IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Sinochem International Development Pte. Ltd. (the "**Issuer**"), Sinochem International Corporation (中化国际（控股）股份有限公司) (the "**Guarantor**" or the "**Company**") and Australia and New Zealand Banking Group Limited, Standard Chartered Bank, Crédit Agricole Corporate and Investment Bank, Singapore Branch, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited (together, the "**Joint Lead Managers**") that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The 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 neither the Issuer, the Guarantor, the Joint Lead Managers nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is in preliminary form. Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere 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 any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by laws.

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STRICTLY CONFIDENTIAL

SINOCHEM INTERNATIONAL DEVELOPMENT PTE. LTD.

(incorporated with limited liability in Singapore)

(Company Registration No. 201717975R)

U.S.$300,000,000 3.125 per cent. Guaranteed Notes due 2022

Unconditionally and Irrevocably Guaranteed by

SINOCHEM INTERNATIONAL CORPORATION

(中化国际（控股）股份有限公司)

(incorporated in the People's Republic of China with limited liability)

Issue Price: 99.688 per cent.

The 3.125 per cent. guaranteed Notes in the aggregate principal amount of U.S.$300,000,000 (the "**Notes**") will be issued by Sinochem International Development Pte. Ltd. (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Sinochem International Corporation (中化国际（控股）股份有限公司) (the "**Guarantor**" or the "**Company**"), a company incorporated under the laws of the People's Republic of China. The Notes will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) of the Terms and Conditions of the Notes) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a) of the Terms and Conditions of the Notes, at all times rank at least *pari passu* with all other present and future unconditional, unsecured and unsubordinated obligations of the Issuer.

The Notes will bear interest from and including 25 July 2017 at the rate of 3.125 per cent. per annum and such interest will be payable semi-annually in arrear on 25 January and 25 July in each year (each an "**Interest Payment Date**"), commencing on 25 January 2018. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Singapore or the PRC to the extent described in "Terms and Conditions of the Notes – Taxation".

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around 25 July 2017 (the "**Issue Date**"). The Guarantor will be required to register or cause to be registered with the State Administration of Foreign Exchange or its local counterpart ("**SAFE**") the Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Notes) 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) promulgated by SAFE. The Guarantor has undertaken to use its best endeavours to complete the registration of the Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 120 PRC Business Days after the Issue Date).

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 July 2022. The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes in Singapore or the PRC. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons*". At any time following the occurrence of a Change of Control Triggering Event (as defined in the Terms and Conditions of the Notes), a holder of a Note ("**Noteholder**") will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 101 per cent. of their principal amount, together with accrued interest up to but not including such Change of Control Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control*". At any time following the occurrence of a Non-Registration Event (as defined in the Terms and Conditions of the Notes), a Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Non-Registration Put Settlement Date (as defined in the Terms and Conditions of the Notes) at 100 per cent. of their principal amount, together with accrued interest up to but not including such Non-Registration Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Non-Registration*".

The Notes will be issued within the annual foreign debt issuance quota of U.S.$3 billion (the "**NDRC Foreign Debt Quota**") granted to Sinochem Group (the parent company of the Guarantor) pursuant to The Reply of the National Development and Reform Commission to Pilot Enterprises (Second Batch) regarding Administration and Reform of Enterprise Foreign Debt Scale in 2017 (国家发展改革委关于2017年外债规模管理改革试点企业（第二批）的批覆) issued by the National Development and Reform Commission of the PRC ("**NDRC**") which came into effect on 22 March 2017 (the "**NDRC Quota Certificate**"), which supplemented and amended the implementation rules of the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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）) (the "**NDRC Circular**") issued by the NDRC and which came into effect on 14 September 2015. Sinochem Group issued a letter dated 29 June 2017 approving the utilisation by the Issuer of the NDRC Foreign Debt Quota for the issuance of up to U.S.$300 million in aggregate principal amount of Notes (the "**Sinochem Group Letter**"). The Guarantor has undertaken to provide the requisite information on the issuance of the Notes to the NDRC within the prescribed timeframe after the Issue Date, in accordance with the NDRC Circular.

