss for the period or shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

The Group is exposed to currency risk arising from transactions. These risks are arising from sales or purchases conducted by operating unit using currencies other than its functional currency.

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures and purchases forward exchange contracts to reduce the currency risk. The Group's management uses forward exchange contracts to reduce the currency risk.

Sensitivity analysis on currency risk

Where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item	Change in exchange rate	Current year	
		Effect on profit	Effect on shareholders' equity
USD	10% increase against RMB	(347,263,452.03)	(347,263,452.03)
USD	10% decrease against RMB	347,263,452.03	347,263,452.03
EUR	10% increase against RMB	97,494,630.12	97,494,630.12
EUR	10% decrease against RMB	(97,494,630.12)	(97,494,630.12)
AUD	10% increase against RMB	(42,396,666.46)	(42,396,666.46)
AUD	10% decrease against RMB	42,396,666.46	42,396,666.46

1.1.2. Interest rate risk

Interest rate is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rate. The Group interest rate risk is mainly arising from bank borrowings (see Note (VII) 26 and Note (VII) 37 for details).

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk. It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

The Group's fair value interest rate risk of financial instruments relates primarily to fixed-rate bank borrowings. It is the Group's policy to keep these borrowings at fixed rate of interests so as to eliminate the cash flow interest rate risk.

As at 31 December 2018, the Group has variable-rate bank borrowings of RMB 4,599,716,640.00 and fixed rate bank borrowings of RMB 4,376,506,320.59.

Sensitivity analysis on interest rate risk

The sensitivity analysis on interest rate risk is based on the following assumptions:

- Changes in the market interest rate may influence the interest income or expense of the variable rate financial instruments;
- Changes in the fair value of derivative financial instruments and other financial assets and liabilities are calculated at the market interest rate as at the balance sheet date, using the method of discounted cash flow analysis.

On the basis of the above assumptions, where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item Change in interest rate	Current year	
	Effect on profit	Effect on shareholders' equity
Increase 25 basis point	(11,499,291.60)	(11,499,291.60)
Decrease 25 basis point	11,499,291.60	11,499,291.60

1.1.2. Price risk of equity instruments investments

The price risk of equity instruments investments represent the risk of decrease in fair value of equity securities due to the changes of share index level and the price of individual securities. At 31 December 2018, the Group is exposed to the price risk of equity instruments investments arising from individual equity instrument investment classified as available-for-sale equity instrument investments. The equity instruments investments held by the Group are listed at the Stock Exchanges in Shanghai and Hong Kong, and are measured at the quoted market price at the balance sheet date.

The closing stock index of the following stock exchanges at the trade date close to the balance sheet date and their highest and lowest closing points for the year are as follows:

RMB

	Closing stock index at the end of current year	Highest/lowest closing point for the current year	Closing stock index at the end of prior year	Highest/lowest closing point for the prior year
Shanghai - Shanghai Composite Index	2,493	3,559/2,483	3,307	3,450/3,017
Hong Kong - HSCEI	10,124	13,659/9,992	11,709	12,101/9,460

Where all other variables are held constant, 10% increase or decrease in fair value of equity instruments investments (on the basis of carrying amount at balance sheet date) may have the following effect on the Group's net profit and shareholders' equity:

RMB

	Carrying amount of equity instruments investments	Increase or decrease in net profit	Increase or decrease in other comprehensive income, net of tax	Increase or decrease in total shareholders' equity
2018				
Shanghai - available-for-sale equity instruments investments	103,162,714.79	-	7,737,203.61	7,737,203.61
Hong Kong - available-for-sale equity instruments investments	154,868,746.76	-	12,854,105.98	12,854,105.98

In respect of this sensitivity analysis, for the available-for-sale equity instruments investments, the effect is deemed as the effect on the fair value of available-for-sale equity instruments investments, and the factors that may affect the profit or loss such as impairment etc. are not considered.

1.2. Credit risk

The Group trades only with recognized 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, accounts receivable balances are monitored on an ongoing basis to ensure that the Group’s exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the credit control department of the Group.

Other financial assets of the Group include cash and bank balances, available-for-sale financial assets, other receivables and some derivatives. The credit risk on these financial assets arises from default of the counterparty, with a maximum exposure equal to their carrying amounts.

The maximum risk exposure of financial guarantee contracts is the amount of financial guarantee contracts disclosed in Note (XVI) 8.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Credit risk concentration is managed by client/counterparty, geographical region and industry. Since the client groups for accounts receivable are widely spread in different divisions and industries, significant risk concentration does not exist within the Group. The Group holds no collateral or other credit enhancement for the accounts receivable balance

Further quantitative data in respect of the Group’s exposure to credit risk arising from accounts receivable and other receivables are disclosed in Notes (VII) 4.3 and 6.

At 31 December 2018, accounts receivable that have not yet been overdue and are subject to impairment are relevant to a plenty of diversified customers with no default record.

At 30 December 2018, accounts receivable that have been overdue but not impaired are relevant to a plenty of independent customers with good transaction records. According to past experience, the Group recognizes no provision for impairment as there has not been a significant change in credit quality and the amounts are considered fully recoverable.

1.3. Liquidity risk

The Group monitors its risk to a shortage of funds with a recurring liquidity planning tool. This tool takes into consideration the maturity of the financial instruments and the expected cash flows from operations of the Group.

The Group's objective is to maintain a balance between continuity and flexibility of funding through bank borrowings, bonds and other interest-bearing loans.

The following is the maturity analysis for financial liabilities held by the Group which is based on undiscounted remaining contractual obligations:

RMB

	Within 1 year	1 to 5 years	Over 5 years	Total	Carrying amount
Short-term borrowings	5,106,798,078.70	-	-	5,047,419,590.38	5,047,419,590.38
Derivative financial liabilities	60,861,182.25	-	-	60,861,182.25	60,861,182.25
Notes and accounts payable	6,595,143,664.88	-	-	6,595,143,664.88	6,595,143,664.88
Other payables	1,539,325,689.19	-	-	1,539,325,689.19	1,539,325,689.19
Long-term borrowings and long-term borrowings due within one year	323,446,472.98	3,610,963,874.52	447,979,399.26	4,382,389,746.76	3,928,803,370.21
Bonds payable and bonds payable due within one year	1,498,154,743.04	4,854,933,880.00	-	6,353,088,623.04	5,734,937,845.91
Long-term payables	-	26,887,187.32	3,583,173.96	30,470,361.28	30,470,361.28

2. Capital management

The Group's capital management mainly aims to ensure the Group's ability to continue as going concern, and maintain healthy capital ratio, so as to support the development of business and maximization of the value of shareholders.

The Group manages capital structure and makes adjustments according to the economic situation and changes in risk characteristics of related assets. The Group may adjust the profit distribution of shareholders, return capital or issuing new shares to shareholders. The Group is not subject to external capital requirements. In 2018 and 2017, the objective, policies and procedures of capital management remained unchanged.

The Group monitors its capital via asset-liability ratio which is total liabilities divided by total assets. As at 31 December 2018 and 31 December 2017, the asset-liability ratio is as follows:

RMB

	Current year	Opening balance
Total liabilities	26,327,746,697.37	34,717,228,368.11
Total assets	50,329,096,406.86	55,760,657,557.88
Total asset-liability ratio (%)	52.31	62.26

XI. Disclosure of fair value

1. Closing fair value of assets and liabilities measured at fair value

√ Applicable □ N/A

Unit: RMB

Item	Closing fair value			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss.	261,166,054.89	84,209,286.62		345,375,341.51
1. Held-for-trading financial assets	3,134,593.34	84,209,286.62		87,343,879.96
(1) Debt instruments investments				
(2)Equity instruments investments	623,070.99			623,070.99
(3)Derivative financial assets	2,511,522.35	84,209,286.62		86,720,808.97
2. Designated as financial assets at fair Value through Profit or Loss ("FVTPL")	258,031,461.55			258,031,461.55

(1) Debt instrument investments				
(2) Equity instruments investments	258,031,461.55			258,031,461.55
(II)Available-for-sale financial assets				
(1) Debt instruments investments				
(3) Equity instruments investments				
(4) Others				
(III) Investment properties				
1. Land use rights for lease				
2. Buildings leased out				
3. Land use rights held by the Group and is ready to be transferred after the appreciation.				
(IV) Biological assets				
1.Consumable biological assets				
2.Bearer biological assets				
Total assets continuously measured at fair value measurement	261,166,054.89	84,209,286.62		345,375,341.51
(V) Held-for-trading financial liabilities				
Including: Held-for-trading bonds issued				
Derivative financial liabilities	8,758,265.73	52,102,916.52		60,861,182.25
Others				
(VI) Designated as financial liabilities at fair value through profit or loss				
Total liabilities continuously measured at fair value	8,758,265.73	52,102,916.52		60,861,182.25
II. Non-continuous fair value measurement				
(I) Non-current assets held for sale				
Total assets that are not continuously measured at fair value				
Total liabilities that are not continuously measured at fair value				

2. Basis for determining the market price of continuous and non-continuous level 1 fair value measurement items

√ Applicable □ N/A

At 31 December 2018, the fair value of equity instruments and available-for-sale equity instruments included in the held-for-trading financial assets is determined by referring to the year-end closing price of Shanghai Stock Exchange and Singapore Stock Exchange. The derivative financial assets and derivative financial liabilities are commodity futures contracts, of which the fair value is determined by referring to the settlement price at the last trading date of Futures Exchange as at balance sheet date.

3. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

√ Applicable ☐ N/A

Item	Fair value at 31 December 2018	Valuation technique	Inputs
Derivative financial assets	84,209,286.62	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate
Derivative financial liabilities	52,102,916.52	Method of discounted cash flow analysis	Forward exchange rate
			Discount rate

4. Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 3 fair value measurement items

☐ Applicable √ N/A

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for continuous level 3 fair value measurement items

☐ Applicable √ N/A

6. Where transfers among levels occurred in the period, transfer reasons and policies for determining transfer time point for continuous fair value measurement items

☐ Applicable √ N/A

7. Changes in valuation techniques in the period and reasons for changes

☐ Applicable √ N/A

8. Fair value of financial assets and financial liabilities not measured at fair value

√ Applicable ☐ N/A

Included in the Group's current assets and current liabilities, the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair value. The long-term borrowings of the Group are mainly variable interest rate borrowings, therefore the carrying amounts also approximate their fair value.

9. Others

☐ Applicable √ N/A

XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

√ Applicable ☐ N/A

Unit: RMB'0,000

Name of the parent	Registration place	Nature of business	Registered capital	Proportion of the Company's ownership interest Held by the parent (%) (%)	Proportion of the Company's voting power held by the parent (%)
Sinochem Corporation	Beijing, China	Oil, fertilizer, seeds, plastic, finance, hotel, real estate development, etc.	3,980,000	55.35	55.35

The Company's ultimate controlling party is Sinochem Group.

2. Subsidiaries of the Company

The details of subsidiaries are set out in Note IX 1.

☐ Applicable √ N/A

3. Associates and joint ventures of the Company

The significant joint ventures or associates of the Company are set out in Note IX 3

☐ Applicable √ N/A

Details of other joint ventures or associates having related party transactions and balances with the Group in the period or in prior periods:

√ Applicable ☐ N/A

Name of associates or joint ventures	Relationship with the Company
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Associates
Shanxi Ya Xin Coking Co., Ltd.	Associates
Dongguan Sinochem Huamei Plastic Co., Ltd.	Associates
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Associates
Jiangshan Singapore Co., Ltd.	Associates
Jiangsu Jiangsheng Int'l Trading Co., Ltd.	Associates

Other descriptions

☐ Applicable √ N/A

4. Other related parties of the Company

√ Applicable ☐ N/A

Name of other related party	Relationship between other related parties and the Company
Sinochem Fertilizer Co., Ltd.	Holding subsidiary of the Parent Company
Jin Mao (Group) China Co., Ltd.	Holding subsidiary of the Parent Company
China Foreign Economy and Trading Trust Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem International (Suzhou) New Material Development Co., Ltd.	Holding subsidiary of the Parent Company
Hebei Sinochem Xinbao Chemical Technology Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Asian Group Co., Ltd.	Holding subsidiary of the Parent Company
Jiangsu Ruizhu Real Estate Co., Ltd.	Others
Sinochem information technology Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Trading (Singapore) Pte Ltd.	Holding subsidiary of the Parent Company
Sinochem Tianjin Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Hebei Co., Ltd.	Holding subsidiary of the Parent Company
Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Titan Design & Engineering Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Jilin Changshan Chemical Co., Ltd.	Holding subsidiary of the Parent Company
Jiangsu Huayuan Coking Co., Ltd.	Others
Yangzhou Zhonghua Huayu Environmental Protection Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Lantian Group Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem (Zhoushan) Xinghai Construction Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Finance Co., Ltd. ("Finance Company")	Holding subsidiary of the Parent Company
Sinochem Industry Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem International Property and Hotel Management Co., Ltd.	Holding subsidiary of the Parent Company

Sinochem (Yantai) Crop Nutrition Co., Ltd.	Holding subsidiary of the Parent Company
Shanghai Changhua Industrial Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Jin Mao Property (Beijing) Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	Holding subsidiary of the Parent Company
Shenyang Research Institute of Chemical Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Chemical Institute Technology Co., Ltd.	Holding subsidiary of the Parent Company
Zhonghua Quanzhou Petroleum Co., Ltd.	Holding subsidiary of the Parent Company
Hebei Sinochem Fuheng Co., Ltd.	Holding subsidiary of the Parent Company
Zhongzhong Hybrid Wheat Seed Industry (Beijing) Co., Ltd.	Holding subsidiary of the Parent Company
Dalian Sinochem Logistics Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem International Oil (Singapore) Pte. Ltd.	Holding subsidiary of the Parent Company
Sinochem Energy High-Tech Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Oil Shanghai Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Lantian Honeywell New Material Co., Ltd.	Holding subsidiary of the Parent Company
Shenyang Chemical Research Institute Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Provincial Chemical Institute Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Lantian Trading Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Hetian Chemical Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Commerce Co., Ltd.	Holding subsidiary of the Parent Company
Life Science and Technology Center, China National Seed Group Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Zhoushan Dangerous Chemicals Emergency Rescue Base Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Agriculture Holdings	Holding subsidiary of the Parent Company
Sinochem Hong Kong (Group) Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Yangzhou Petrochemical Wharf Storage Co., Ltd.	Holding subsidiary of the Parent Company

Sinochem Capital Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Juyuan Business Management (Beijing) Co., Ltd.	Holding subsidiary of the Parent Company
Zhejiang Province Quality Inspection for Chemical Products Co., Ltd.	Holding subsidiary of the Parent Company
Zhongzhong International Seeds Co., Ltd.	Holding subsidiary of the Parent Company
Lianyungang Port International Petroleum	Holding subsidiary of the Parent Company
Shenyang Sinochem New material Tech Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Assets Management (Shanghai) Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Assets Management Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Petrochemical Distribution Co., Ltd.	Holding subsidiary of the Parent Company
Jinmao (Shanghai) Property Service Co., Ltd.	Holding subsidiary of the Parent Company
Sinochem Lantian Fluorine Material Co., Ltd.	Holding subsidiary of the Parent Company
Lianyungang Port Group Co., Ltd.	Others
Yizhang Hongyuan Chemical Material Co., Ltd.	Holding subsidiary of the Parent Company
Newport Europe B.V.	Holding subsidiary of the Parent Company
Newport Tank Containers USA LLC	Holding subsidiary of the Parent Company

5. Related party transactions

(1). Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

√ Applicable ☐ N/A

Unit: RMB

Related party	Details of related party transaction	Amount for the current period	Amount for the prior period
Sinochem Hebei Co., Ltd.	Purchase of goods	1,775,489,342.58	347,052,583.07
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Purchase of goods	337,541,858.74	456,843,021.53
Shanxi Ya Xin Coking Co., Ltd.	Purchase of goods	156,378,068.91	302,017,787.17
Sinochem Lantian Trading Co., Ltd.	Purchase of goods	112,818,451.89	126,169,786.30
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Purchase of goods	76,853,902.37	147,895,665.00