The Notes will be issued in the specified denomination of U.S.$200,000 each and in integral multiples of U.S.$1,000 in excess thereof.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 13 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (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. The Notes and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and the listing and quotation of the Notes on the Official List of the SGX-ST. Such permission will be granted when the Notes have been admitted to the Official List of the SGX-ST. There is no assurance that an application to the SGX-ST for the listing of the Notes will be approved. The approval-in-principle from, and admission to the Official List of, the SGX-ST for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and associated companies (if any), and/or the Notes and the Guarantee. 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. If the application to the SGX-ST to list the Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000.

Moody's Investor Service, Inc. ("**Moody's**") has assigned a corporate rating of "Baa1" with a stable outlook, and both S&P Global Ratings Inc. ("**S&P**") and Fitch Ratings Inc. ("**Fitch**") have assigned a corporate rating of "BBB+" with a stable outlook, to the Company. The Notes are expected to be assigned a rating of "Baa1" by Moody's and "BBB+" by S&P. Security ratings are not recommendations to buy, sell or hold the Notes. The ratings are subject to revision or withdrawal at any time by the rating agencies. The Notes will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on the Issue Date, 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 transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Notes will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators

ANZ | **Standard Chartered Bank**

Joint Lead Managers and Joint Bookrunners

ANZ | **Standard Chartered Bank**

Crédit Agricole CIB | **DBS Bank Ltd.** | **HSBC**

Offering Circular dated 18 July 2017

NOTICE TO INVESTORS

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (collectively, the "**Group**") and the Notes and the Guarantee (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Notes and the Guarantee, 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 and the Group and of the rights attaching to the Notes and the Guarantee), (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, (iii) the statements of fact contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee are in every material respect true and accurate and not misleading, (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are, honestly and reasonably made or held and (v) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Notes and giving of the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Notes and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Australia and New Zealand Banking Group Limited, Standard Chartered Bank, Crédit Agricole Corporate and Investment Bank, Singapore Branch, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited (together, the "**Joint Lead Managers**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes and giving of the Guarantee or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes 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 or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Joint Lead Managers, the Trustee (as defined in the Terms and Conditions of the Notes) or the Agents (as defined in the Terms and Conditions of the Notes) has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents, or any director, officer, employee, agent, adviser or affiliate of any such person, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Notes and the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merit and risks involved in investing in the Notes. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents, or any director, officer, employee, agent or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee or an Agent, or any director, officer, employee, agent, adviser or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Notes or the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and the directors, officers, employees, agents, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Notes, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of them that any recipient of this Offering Circular should subscribe for or purchase any Notes. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

Except as otherwise indicated in this Offering Circular, all non-Group specific statistics and data relating to the industry or to the economic development of certain regions within the People's Republic of China have been extracted or derived from publicly available information and industry publications. Such information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or by their respective directors, officers, employees, agents, advisers and affiliates, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective directors, officers, employees, agents, advisers and affiliates makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers who contributed to the publicly available information and industry publications may have obtained information from market participants and such information may not have been independently verified.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Notes. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Notes. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Notes.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the Joint Lead Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgement and examination of the Issuer and the Guarantor and the Terms and Conditions of the Notes, 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 Notes. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates are making any representations regarding the legality of an investment in the Notes under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Notes.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING AS THE STABILISATION MANAGER (THE "**STABILISATION MANAGER(S)**") (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES 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.

Trustee and Agents

The appointment of the Trustee and Agents remains subject to satisfactory completion of their regulatory and internal compliance procedures.

Presentation of Financial Information

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2015 and 2016 has been extracted from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2016 (the "**2016 Financial Statements**") included elsewhere in this Offering Circular. The 2016 Financial Statements have been audited by Ernst & Young Hua Ming LLP ("**EY**"), the Guarantor's independent auditor. Such financial statements of the Guarantor were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**").

The financial statements of the Guarantor were prepared and presented in accordance with PRC GAAP. The Guarantor has not prepared its financial statements in accordance with 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*".

The Guarantor's consolidated financial information as at and for the year ended 31 December 2015 included in the 2016 Financial Statements has been reclassified and restated to meet the presentation and accounting requirements applicable to the year ended 31 December 2016 following a business combination under common control. See note VII (*Interests In Other Entities – Interests in subsidiaries – Subsidiaries acquired through business combination under common control*) and note XIII (*Other Important Issues – Comparative data*) to the 2016 Financial Statements on page F-99 and F-125 respectively.

The 2016 Financial Statements have been prepared in Chinese only and the English translations of the 2016 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 affiliates, directors, employees and advisers 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 27 April 2017, the Guarantor published its unaudited consolidated financial information as at and for the three months ended 31 March 2016 (the "**2017 First Quarter Financial Statements**"). The 2017 First Quarter 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 reviewed or audited by EY, its independent auditor. The 2017 First Quarter Financial Statements may be subject to potential adjustments. Adjustments to the 2017 First Quarter Financial Statements may be made when the Guarantor's year-end audit is performed, which could result in significant differences from the preliminary financial information set out in the 2017 First Quarter Financial Statements.

CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "Issuer" are to Sinochem International Development Pte. Ltd., (ii) the "Guarantor" or "Company" are to Sinochem International Corporation (中化国际（控股）股份有限公司) and (iii) the "Group" are to Sinochem International Corporation (中化国际（控股）股份有限公司) and its direct and indirect subsidiaries, taken as a whole, unless the context otherwise indicates.

Unless otherwise specified or the context otherwise requires, references to "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "PRC" or "China" are to the People's Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the "U.S." or "United States" are to the United States of America, to "CNY", "Renminbi" or "RMB" are to the lawful currency of the PRC, to "S$" or "Singapore dollars" are to the lawful currency of Singapore and to "U.S.$" or "U.S. dollars" are to the lawful currency of the United States of America.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- 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;
- general economic and political conditions in the PRC and globally;
- risks associated with business activities in the PRC, including rules, regulations and policies of the relevant PRC governmental authorities affecting the Group's business;
- macroeconomic measures taken by the PRC government to manage economic growth;
- the availability of credit;
- fluctuations in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

The words "believe", "expect", "anticipate", "estimate", "intend", "plan", "seek" and similar words identify forward-looking statements. However, these words are not the exclusive means of identifying forward- looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer or the Guarantor discussed in this Offering Circular regarding matters that are not historical fact. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove correct. The Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "*Risk Factors*" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer's and the Guarantor's actual results could differ materially from those anticipated in those forward- looking statements.

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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. As it is a summary, it does not contain all of the information that may be important to prospective investors in deciding whether to invest in the Notes. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read this Offering Circular in its entirety, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

The Company is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. 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 the PRC ("**SASAC**"). Founded in 1950, 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, agricultural and chemical 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, transforming itself from a trading company into a multi-industry conglomerate. In addition, Sinochem Group has further diversified its businesses into real estate and financial services. Sinochem Group is one of China's key SOEs and has been named to the "Fortune Global 500" 26 times, ranking 139th in 2016.

The Company 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. The Company accounted for 11.4 per cent. and 12.5 per cent. of Sinochem Group's total assets as of 31 December 2015 and 2016 respectively. The Company accounted for 11.5 per cent. and 10.3 per cent. of Sinochem Group's revenue for the years ended 31 December 2015 and 2016.

The Group's businesses are categorised into six segments for financial reporting purposes: "Agrochemical", "Chemical Intermediates and New Materials", "Rubber Chemicals", "Natural Rubber", "Chemical Logistics" and "Distribution and Trade".

- *Agrochemical* – the Group's agrochemical segment mainly engages in the production of agrochemicals including herbicide, pesticide and fungicide covering high, middle and low-end markets.
- *Chemical Intermediates and New Materials* – the Group's chemical intermediate and new materials segment produces chemical intermediates including caustic soda, dichlorobenzene and epoxy, with a shifting focus to fine chemicals.
- *Rubber Chemicals* – the Group's rubber chemicals segment engages in the production of rubber chemicals, such as rubber antioxidant "N'-phenyl-p-phenylenediamine" ("**6PPD**") and intermediate RT base, as well as its market platform and the expansion of rubber chemicals business into overseas markets.
- *Natural Rubber* – the Group's rubber segment covers the entire industrial chain of natural rubber including planting, acquiring, processing, rubber chemicals, trade and industrial application. It also covers rubber chemical production, processing, marketing and other value-added services.
- *Chemical Logistics* – the Group's chemical logistics segment provides logistics services to chemical producers and distributors including chemical shipping service, ISO tank containers, multimodal transport, freight forwarding and terminal storage tanks.
- *Distribution and Trade* – the Group's distribution and trade segment engages in the distribution of chemical products, energy and metallurgical products.