Sinochem Oil Shanghai Co., Ltd.	Purchase of goods	65,987,022.40	37,092,053.85
Zhejiang Chemical Institute Technology Co., Ltd.	Purchase of goods	19,616,758.54	12,038,854.69
Sinochem Jilin Changshan Chemical Co., Ltd.	Purchase of goods	6,792,308.62	
Sinochem Petrochemical Distribution Co., Ltd.	Purchase of goods	8,292,716.77	
Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd.	Purchase of goods	5,686,599.58	7,543,398.39
Hebei Sinochem Xinbao Chemical Technology Co., Ltd.	Purchase of goods	5,517,241.40	1,579,350.43
Jiangshan Singapore Co., Ltd.	Purchase of goods	5,252,440.68	37,149,757.39
Dongguan Sinochem Huamei Plastic Co., Ltd.	Purchase of goods	3,489,175.05	4,778,965.81
Zhejiang Provincial Chemical Institute Co., Ltd.	Purchase of goods	3,397,363.70	1,117,948.72
Sinochem Tianjin Co., Ltd.	Purchase of goods	3,097,275.64	2,114,293.33
Sinochem Lantian Fluorine Material Co., Ltd.	Purchase of goods	2,711,936.34	
Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	Purchase of goods	1,343,547.54	3,727,416.69
Zhejiang Titan Design & Engineering Co., Ltd.	Purchase of goods	829,778.31	
Sinochem (Yantai) Crop Nutrition Co., Ltd.	Purchase of goods	376,052.41	
Yangzhou Zhonghua Huayu Environmental Protection Co., Ltd.	Purchase of goods	83,331.65	
Shenyang Chemical Research Institute Co., Ltd.	Purchase of goods	5,622.44	450.45
Sinochem Commerce Co., Ltd.	Purchase of goods	2,256.41	
Sinochem Trading (Singapore) Pte Ltd.	Purchase of goods		661,358,507.85
Sinochem Capital Co., Ltd.	Purchase of goods		32,007,227.02
Zhejiang Hetian Chemical Co., Ltd.	Purchase of goods		12,052,359.88
Sinochem Agriculture Holdings	Purchase of goods		1,183,320.36
Zhonghua Quanzhou Petroleum Co., Ltd.	Purchase of goods		775,897.44
Shenyang Research Institute of Chemical Co., Ltd.	Receipt of services	27,017,820.76	1,769,811.28
Sinochem information technology Co., Ltd.	Receipt of services	13,497,133.03	
Yangzhou Zhonghua Huayu Environmental Protection Co., Ltd.	Receipt of services	13,128,786.13	

Shenyang Chemical Research Institute Co., Ltd.	Receipt of services	12,792,053.92	1,668,489.04
Sinochem Assets Management Co., Ltd.	Receipt of services	9,972,697.18	
Lianyungang Port International Petroleum	Receipt of services	9,145,731.57	8,329,536.87
Sinochem Jin Mao Property (Beijing) Co., Ltd.	Receipt of services	2,980,574.72	553,582.03
Jiangsu Ruizhu Real Estate Co., Ltd.	Receipt of services	1,601,941.75	2,856,310.68
Sinochem Yangzhou Petrochemical Wharf Storage Co., Ltd.	Receipt of services	1,042,204.26	906,062.11
Jinmao (Shanghai) Property Service Co., Ltd.	Receipt of services	991,840.12	561,212.93
Lianyungang Port Group Co., Ltd.	Receipt of services	693,396.23	
Sinochem Juyuan Business Management (Beijing) Co., Ltd.	Receipt of services	531,990.99	326,815.48
Life Science and Technology Center, China National Seed Group Co., Ltd.	Receipt of services	471,698.10	
Sinochem Commerce Co., Ltd.	Receipt of services	224,817.37	
Zhejiang Province Quality Inspection for Chemical Products Co., Ltd.	Receipt of services	68,301.88	28,301.89
Sinochem Tianjin Co., Ltd.	Receipt of services	28,812.77	
Sinochem Zhoushan Dangerous Chemicals Emergency Rescue Base Co., Ltd.	Receipt of services	11,320.74	
Sinochem Lantian Group Co., Ltd.	Receipt of services	10,377.36	
Newport Europe B.V.	Receipt of services		41,852,315.00
Zhejiang Provincial Chemical Institute Co., Ltd.	Receipt of services		31,698.11

Sales of goods/provision of services

√ Applicable ☐ N/A

Unit: RMB

Related party	Details of related party transaction	Amount for the current period	Amount for the prior period
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Sales of goods	493,924,791.94	632,051,895.23
Dongguan Sinochem Huamei Plastic Co., Ltd.	Sales of goods	61,953,071.04	84,862,678.51
Shanxi Ya Xin Coking Co., Ltd.	Sales of goods	13,345,131.12	
Sinochem Hebei Co., Ltd.	Sales of goods	12,603,268.78	
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Sales of goods	11,437,664.57	9,660,495.69
Sinochem (Hainan) Crop Technology Co., Ltd.	Sales of goods	4,876,381.62	
Jiangsu Jiangsheng Int'l Trading Co., Ltd.	Sales of goods	4,845,783.48	11,751,427.15

Sinochem Fertilizer Co., Ltd.	Sales of goods	4,990,210.06	5,841,635.08
Zhonghua Quanzhou Petroleum Co., Ltd.	Sales of goods	3,184,010.19	2,232,630.77
Sinochem Tianjin Co., Ltd.	Sales of goods	618,620.69	20,095,119.43
Zhejiang Hetian Chemical Co., Ltd.	Sales of goods	509,090.91	
Hebei Sinochem Fuheng Co., Ltd.	Sales of goods	439,655.17	
Shenyang Chemical Research Institute Co., Ltd.	Sales of goods	130,162.17	
Zhongzhong Hybrid Wheat Seed Industry (Beijing) Co., Ltd.	Sales of goods	106,896.56	
Zhongzhong International Seeds Co., Ltd	Sales of goods	43,100.00	67,657.66
Sinochem Petrochemical Distribution Co., Ltd.	Sales of goods		177,816,567.80
Sinochem Trading (Singapore) Pte Ltd.	Sales of goods		155,067,920.61
Jiangshan Singapore Co., Ltd.	Sales of goods		53,774,678.80
Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd.	Sales of goods		2,789,993.29
Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	Sales of goods		2,577,464.16
Sinochem Agriculture Holdings	Sales of goods		289,334.85
Sinochem Petrochemical Distribution Co., Ltd.	Provision of services	10,498,426.63	
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	Provision of services	8,093,284.43	8,558,988.61
Dalian Sinochem Logistics Co., Ltd.	Provision of services	4,413,934.62	
Sinochem Trading (Singapore) Pte Ltd.	Provision of services	2,638,028.11	3,865,829.04
Lianyungang Port International Petroleum	Provision of services	1,930,707.15	693,396.23
Lianyungang Port Group Co., Ltd.	Provision of services	1,027,230.58	
Sinochem International Oil (Singapore) Pte. Ltd.	Provision of services	627,206.50	
Sinochem Energy High-Tech Co., Ltd.	Provision of services	510,671.65	
Shenyang Chemical Research Institute Co., Ltd.	Provision of services	403,948.43	300,041.37
Sinochem Oil Shanghai Co., Ltd.	Provision of services	387,438.05	589,187.72
Sinochem Fertilizer Co., Ltd.	Provision of services	305,215.00	278,700.00
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Provision of services	260,104.72	126,215.86
Sinochem Hebei Co., Ltd.	Provision of services	153,532.13	1,652,161.52
Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	Provision of services	31,132.08	533,962.26