The following tables set forth the Group's revenue and gross profit by segment for the years ended 31 December 2015 and 2016.

	As at 31 December			
	2015		2016	
	Revenue *(RMB'000)*	**Gross profit Margin** *%*	**Revenue** *(RMB'000)*	**Gross profit Margin** *%*
Agrochemical	2,642,696.6	16.9	2,837,107.9	17.9
Chemical Intermediates and New Materials	5,951,504.2	24.3	5,468,502.9	21.9
Rubber Chemicals	2,197,272.6	34.1	2,272,913.9	34.5
Natural Rubber	12,939,049.4	6.2	11,898,784.7	7.7
Chemical Logistics	3,864,531.1	19.0	4,034,898.5	22.3
Distribution and Trade	16,150,638.1	2.3	14,131,210.2	2.3

Sinochem Group

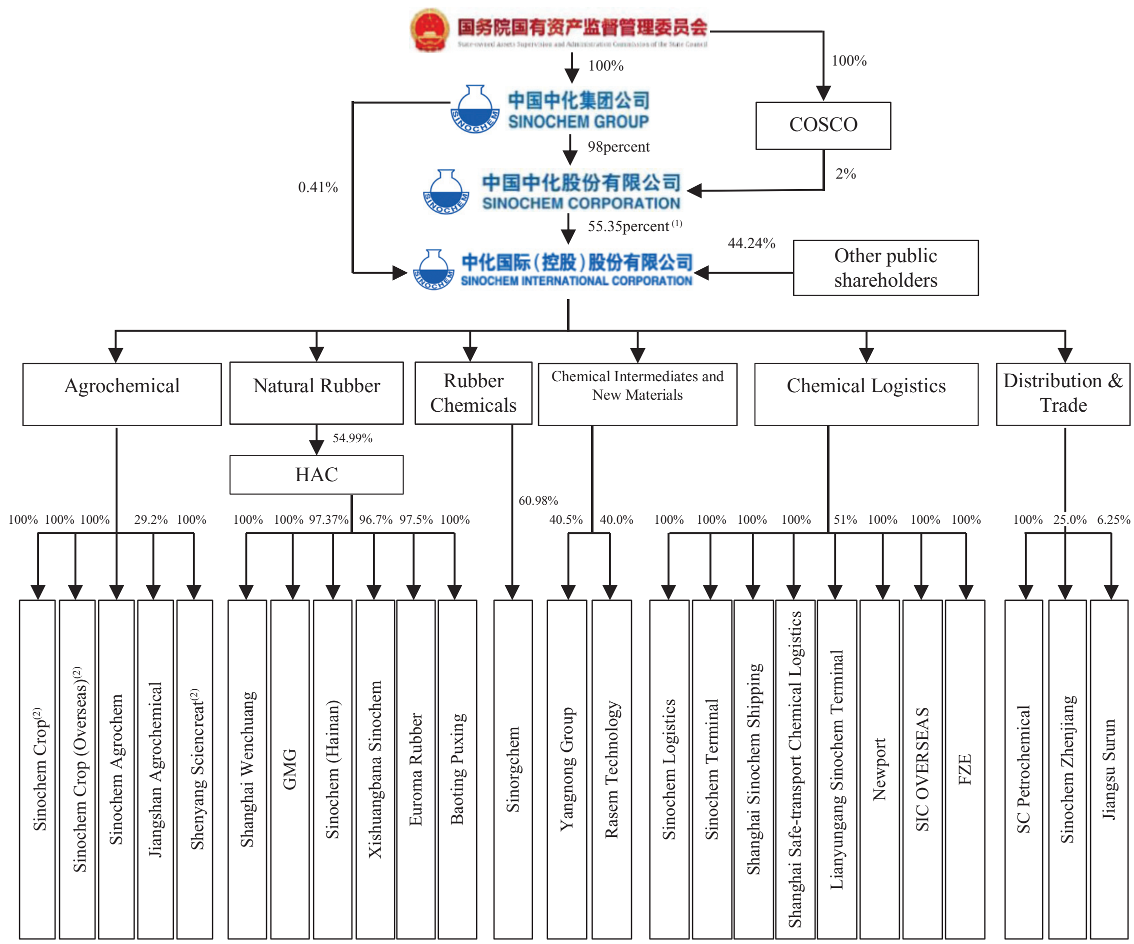
Sinochem Group is one of the key PRC SOEs under the supervision of the SASAC. It is a multi-industry conglomerate with businesses in energy, agriculture, chemicals, real estate and financial services. Sinochem Group had RMB399.5 billion in total assets as of 31 December 2016 and RMB395.5 billion in revenue for the year ended 31 December 2016. 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 and the Company*".

The Issuer

The Issuer is a wholly-owned subsidiary of the Company and was incorporated with limited liability on 28 June 2017 in Singapore under the Companies Act (Chapter 50 of Singapore). The Issuer has no material assets and will conduct no business except in connection with the issuance of the Notes and the advance of the net proceeds from their issuance to the Company. The registered address of the Issuer is located at 8 Marina View, #34-03, Asia Square Tower 1, Singapore (018960).

Corporate Structure

Being controlled by Sinochem Group, the Company achieves a highly-efficient and synergistic operation with integrated management structure. The following diagram illustrates the corporate structure of the Group as of 31 December 2016:



Notes:

(1) Other public shareholders represents the shareholding mainly held by retail investors whose individual share interest will not exceed 3 per cent.

Competitive Strengths

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

- Leading position in the industry with vertically integrated operations across the entire industry value chain
- Diversified chemicals industry operations effectively coping with market volatility
- Achieving international industry integration and establishing a global sales network
- Leader in China's specialty chemical and agrochemical industries with strong R&D capabilities
- Sound risk control and efficient operation 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
- Experienced and respected management team

Recent Developments

On 27 April 2017, the Guarantor published its 2017 First Quarter Financial Statements in the PRC. The 2017 First Quarter 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 reviewed or audited by EY, its independent auditor. The 2017 First Quarter Financial Statements should not be relied upon by the Investors (see "*Risk Factors – Risks relating to the Group's business – 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*."). However, certain material changes in financial position and/or results have been disclosed below on a qualitative basis.

There were significant decreases in cash and bank balances and a significant increase in short term borrowings as at 31 March 2017 as compared to 31 December 2016 as a result of funding needs in respect of the Group's expansion activities and its initiatives to increase production capacity.

THE OFFERING

The following summary contains some basic information about the Notes. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Notes" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Notes, see "Terms and Conditions of the Notes".

Issuer	Sinochem International Development Pte. Ltd.
Guarantor	Sinochem International Corporation (中化国际(控股)股份有限公司).
Notes	U.S.$300,000,000 3.125 per cent. Guaranteed Notes due 2022.
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. Its obligations in that respect are contained in the Deed of Guarantee.
Issue Price	99.688 per cent.
Form and Denomination	The Notes will be issued in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Notes will bear interest from 25 July 2017 at the rate of 3.125 per cent. per annum, payable semi-annually in arrear on 25 January and 25 July in each year.
Issue Date	25 July 2017.
Maturity Date	25 July 2022.
Status of the Notes	The Notes will constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unconditional, unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Status of the Guarantee	The Guarantee will constitute a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligation of the Guarantor which shall, at all times rank at least *pari passu* with all other present and future unconditional, unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 3(a) of the Terms and Conditions of the Notes.
Taxation	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or payments under the Guarantee by or on behalf of 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 imposed, levied, collected, withheld or assessed by or on behalf of Singapore or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

	Where such withholding or deduction is made by the Issuer or the Guarantor by or within the PRC up to the rate applicable on 18 July 2017 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required. In the event that the Issuer or the Guarantor is required to make a deduction or withholding (i) by or within the PRC or by any political subdivision thereof or authority therein or thereof having power to tax in excess of the Applicable Rate; or (ii) by or within Singapore, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the "**Additional Tax Amounts**") as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Tax Amounts shall be payable in respect of any Note (or the Guarantee, as the case may be) in the circumstances set out in Condition 7 (*Taxation*) of the Terms and Conditions of the Notes.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 July 2022.
Redemption for tax reasons	The Notes 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' notice (in accordance with Condition 15 (*Notices*) of the Terms and Conditions of the Notes) to the Noteholders (which notice shall be irrevocable), at their principal amount together with interest accrued to (but not including) the date fixed for redemption in the event that (a) the Issuer or the Guarantor has or will become obliged to pay Additional Tax Amounts as a result of any change in, or amendment to, the laws or regulations of Singapore or the PRC (as the case may be), 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), which change or amendment becomes effective on or after 18 July 2017, and (b) such obligation cannot be avoided by the Issuer or the Guarantor taking reasonable measures available to it. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for tax reasons*".
Redemption for Change of Control . . .	At any time following the occurrence of a Change of Control Triggering Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to (but not including) such Change of Control Put Settlement Date. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Change of Control*".
Redemption for Non-Registration	At any time following the occurrence of a Non-Registration Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Non-Registration Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest to (but not including) such Non-Registration Put Settlement Date. See