Jinmao (Shanghai) Property Service Co., Ltd.	Provision of services	4,233.82	42,575.14
Newport Europe B.V.	Provision of services		114,396,739.17
Sinochem Lantian Fluorine Material Co., Ltd.	Provision of services		6,535,443.83
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	Provision of services		675,289.24
Zhejiang Chemical Institute Technology Co., Ltd.	Provision of services		669,081.11
Yizhang Hongyuan Chemical Material Co., Ltd.	Provision of services		273,584.91
Newport Tank Containers USA LLC	Provision of services		253,667.52
Jiangsu Huayuan Coking Co., Ltd.	Provision of services		176,951.12
Shenyang Sinochem New material Tech Co., Ltd.	Provision of services		125,283.02
Sinochem Lantian Trading Co., Ltd.	Provision of services		54,640.00

Descriptions of sales and purchase of goods, provision and receipt of services
☐ Applicable √ N/A

(2). Details of trust with related parties/subcontracting and trust management/ contract-issuing
Details of trust / contracting where a group entity is the trustee / subcontractor:
☐ Applicable √ N/A
Description of trust/subcontracting with related parties
☐ Applicable √ N/A

Details of trust / contracting where a group entity is the trustor/ main contractor
☐ Applicable √ N/A

Description of trust/contracting with related parties
☐ Applicable √ N/A

(3). Leases with related parties
Leases where the Company is the lessor:
√ Applicable ☐ N/A

Unit: RMB

Name of lessee	Type of leased assets	Rental income recognized in the current year	Rental income recognized in the prior year
Sinochem Lantian Honeywell New Material Co., Ltd.	Tank	19,016,180.12	10,514,434.55
Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	Tank	16,837,866.91	14,572,108.45
Sinochem Lantian Fluorine Material Co., Ltd.	Tank	5,519,327.98	403,119.43

Sinochem Oil Shanghai Co., Ltd.	Office	3,571,509.49	3,554,176.26
Jiangsu Yangnong Kumho Chemical Co., Ltd.	Tank	2,673,802.99	4,382,921.63
Zhejiang Chemical Institute Technology Co., Ltd.	Tank	2,179,562.21	1,991,608.84
Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd.	Tank	1,354,444.00	1,332,963.39
Shenyang Chemical Research Institute Co., Ltd.	Machinery and equipment	1,130,154.97	
Sinochem Petrochemical Distribution Co., Ltd.	Office	216,369.25	196,208.47
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	Tank	192,423.45	
Sinochem Lantian Trading Co., Ltd.	Tank	20,860.00	
Zhonghua Quanzhou Petroleum Co., Ltd.	Office		234,720.01

Leases where the Company is the lessee:
√ Applicable ☐ N/A

Unit: RMB

Name of lessor	Type of leased assets	Rental expense recognized in the current year	Rental expense recognized in the prior year
Sinochem International Property and Hotel Management Co., Ltd.	Office building	11,637,622.33	11,580,736.58
Sinochem Assets Management Co., Ltd.	Office building	9,907,246.95	9,919,216.37
Shenyang Chemical Research Institute Co., Ltd.	Office building	4,994,457.07	8,343,226.26
Sinochem Hong Kong (Group) Co., Ltd.	Office building	2,594,168.84	2,623,861.26
Jinmao (Shanghai) Property Service Co., Ltd.	Office building	1,439,106.17	4,011,972.13
Sinochem Tianjin Co., Ltd.	Office building	714,285.71	
Shanghai Changhua Industrial Co., Ltd.	Warehouse	152,380.96	137,142.84
Sinochem Jin Mao Property (Beijing) Co., Ltd.	Office building		1,387,790.71
Sinochem Assets Management (Shanghai) Co., Ltd.	Office building		4,000.00

Description of leases with related parties
☐ Applicable √ N/A

(4). Guarantees with related parties
The Company as the guarantor
☐ Applicable √ N/A

The Company as the guaranteed party
√ Applicable ☐ N/A

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiry date of guarantee	Whether the guarantee has been completely fulfilled
Sinochem Corporation	50,000,000.00	21 July 2017	21 July 2019	No
Sinochem Corporation	50,000,000.00	21 July 2017	21 July 2019	No
Sinochem Corporation	200,000,000.00	28 December 2017	28 July 2019	No
Sinochem Corporation	1,200,000,000.00	1 July 2017	1 July 2019	No
Sinochem Corporation	100,000,000.00	1 July 2017	1 July 2019	No
Sinochem Corporation	300,000,000.00	4 January 2018	4 January 2019	No
Sinochem Corporation	200,000,000.00	1 July 2017	1 July 2019	No

Description of guarantees with related parties
☐ Applicable √ N/A

(5). Borrowings/loans with related parties

√ Applicable ☐ N/A

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Remarks
Borrowed from				
Finance Company	1,985,592.05	12 November 2018	12 March 2019	Annual interest rate of 4.36%
Finance Company	1,803,957.80	19 November 2018	17 February 2019	Annual interest rate of 4.14%
Finance Company	2,473,222.75	3 December 2018	3 March 2019	Annual interest rate of 4.24%
Finance Company	1,330,088.16	13 November 2018	13 March 2019	Annual interest rate of 4.36%
Finance Company	2,282,974.85	6 December 2018	6 March 2019	Annual interest rate of 4.25%
Sinochem Group	57,180,000.00	23 January 2017	23 January 2020	Annual interest rate of 1.35%
Sinochem Group	300,000,000.00	20 November 2017	20 November 2020	Annual interest rate of 1.35%
Sinochem Group	300,000,000.00	22 October 2018	22 October 2020	Annual interest rate of 1.35%
Lent to				

(6). Assets transfer/debt restructuring with related parties

☐ Applicable √ N/A

(7). Compensation for key management personnel

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Compensation for key management personnel	13,291,000.00	8,780,000.00

(8). Other related party transactions

√ Applicable ☐N/A

Item	Amount for the current period	Amount for the prior period
Investment income (note1)	112,692,992.18	162,053,983.82
Interest expenses (note 2)	40,213,190.31	22,573,717.19
Interest income (note 3)	18,952,192.99	8,537,660.10
Purchase of wealth management products (note 4)	2,551,190,000.00	2,816,600,000.00

Note 1: In 2018, the Group's investment income from the collective money trust plan subscribed from China Foreign Economy and Trading Trust Co., Ltd. is RMB 112,644,779.68 (2017: RMB160,787,916.33) and investment income from the entrusted loans to Sinochem Tianjin Co., Ltd. is RMB 48,212.50 (2017: RMB 1,266,067.49).

Note 2: In 2018, the Group respectively paid discount interest and loan interest totaling RMB 27,456,685.57 (2017: RMB 22,573,717.19) to Sinochem Finance Co., Ltd.; loan interest of RMB 8,358,718.50 to Sinochem Group (2017: Nil); loan interest of RMB 2,833,981.76 to Sinochem Hong Kong (Group) Co., Ltd. (2017: Nil); and loan interest of RMB 1,563,804.48 (2017: Nil) to Shenyang Chemical Research Institute Co., Ltd.

Note 3: In 2018, the Group obtained interest income of RMB 18,952,192.99 (2017: RMB 8,537,660.10) from deposits at Sinochem Finance Co., Ltd.

Note 4: In 2018, the Group subscribed one-year collective money trust plan of RMB 2,551,190,000.00 from China Foreign Economy and Trading Trust Co., Ltd., with outstanding balance at 31 December 2018 amounting to RMB 1,700,000,000.00. (Subscribed amount for 2017: RMB 2,816,600,000.00, outstanding balance at 31 December 2017: RMB 1,443,677,142.87).