	"*Terms and Conditions of the Notes – Redemption and Purchase – Redemption for Non-Registration*".
Events of Default	Upon the occurrence of certain events as described in Condition 8 of the Terms and Conditions of the Notes, the Trustee at its discretion may, and if so requested by Noteholders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided that the Trustee shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction), give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.
Further Issues	The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest, the timing of registration of the Deed of Guarantee with SAFE and the timing of notification to NDRC) so as to form a single series with the Notes, as further described in Condition 14 (*Further Issues*) of the Terms and Conditions of the Notes.
Clearing Systems	The Notes will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited with, a common depository 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 in the limited circumstances described in the Global Certificate, owners of interests in Notes represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	Citicorp International Limited.
Registrar	Citibank, N.A., London Branch.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Listing	Application has been made to the SGX-ST for permission to deal in and the listing and quotation of the Notes on the Official List of the SGX-ST. Such permission will be granted when the Notes have been admitted to the Official List of the SGX-ST. There is no assurance that an application to the SGX-ST for the listing of the Notes will be approved. The approval-in-principle from, and admission to the Official List of, the SGX-ST for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and associated companies (if any), and/or the Notes and the Guarantee. 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.

	If the application to the SGX-ST to list the Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000.
Ratings	Moody's has assigned a corporate rating of "Baa1" with a stable outlook, and both S&P and Fitch have assigned a corporate rating of "BBB+" with a stable outlook, to the Company. The Notes are expected to be assigned a rating of "Baa1" by Moody's and "BBB+" by S&P. Security ratings are not recommendations to buy, sell or hold the Notes. Ratings are subject to revision or withdrawal at any time by the rating agencies.
ISIN	XS1645113165.
Common Code	164511316.
Use of Proceeds	See the section entitled "*Use of Proceeds*".

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The summary financial information for the Group set forth below has been extracted from the 2016 Financial Statements, which are included elsewhere in this Offering Circular. The Guarantor's consolidated financial information as at and for the year ended 31 December 2015 included in the 2016 Financial Statements has been reclassified and restated to meet the presentation and accounting requirements applicable to the year ended 31 December 2016 following a business combination under common control. See note VII (Interests In Other Entities – Interests in subsidiaries – Subsidiaries acquired through business combination under common control) and note XIII (Other Important Issues – Comparative data) to the 2016 Financial Statements on page F-99 and F-125 respectively. These results should be read in conjunction with such audited consolidated financial statements and the notes thereto.