6. Amounts due from / to related parties

(1). Amounts due from related parties

√ Applicable ☐ N/A

Unit: RMB

Accounts	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Jiangsu Yangnong Kumho Chemical Co., Ltd.	155,344,479.84		276,115,001.45	
Accounts receivable	Dongguan Sinochem Huamei Plastic Co., Ltd.	2,479,245.00		4,733,750.00	
Accounts receivable	Jiangsu Jiangsheng Int'l Trading Co., Ltd.	2,338,560.00			
Accounts receivable	Zhonghua Quanzhou Petroleum Co., Ltd.	967,898.16		221,940.00	
Accounts receivable	Shenyang Chemical Research Institute Co., Ltd.	458,921.76		606,322.60	
Accounts receivable	Sinochem Agriculture Holdings	176,991.15			
Accounts receivable	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	22,500.00			
Accounts receivable	Jinmao (Shanghai) Property Service Co., Ltd.	1,090.21		1,799.33	
Accounts receivable	Sinochem Trading (Singapore) Pte Ltd.			123,522,057.33	
Accounts receivable	Jiangshan Singapore Co., Ltd.			29,452,475.24	
Accounts receivable	Sinochem Lantian Honeywell New Material Co., Ltd.			3,786,235.36	
Accounts receivable	Taicang Sinochem Environmental Protection Chemicals Co., Ltd.			3,080,548.74	
Accounts receivable	Sinochem Lantian Fluorine Material Co., Ltd.			1,601,991.63	
Accounts receivable	Sinochem Petrochemical Distribution Co., Ltd.			892,441.27	
Accounts receivable	Lianyungang Port International Petroleum			735,000.00	
Accounts receivable	Zhejiang Chemical Institute Technology Co., Ltd.			632,687.30	
Accounts receivable	Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.			46,659.20	
Accounts receivable	Sinochem Lantian Trading Co., Ltd.			22,111.60	
Prepayments	Zhejiang Titan Design & Engineering Co., Ltd.	47,925,047.40			
Prepayments	Sinochem Hebei Co., Ltd.	38,250,437.66		25,382,872.17	
Prepayments	Shenyang Research Institute of Chemical Co., Ltd.	14,817,741.04			
Prepayments	Sinochem Jilin Changshan Chemical Co., Ltd.	4,779,268.08			
Prepayments	Sinochem Modern Environmental Protection Chemicals (Xi'an) Co., Ltd.	34,665.26		61,689.00	
Prepayments	Sinochem Jin Mao Property (Beijing) Co., Ltd.	7,258.75			
Prepayments	Shenyang Chemical Research Institute Co., Ltd.	4,000.00		1,097,754.28	
Prepayments	Sinochem International Property and Hotel Management Co., Ltd.			2,055,548.59	

Other receivables	Jiangsu Yangnong Kumho Chemical Co., Ltd.	355,670.26		20,825,607.33	
Other receivables	Shenyang Chemical Research Institute Co., Ltd.	151,512.10		2,000.00	
Other receivables	Yangzhou Zhonghua Huayu Environmental Protection Co., Ltd.	34,680.00			
Other receivables	Sinochem Lantian Trading Co., Ltd.	28,999.27			
Other receivables	Sinochem Lantian Group Co., Ltd.	14,638.99			
Other receivables	Sinochem Tianjin Co., Ltd.	3,236.40		3,236.40	
Other receivables	Taicang Sinochem Environmental Protection Chemicals Co., Ltd.	2,170.92		566,000.00	
Other receivables	Zhejiang Chemical Institute Technology Co., Ltd.	2,170.92			
Other receivables	Zhejiang Provincial Chemical Institute Co., Ltd.	2,170.92			
Other receivables	Yizhang Hongyuan Chemical Material Co., Ltd.	2,170.92			
Other receivables	Sinochem Petrochemical Distribution Co., Ltd.	1,217.15		131,650.10	
Other receivables	Sinochem Assets Management Co., Ltd.	600.00		600.00	
Other receivables	Sinochem Industry Co., Ltd.			74,900,434.73	
Other receivables	Sinochem Trading (Singapore) Pte Ltd.			778,883.20	
Other receivables	Jinmao (Shanghai) Property Service Co., Ltd.			650,964.58	
Other receivables	Sinochem Commerce Co., Ltd.			3,612.90	
Prepayments	Shanxi Ya Xin Coking Co., Ltd.			1,049,979.80	
Prepayments	Dongguan Sinochem Huamei Plastic Co., Ltd.			8,460.00	
Interest receivable	Sinochem Tianjin Co., Ltd.			13,775.00	
Interest receivable	Sinochem Finance Co., Ltd.			3,050.67	
Other receivables	China Foreign Economy and Trading Trust Co., Ltd.	3,685,187.66		9,765,404.57	
Other receivables	Sinochem International Property and Hotel Management Co., Ltd.	2,953,423.35		2,953,443.35	
Other receivables	Sinochem Assets Management (Shanghai) Co., Ltd.	1,804,262.26		1,033,833.37	
Other receivables	Sinochem Group	1,020,267.14		1,921,164.48	
Other receivables	Jin Mao (Group) China Co., Ltd.	640,709.23		954,520.06	
Other receivables	Shenyang Research Institute of Chemical Co., Ltd.	618,125.22		618,125.22	
Other receivables	Sinochem Jin Mao Property (Beijing) Co., Ltd.	396,769.10		388,468.70	

(2). Amounts due to related parties

√ Applicable □ N/A

Unit: RMB

Accounts	Related party	Closing balance	Opening balance
Notes payable	Zhejiang Chemical Institute Technology Co., Ltd.		1,590,000.00
Accounts payable	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	28,541,715.11	64,369,180.45
Accounts payable	Sinochem Hebei Co., Ltd.	24,530,553.91	
Accounts payable	Sinochem Lantian Trading Co., Ltd.	14,939,459.62	22,089,375.77
Accounts payable	Sinochem Corporation	6,491,704.55	6,491,704.55
Accounts payable	Jiangsu Yangnong Kumho Chemical Co., Ltd.	5,404,899.17	11,536,628.00
Accounts payable	Shenyang Chemical Research Institute Co., Ltd.	3,539,076.49	3,539,076.49
Accounts payable	Zhejiang Chemical Institute Technology Co., Ltd.	2,404,800.00	3,957,400.00
Accounts payable	Jiangsu Ruizhu Real Estate Co., Ltd.	250,000.00	1,400,000.00
Accounts payable	Sinochem information technology Co., Ltd.	130,157.50	
Accounts payable	Dongguan Sinochem Huamei Plastic Co., Ltd.	109,913.79	
Accounts payable	Shanxi Ya Xin Coking Co., Ltd.	68,855.75	
Accounts payable	Sinochem Trading (Singapore) Pte Ltd.		27,231,433.69
Accounts payable	Lianyungang Port International Petroleum		4,447,641.35
Accounts payable	Shenyang Research Institute of Chemical Co., Ltd.		2,545,923.86
Accounts payable	Sinochem Oil Shanghai Co., Ltd.		1,883,700.00
Interest payable	Sinochem Group	1,585,964.55	
Receipts in advance	Jiangsu Yangnong Kumho Chemical Co., Ltd.	517,594.80	590,003.92
Receipts in advance	Hebei Sinochem Xinbao Chemical Technology Co., Ltd.	539,400.00	19,400.00
Receipts in advance	Sinochem Fertilizer Co., Ltd.	165,000.00	
Receipts in advance	Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	44,153.17	
Receipts in advance	Sinochem Hebei Co., Ltd.		188,679.24
Receipts in advance	Sinochem International (Suzhou) New Material Development Co., Ltd.		43,724.40
Other receivables	Sinochem Assets Management Co., Ltd.	386,731.75	
Other receivables	Sinochem Corporation	269,089.01	
Other receivables	Sinochem Assets Management (Shanghai) Co., Ltd.	197,699.00	
Other receivables	Sinochem Group	140,756.35	22,098,096.34
Other receivables	Sinochem Lantian Group Co., Ltd.	105,791.60	585.00
Other receivables	Sinochem Agriculture Holdings	1,375.00	
Other receivables	Sinochem Oil Shanghai Co., Ltd.	600.00	600.00
Other receivables	Sinochem Asian Group Co., Ltd.		13,324,709.61
Other receivables	Sinochem (Zhoushan) Xinghai Construction Co., Ltd.		700,000.00
Other receivables	Jiangsu Yangnong Kumho Chemical Co., Ltd.		40,414.00
Other receivables	Sinochem Fertilizer Co., Ltd.		11,675.71

7. Related party commitments

☐ Applicable √ N/A

8. Others

√ Applicable ☐ N/A

Cash and bank balances deposited with related parties

Related party	Closing balance	Opening balance
Finance Company	3,702,970,585.67	2,951,843,747.11