The 2016 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 affiliates, directors, employees and advisers 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the years ended 31 December	
	2015	2016
	(restated)	*(audited)*
	(RMB)	
Revenue	43,746,804,638.95	40,656,746,011.76
Less:		
Operating costs	39,202,753,178.21	36,043,432,179.90
Taxes and surcharges	105,313,919.60	113,864,764.13
Selling expenses	1,007,342,652.70	992,594,030.89
General and administrative expenses	1,625,182,107.70	1,941,026,134.42
Financial expenses	539,847,311.99	424,159,108.31
Impairment loss on assets	695,041,982.93	482,343,767.48
Add:		
Gains or losses on changes in fair values	16,069,536.03	(120,210,923.50)
Investment income	707,025,698.36	(103,221,508.80)
Incl.: Share of profits of associates and joint ventures	86,879,760.05	(22,484,344.74)
Operating profit	1,294,418,720.21	435,893,594.33
Add: Non-operating income	115,066,116.52	325,535,851.86
Incl.: Gain on disposal of non-current assets	10,376,013.25	1,349,577.33
Less: Non-operating expenses	30,484,695.00	169,372,635.74
Incl.: Loss on disposal of non-current assets	5,377,462.94	28,256,226.21
Total profit	1,379,000,141.73	592,056,810.45
Less: Income tax expense	356,365,359.75	151,248,444.95
Net profit	1,022,634,781.98	440,808,365.50
Incl.: Net profit/(loss) before the merger in a business combination under common control	514,917,885.87	(40,692,288.56)
Net profit attributable to owners of the parent	473,042,079.36	57,246,527.82
Net profit attributable to non-controlling interests	549,592,702.62	383,561,837.68
Net value of other comprehensive income after tax	(185,451,678.69)	(156,650,647.01)
Net value of other comprehensive income after tax attributable to owners of the parent	(120,530,286.82)	28,009,751.01
Other comprehensive income which won't be reclassified to the income statement		
Recalculation of change of net liabilities or net assets of the defined benefit pension plan	—	(2,763,669.51)
Other comprehensive income which will be reclassified to the income statement		
Share in other comprehensive income that will be reclassified to profit or loss under equity method	2,939,904.69	(1,178,888.26)
Changes in fair value of available-for-sale financial assets	42,408,379.80	72,063,116.56
Exchange differences from translation of the financial statements prepared in foreign currencies	(154,059,271.31)	(40,216,902.24)
Others	(11,819,300.00)	106,094.46
Net value of other comprehensive income after tax attributable to minority shareholders	(64,921,391.87)	(184,660,398.02)
Total comprehensive income	837,183,103.29	284,157,718.49
Including:		
Attributable to owners of the parent	352,511,792.54	85,256,278.83
Attributable to minority shareholders	484,671,310.75	198,901,439.66
Earnings per share		
Basic earnings per share	0.23	0.03
Diluted earnings per share	0.23	0.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2015	2016
	(restated)	*(audited)*
	(RMB)	
Assets		
Current Assets		
Cash and bank balances	4,771,863,939.28	7,319,504,200.83
Financial assets at fair value through profit or loss	1,272,318.44	7,211,520.00
Derivative financial assets	69,849,620.82	76,971,028.36
Notes receivable	1,718,211,130.10	1,779,604,128.70
Accounts receivable	3,037,900,340.25	4,491,429,639.19
Prepayments	559,049,252.49	565,320,374.55
Interest receivable	1,003,550.37	43,056,725.98
Other receivables	1,115,320,994.39	834,066,158.51
Inventories	3,944,515,965.98	4,931,868,347.87
Assets classified as held-for-sale	60,215,247.31	—
Other current assets	1,037,299,528.37	2,005,171,805.54
Non-current assets maturing within a year	—	4,454,232.88
Total current assets	16,316,501,887.80	22,058,658,162.41
Non-current Assets		
Available-for-sale financial assets	275,643,759.55	1,366,640,268.96
Long-term receivables	21,634,650.00	22,278,306.90
Long-term equity investments	3,377,791,849.85	3,237,597,565.09
Investment properties	76,028,304.46	236,964,880.15
Fixed assets	9,409,700,483.82	10,338,800,607.17
Construction in progress	2,572,431,034.88	2,183,256,643.34
Construction materials	51,398,978.41	48,563,414.67
Bearer biological assets	804,180,651.18	1,039,237,287.29
Intangible assets	3,100,451,262.10	3,632,994,438.02
Development expenditure	1,382,265.00	1,382,265.00
Goodwill	2,595,330,026.97	4,446,756,224.48
Long-term deferred expenses	73,591,303.38	160,124,311.49
Deferred tax assets	389,561,557.24	569,054,747.81
Other non-current assets	1,393,103,691.14	668,525,057.09
Total non-current assets	24,142,229,817.98	27,952,176,017.46
Total assets	40,458,731,705.78	50,010,834,179.87
Liabilities and Equity		
Current liabilities		
Short-term borrowings	4,049,308,101.34	8,971,212,289.00
Financial liabilities at fair value through profit or loss	1,272,318.44	7,211,520.00
Derivative financial liabilities	20,980,863.01	146,780,009.98
Notes payable	2,137,626,462.44	1,651,420,943.49
Accounts payable	3,126,352,654.46	4,554,772,399.18
Advance from customers	342,283,067.96	640,888,049.61
Payroll payable	213,953,009.81	251,847,847.10
Taxes payable	228,266,121.80	411,843,679.56
Interest payable	113,536,349.69	139,098,155.38
Dividends payable	4,294,017.02	2,837,114.10
Other payables	1,022,213,733.08	778,239,460.58
Other current liabilities	1,002,619,245.01	3,316,675.37
Non-current liabilities due within one year	2,181,665,108.44	2,280,168,622.25
Total current liabilities	14,444,371,052.50	19,839,636,765.60