XIII. SHARE-BASED PAYMENTS

1. Summary of share-based payments

☐ Applicable √ N/A

2. Equity-settled share-based payments

☐ Applicable √ N/A

3. Cash-settled share-based payments

☐ Applicable √ N/A

4. Modification to and termination of share-based payments

☐ Applicable √ N/A

5. Others

☐ Applicable √ N/A

XIV. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

√ Applicable ☐ N/A

Significant external commitments, nature, and amount at the balance sheet date

(1) Capital commitments

RMB'000

	Closing balance
Capital commitments that have been entered into but have not been recognized in the financial statements:	
- Commitment for acquisition and construction of long-term assets	285,637
Total	285,637

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

RMB'000

	Closing balance
Minimum lease payments under non-cancellable operating leases:	
1st year subsequent to the balance sheet date	36,061
2nd year subsequent to the balance sheet date	13,049
3rd year subsequent to the balance sheet date	10,390
Subsequent periods	22,500
Total	82,000

2. Contingencies

(1). Significant contingencies at the balance sheet date

☐ Applicable √ N/A

(2). Description shall also be provided even if the Company has no significant contingencies to be disclosed:

☐ Applicable √ N/A

3. Others

☐ Applicable √ N/A

XV. EVENTS AFTER THE BALANCE SHEET DATE

1. Material non-adjusting event

☐ Applicable √ N/A

2. Profit distribution

√ Applicable ☐ N/A

Unit: RMB

Proposed distributions of profits or dividends	312,451,900.65
Distributions of profits or dividends authorized and declared	312,451,900.65

3. Sales return

☐ Applicable √ N/A

4. Description of other events after the balance sheet date

√ Applicable ☐ N/A

According to the resolution of the 23rd session of seventh board of directors of the Company, the Company's subsidiary Sinochem Singapore is approved to establish subsidiary Sinochem Spain in Spain, and acquire 100% equity of Global Arlington S.L. from Elix Holding Management S.a.r.l& Partners S.C.A at the price not exceeding EUR 144 million, and obtain the control over its wholly-owned sub-subsidiary Elix Element Holding S.L. indirectly via Global Arlington S.L. The transaction has been completed in January 2019.

At 19 April 2019, at the 29th session of the seventh board of directors of the Company, the board made the proposal of 2018 profit distribution, distributing cash dividends of RMB 312,451,900.65 (i.e. cash dividends of RMB 1.5 for each 10 share (inclusive of tax)), meanwhile grant all shareholders with additional 3 shares for each 10 shares.

XVI. OTHER SIGNIFICANT EVENTS

1. Corrections of prior period errors

(1). Retrospective restatement

☐ Applicable √ N/A

(2). Prospective application

☐ Applicable √ N/A

2. Debt restructuring

☐ Applicable √ N/A

3. Replacement of assets

(1). Exchange of non-monetary assets

☐ Applicable √ N/A

(2). Other replacement of assets

☐ Applicable √ N/A

4. Annuity plan

☐ Applicable √ N/A

Item	Revenue	Expense	Profit before tax	Income tax expenses	Net profit	Profit or loss from discontinued operations attributable to owners of the Company
Sinochem International Logistics Co., Ltd.	6,177,763,345.97	5,972,868,417.29	204,894,928.68	63,874,057.62	141,020,871.06	126,365,177.79

5. Discontinued operations

√ Applicable ☐ N/A

Unit: RMB

Other descriptions:

The discontinued operation mainly refers to Sinochem Logistics. The Group will focus on fine chemical in the future and therefore decided to discontinue the logistics business. At 2 November 2017, the shareholders' meeting passed the disposal of 100% equity of Sinochem Logistics. As at 31 December 2017, the Group has entered into property transaction contract with the buyer, selling the equity of Sinochem to the buyer at the price of RMB 3.45 billion. At 31 December 2018, the Group's rights of decision and management over the operation of Sinochem Logistics have been transferred to the buyer. With this, the Group lost the control over the subsidiary Sinochem Logistics.

6. Segment information

(1). Determination basis and accounting policies of reporting segments

√ Applicable □ N/A

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 8 reporting segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. The Group has determined 8 reporting segments on the basis of operating segments, including natural rubber, polymer additive, chemical logistics, lightweight material marketing, agrochemical, new chemical material and intermediate, pharmaceutical health and others. The reporting segments are determined based on the products and services. Major products and services provided by each of the reporting segments are as follows:

(1) The natural rubber segment provides planting, processing and marketing services of natural rubber;
(2) The polymer additive segment provides processing and sales services of rubber anti-aging agents;
(3) The chemical logistics segment provides logistics services of shipping, tank leasing and freight forwarding storage, etc.;
(4) The lightweight material marketing segment provides sales services of coke, iron ore, coal and chemicals, etc. and also provides the production of chemicals;
(5) The agrochemical segment provides production and sales services of pesticides;
(6) The new chemical material and intermediate segment provides R&D, production and sales services of fine chemical products;
(7) The pharmaceutical health segment provides the export of pharmaceutical preparations, R&D of customized and generic drugs, nutrition and health products and other import and export services;
(8) Other segments are mainly engaged in chemical trading, technical research and development and operation of real estate etc.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2). Financial information of reporting segments

√ Applicable □ N/A

Unit: RMB

Item	Natural rubber	Polymer additive	Chemical logistics	Lightweight material	Agrochemical	New chemical material and intermediate	Pharmaceutical health	Others	Inter-segment eliminations	Total
External revenue	14,394,931,358.39	2,939,608,546.67	5,929,818,500.62	21,175,912,525.10	3,302,468,781.54	9,071,112,690.13	3,109,415,626.22	33,305,382.92		59,956,573,411.59
Inter-segment revenue			28,895,899.49					139,064,414.53	167,960,314.02	
Income from investments in joint ventures and associates	-1,094,470.85		-30,296,533.63	11,077,618.30	75,238,635.22	46,370,456.05				101,295,705.09
Impairment losses of assets	829,363,286.11	8,369,385.69	-2,119,634.76	151,206,073.67	22,094,052.54	46,831,299.61	2,744,937.25	-2,040,133.62		1,056,449,266.49
Depreciation and amortization	200,880,364.40	123,841,203.27	371,985,848.57	11,325,870.57	47,709,546.61	658,009,928.19	1,483,957.57	81,691,616.19		1,496,928,335.37
Profit before tax	-766,171,154.41	698,811,440.80	208,778,237.93	147,049,328.71	1,390,508,199.91	1,641,210,057.24	84,533,634.46	-207,995,138.07		3,196,724,606.57
Income tax expenses	-34,814,435.14	159,743,734.93	63,874,057.62	22,727,864.99	323,099,908.64	208,417,911.97	21,722,491.87	323,676,906.01		1,088,448,440.89
Total assets	13,185,780,974.40	5,782,031,763.70		5,334,184,718.52	2,980,951,659.80	23,706,791,274.67	1,007,718,859.29	24,035,301,163.02	25,703,664,006.54	50,329,096,406.86
Total liabilities	7,380,177,092.91	889,261,582.49		2,839,680,659.35	2,320,210,446.49	5,107,569,361.57	609,251,063.61	11,463,488,609.42	4,281,892,118.47	26,327,746,697.37
Long-term equity investments in joint ventures and associates	8,184,068.70			115,426,537.75		200,390,549.65		4,125,000.00		328,126,156.10

(3). If the Company has no reporting segments, or cannot disclose the total assets and liabilities of reporting segments, specify the reasons

☐ Applicable √ N/A

(4). Other descriptions

√ Applicable ☐ N/A

External revenue by geographical area of source
For the current year, the external revenue comprise of RMB 27,805,923,569.64 sourced domestically and RMB 32,150,649,841.95 sourced from other countries.

Non-current assets by geographical location
The Group has total non-current assets of RMB 10,525,054,778.30 (exclusive of financial assets, deferred tax assets) which locate within China (classification by registration place of relevant enterprises).

Degree of reliance on major customers
As the Group's principal activities include rubber, chemicals, new materials and agrochemicals etc. and has wide scope of business, therefore has no special reliance on the customers.

Inter-segments transfers are conducted at the fair price adopted by third parties for transactions.

7. Other significant transactions and matters having an impact on the decisions of investors

☐ Applicable √ N/A

8. Others

√ Applicable ☐ N/A

The Group as the guarantor:

RMB

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiry date of guarantee	Whether the guarantee has been completely fulfilled
Shandong Tongchuang Auto Cooling System Co., Ltd.	10,000,000.00	15 January 2018	14 January 2019	No
Shandong Tongchuang Auto Cooling System Co., Ltd.	5,000,000.00	17 March 2018	15 March 2019	No
Shandong Tongchuang Auto Cooling System Co., Ltd.	8,000,000.00	24 March 2018	23 March 2019	No
Shandong Taian Tailong Flexible Axle & Hose Factory	4,300,000.00	15 August 2018	14 August 2019	No
Shandong Taian Tailong Flexible Axle & Hose Factory	4,000,000.00	3 May 2018	12 April 2019	No
Shandong Taian Tailong Flexible Axle & Hose Factory	3,000,000.00	3 May 2018	24 April 2019	No
Shandong Taian Tailong Flexible Axle & Hose Factory	6,000,000.00	19 January 2018	17 January 2019	No

XVII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Notes and accounts receivable

(1). Categories of notes and accounts receivable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Notes receivable	127,590,445.13	155,917,393.52
Accounts receivable	978,919,677.09	602,188,484.34
Total	1,106,510,122.22	758,105,877.86

Other descriptions:

☐ Applicable √ N/A

Notes receivable

(2). Categories of notes receivable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptances	127,590,445.13	155,917,393.52
Commercial acceptances		
Total	127,590,445.13	155,917,393.52

(3). Notes receivable pledged by the Company at 31 December 2018

☐ Applicable √ N/A

(4). Notes receivable endorsed or discounted by the Company but not yet matured at the balance sheet date

√ Applicable ☐ N/A

Unit: RMB

Item	Amount derecognized at 31 December 2018	Amount not derecognized at 31 December 2018
Bank acceptances	78,677,927.11	110,172,193.65
Commercial acceptances		
Total	78,677,927.11	110,172,193.65

(5). Notes transferred to accounts receivable due to the failure of performance by the issuer at 31 December 2018

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

Accounts receivable

(1). Disclosure of accounts receivable by categories

√ Applicable ☐ N/A

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion for provision (%)		Amount	Proportion (%)	Amount	Proportion for provision (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	48,464,058.05	4.95			48,464,058.05	519,761,999.75	86.23			519,761,999.75
Accounts receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics	457,904.03	0.05	395,017.66	86.27	62,886.37	634,781.01	0.11	549,830.96	86.62	84,950.05
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	930,392,732.67	95.00			930,392,732.67	82,341,534.54	13.66			82,341,534.54
Total	979,314,694.75	/	395,017.66	/	978,919,677.09	602,738,315.30	/	549,830.96	/	602,188,484.34

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually:

√ Applicable ☐ N/A

Unit: RMB

Accounts receivable (by entity)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion for provision (%)	Reason for provision
Entity XI	14,109,446.12			No bad debt risk
Entity XII	12,028,214.82			No bad debt risk
Entity XIII	11,081,516.18			No bad debt risk
Entity XIV	5,930,944.00			No bad debt risk
Entity XV	5,313,936.93			No bad debt risk
Total	48,464,058.05		/	/

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

√ Applicable ☐ N/A

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year			
Including: Sub-items within 1 year			
Sub-total of amount within 1 year			
1 to 2 years	69,873.75	6,987.38	10.00
2 to 3 years			
Over 3 years			
3 to 4 years			
4 to 5 years			
Over 5 years	388,030.28	388,030.28	100.00
Total	457,904.03	395,017.66	86.27

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:
☐ Applicable √ N/A

Accounts receivable portfolios for which bad debt provision has been assessed using other methods:
☐ Applicable √ N/A

(2). Provisions, recovery or reversal of bad debts for the period

In the current period, the Company made provision for bad debt of RMB 15,872.04 and recovered or reversed bad debt of RMB 0.00.

Including recovery or reversal of bad debt provision in the current period that is significant in amount:
☐ Applicable √ N/A

(3). Accounts receivable written off in the reporting period

√ Applicable ☐ N/A

Unit: RMB

Item	Write-off amounts
Accounts receivable actually written-off	170,685.34

Including significant written-off of accounts receivable
☐ Applicable √ N/A

(4). Top five accounts receivable categorized by debtor

√ Applicable ☐ N/A

The total closing balance of the top five accounts receivable of the Company at the end of the year is RMB 48,464,058.05, accounting for 4.95% of the total closing carrying amount of the accounts receivable.

(5). Accounts receivable derecognized due to the transfer of financial assets

☐ Applicable √ N/A

(6). Amount of financial assets and liabilities arising from continuing involvement in transferred accounts receivable

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

2. Other receivables

(1). Other receivables by categories

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	27,286,323.37	
Dividends receivable	387,037,711.80	671,610,000.00
Other receivables	88,037,506.98	370,396,788.91
Total	502,361,542.15	1,042,006,788.91

Other descriptions:

☐ Applicable √ N/A

Interest receivable

(2). Categories of interest receivable

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance	Opening balance
Time deposit		
Entrusted loan	24,229,500.00	
Bond investment		
Cash pooling interest	3,056,823.37	
Total	27,286,323.37	

(3). Significant overdue interest

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

(4). Dividends receivable

√ Applicable ☐ N/A

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Sinochem Crop Protection Products Co., Ltd.	330,277,285.88	
Sinochem Plastics Co., Ltd.	56,760,425.92	
Sinochem International Logistics Co., Ltd.		671,610,000.00
Total	387,037,711.80	671,610,000.00

(5). Significant dividends receivable aged more than one year

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

Other receivables

(1). Disclosure of other receivables by category:

√ Applicable ☐ N/A

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	59,576,859.43	51.78	24,632,575.08	41.35	34,944,284.35	324,745,711.44	81.29	26,882,575.08	8.28	297,863,136.36
Other receivables portfolio for which bad debt provision is collectively assessed on credit risk basis	2,517,957.76	2.19	2,391,738.73	94.99	126,219.03	2,383,536.39	0.60	2,197,744.39	92.21	185,792.00
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	52,967,003.60	46.03			52,967,003.60	72,347,860.55	18.11			72,347,860.55
Total	115,061,820.79	/	27,024,313.81	/	88,037,506.98	399,477,108.38	/	29,080,319.47	/	370,396,788.91

Other receivables that are individually significant and for which bad debt provision has been assessed individually at the end of the period:

√ Applicable □ N/A

Unit: RMB

Other receivables (By entity)	Closing balance			
	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for the provision
Entity VIII	24,632,575.08	24,632,575.08	100.00	It is expected that the amount can't be recovered
Entity XVI	17,919,956.25			No bad debt risk
Entity XVII	7,448,475.90			No bad debt risk
Entity XVIII	5,439,337.17			No bad debt risk
Entity XIX	4,136,515.03			No bad debt risk
Total	59,576,859.43	24,632,575.08	/	/

Other receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

√ Applicable □ N/A

Unit: RMB

Aging	Closing balance		
	Other receivables	Bad debt provision	Proportion of provision (%)
Within 1 year			
Including: Sub-items within 1 year			
Sub-total of amount within 1 year			
1 to 2 years	140,243.37	14,024.34	10.00
2 to 3 years			
Over 3 years			
3 to 4 years	232,240.00	232,240.00	100.00
4 to 5 years	27,058.40	27,058.40	100.00
Over 5 years	2,118,415.99	2,118,415.99	100.00
Total	2,517,957.76	2,391,738.73	94.99

Other receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

□ Applicable √ N/A

Other receivables portfolios for which bad debt provision has been assessed using other methods:

□ Applicable √ N/A

(2). Categorization by nature

√ Applicable ☐ N/A

Unit: RMB

Nature	Closing carrying amount	Opening carrying amount
Amounts due from Sinochem Logistics arising from reduction in capital contribution		179,726,423.94
Receivables from disposal of equity	17,919,956.25	117,706,690.98
Deposit for futures	22,990,515.32	13,890,515.32
Export tax rebates receivable	14,488,666.93	12,843,374.50
Advances for others	30,704,684.31	27,558,207.15
Others	1,933,684.17	18,671,577.02
Total	88,037,506.98	370,396,788.91

(3). Provision, recovery or reversal of bad debt provision for the period

The bad debt provision for the current period is RMB 193,994.34; the recovery or reversal of bad debt for the current period is RMB 2,250,000.00, including reversal or recovery of bad debt provision that is significant in amount:

☐ Applicable √ N/A

(4). other receivables written off in the current period

☐ Applicable √ N/A

(5). Top five closing balances of other receivables categorized by debtor

√ Applicable ☐ N/A

Unit: RMB

Name of entity	Nature of the amount	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of bad debt provision
Company A	Claim compensation	24,632,575.08	2-3 years	21.41	24,632,575.08
Company B	Receivables from disposal of equity	17,919,956.25	1-2 years	15.57	
Company C	Others	7,448,475.90	Within 1 year	6.47	
Company D	Others	5,439,337.17	Within 1 year	4.73	
Company E	Others	4,136,515.03	Within 1 year	3.60	
Total	/	59,576,859.43	/	51.78	24,632,575.08

(6). Other receivables related to government grants

☐ Applicable √ N/A

(7). Other receivables derecognized due to the transfer of financial assets

☐ Applicable √ N/A

(8). The amount of financial assets and liabilities arising from continuing involvement in transferred other receivables

☐ Applicable √ N/A

Other descriptions:

☐ Applicable √ N/A

3. Long-term equity investments

√ Applicable ☐ N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Gross carrying amount	Impairment provision	Net carrying amount	Gross carrying amount	Impairment provision	Net carrying amount
Investments in subsidiaries	8,605,009,733.72		8,605,009,733.72	6,485,721,980.39		6,485,721,980.39
Investments in associates and joint ventures	4,125,000.00		4,125,000.00	779,651,848.20		779,651,848.20
Total	8,609,134,733.72		8,609,134,733.72	7,265,373,828.59		7,265,373,828.59

(1). Investments in subsidiaries

√ Applicable ☐ N/A

Unit: RMB

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Impairment provision for the current period	Closing balance of impairment provision
SINOCHEM INTERNATIONAL(OVERSEAS)Pte Ltd	1,347,034,256.65			1,347,034,256.65		
Jiangsu Yangnong Chemical Group Co., Ltd.	2,225,546,458.65	1,509,287,753.33		3,734,834,211.98		
Jiangsu Ruisheng New Material Technology Co., Ltd.	460,591,814.16			460,591,814.16		
Shanghai Sinochem Technology Co., Ltd.	20,000,000.00			20,000,000.00		
Sinochem Crop Protection Products Co., Ltd.	800,000,000.00			800,000,000.00		
Shanghai Dehuan Properties Co., Ltd	542,614,043.32			542,614,043.32		
Shanghai Zhanyuan New Materials Technology Co., Ltd.	30,000,000.00			30,000,000.00		

Sinochem Health Industry Development Co., Ltd.	349,092,719.51			349,092,719.51		
Sinochem Plastics Co., Ltd.	710,842,688.10			710,842,688.10		
Jiangsu Ruizhaoke E-material Co., Ltd.		80,000,000.00		80,000,000.00		
Ningxia Sinochem Lithium Battery Materials Co., Ltd		280,000,000.00		280,000,000.00		
Sinochem Lianyungang Industrial Park Management Co., Ltd.		50,000,000.00		50,000,000.00		
Huaian Junsheng New Energy Technology Co., Ltd.		200,000,000.00		200,000,000.00		
Total	6,485,721,980.39	2,119,287,753.33		8,605,009,733.72		

(2). Investments in associates and joint ventures

√ Applicable □ N/A

Unit: RMB

Investee	Opening balance	Changes for the period								Closing balance	Closing balance of impairment provision
		Additional investment	Reduction in investment	Investment income or loss recognized under equity method	Other comprehensive income adjustment	Other changes in equity	Cash dividends or profit declared	Impairment provision	Others		
I. Joint venture											
Sub-total											
II. Associates											
Nantong Jiangshan Agrochemical & Chemicals Limited Liability Co.	779,651,848.20		829,680,919.81	75,238,635.22	-2,671,690.59		22,537,873.02			0	
Silver Saddle Equity Investment Management (Shanghai) Co., Ltd.		4,125,000.00								4,125,000.00	
Sub-total	779,651,848.20	4,125,000.00	829,680,919.81	75,238,635.22	-2,671,690.59		22,537,873.02			4,125,000.00	
Total	779,651,848.20	4,125,000.00	829,680,919.81	75,238,635.22	-2,671,690.59		22,537,873.02			4,125,000.00	

Other descriptions:
Nil

4. Operating income and operating costs

(1). Operating income and operating costs

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	3,437,069,210.90	3,171,634,266.37	6,521,036,153.45	6,226,369,331.54
Other operating activities	18,526,357.94	17,868,970.42	17,743,365.06	9,041,718.01
Total	3,455,595,568.84	3,189,503,236.79	6,538,779,518.51	6,235,411,049.55

Nil.

5. Investment income

√ Applicable ☐ N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investment under cost method	441,032,477.28	34,245,736.66
Income from long-term equity investment under equity method	75,238,635.22	146,899,883.73
Investment income on disposal of long-term equity investments	2,906,786,303.98	289,534,642.81
Investment income from holding financial assets at fair value through profit or loss ("FVTPL")	-16,048,792.73	-40,319,603.53
Investment income from disposal of financial assets at fair value through profit or loss ("FVTPL")		
Investment income from holding held-to-maturity investments		
Investment income from disposal of held-to-maturity investments		
Investment income from holding available-for-sale financial assets		421,987.72
Investment income from disposal of available-for-sale financial assets	105,665,869.60	70,274,612.09
Gains arising from re-measured remaining equity at fair value after the loss of control		
Investment income from entrusted loans	118,185,944.10	51,560,875.58
Total	3,630,860,437.45	552,618,135.06

6. Others

☐ Applicable √ N/A

XVIII. Supplementary information

1. Breakdown of non-recurring profit or loss for the current period

√ Applicable ☐ N/A

Unit: RMB

Item	Amount	Description
Profit or loss on disposal of non-current assets	1,498,276,415.12	
Tax refunds or reductions with ultra vires approval or without official approval documents		
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	134,846,543.73	
Income earned from lending funds to non-financial institutions and recognized in profit or loss		
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures		
Profit or loss on exchange of non-monetary assets		
Profit or loss on entrusted investments or assets management		
Impairment losses on assets due to force majeure events, e.g. natural disasters		
Profit or loss on debt restructuring		
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.		
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction		
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control		
Profit or loss arising from contingencies other than those related to normal operating business		
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	211,037,756.56	
Reversal of provision for accounts receivable that are tested for impairment losses individually	22,143,184.20	
Profit or loss on entrusted loans	1,096,632.78	
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model		

Effects on profit or loss of one-off adjustment to profit or loss for the period according to the requirements of tax laws and accounting laws and regulations		
Custodian fees earned from entrusted operation		
Other non-operating income or expenses other than the above	41,672,770.19	
Other profit or loss that meets the definition of non-recurring profit or loss		
Tax effects	-750,369,061.46	
Effects attributable to minority interests	-50,518,952.17	
Total	1,108,185,288.95	

Reason for defining items as non-recurring profit or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1—Non-recurring Profit or Loss, and reasons for defining non-recurring profit or loss items illustrated in Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1—Non-recurring Profit or Loss as recurring profit or loss items should be specified.
☐ Applicable √ N/A

2. Return on net assets and earnings per share

√ Applicable ☐ N/A

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	8.21	0.44	0.44
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	-1.78	-0.09	-0.09

3. Differences between amounts prepared under foreign accounting standards and China Accounting Standards

☐ Applicable √ N/A

4. Others

☐ Applicable √ N/A

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