	As at 31 December	
	2015	2016
	(restated)	*(audited)*
	(RMB)	
Non-current liabilities		
Long-term borrowings	4,222,483,488.08	4,665,017,918.05
Bonds payable	1,195,694,392.11	4,284,697,565.21
Long-term payables	1,851,513.44	5,566,563.20
Long-term payroll payable	—	83,532,364.15
Specific payable	—	204,210,614.82
Deferred tax liabilities	867,516,270.80	780,014,385.21
Other non-current liabilities	38,713,134.93	38,646,433.97
Deferred income	41,505,164.89	50,948,687.96
Total non-current liabilities	6,367,763,964.25	10,112,634,532.57
Total Liabilities	20,812,135,016.75	29,952,271,298.17
Shareholders' equity		
Share capital	2,083,012,671.00	2,083,012,671.00
Capital reserves	4,487,916,806.82	4,479,654,691.37
Other comprehensive income	(539,118,358.53)	(511,108,607.52)
Special reserves	65,487,012.34	63,484,904.40
Surplus reserves	668,902,870.10	671,645,126.44
Retained earnings	4,559,891,099.09	4,385,263,976.76
Equity attributable to owners of the parent	11,326,092,100.82	11,171,952,762.45
Minority interests	8,320,504,588.21	8,886,610,119.25
Total shareholders' equity	19,646,596,689.03	20,058,562,881.70
Total Liabilities and Shareholders' Equity	40,458,731,705.78	50,010,834,179.87

RISK FACTORS

Prospective investors should carefully consider the risk factors set forth below, as well as the other information contained elsewhere in this Offering Circular, before deciding to invest in the Notes. The risks described below are not the only ones that may affect the Issuer, the Guarantor or the Notes. Additional considerations and uncertainties not presently known to the Issuer or the Guarantor, or which the Issuer or the Guarantor currently deems immaterial, may also have an adverse effect on an investment in the Notes. If any of the possible events described below occur, the business, financial condition or results of operation of the Issuer or the Guarantor could be materially and adversely affected. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer and the Guarantor could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the Issuer and the Guarantor described below and elsewhere in this Offering Circular. See "Forward-Looking Statements".

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group derives revenue primarily from sales of various agrochemical, 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 global and PRC economy.

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 ("**GDP**") 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 results of operations are dependent upon the condition of the chemical industry, as the agrochemical, chemical intermediates and new materials and chemical logistic segments constitute a significant portion of the Group's overall revenue and are heavily influenced by trends and movements in the chemical industry. The chemicals industry has 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. These factors result in significant fluctuations in the Group's profits and cash flows from period to period and over business cycles.

The Group's business is rapidly 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 chemical intermediates expertise and diversify into the fine chemicals business. 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 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 chemicals intermediates and the provision of logistics services in respect of chemical products 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 dependent on its processing facilities and the Group is subject to the risks affecting operations at such 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. Although the Group takes precautions to minimise 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.

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

The nature of the Group's businesses, 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. While the Group maintains insurance coverage in line with what its management believes to be customary industry practice in the PRC, there can be no assurance that the insurance taken on by the Group is sufficient. 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 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 its 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.

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, rubber chemicals and chemical intermediates and new materials 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. 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 more than 150 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 acquisition of various companies, 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. 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 and working capital requirements. The success of the Group's 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;
- 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; and
- the Group's ability to successfully integrate the acquired company or business with the Group.

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. In particular, the Group acquired a 60.98 per cent. stake in Jiangsu Sinorgchem Technology Co., Ltd. ("**Sinorgchem**") and merged with the company in order to enhance sales synergies between rubber chemicals and natural rubber in 2012. The Company also acquired a 40.53 per cent. stake in Jiangsu Yangnong Chemical Group Co., Ltd. ("**Jiangsu Yangnong**") and merged with the company in a strategic step in entering the agrochemical and chemical intermediates and new materials markets in 2012. The Group may continue to pursue acquisitions in the future to pursue growth and to position itself as a global diversified chemical and 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:

- 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.

Any 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. 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 the PRC and globally. 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. 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. 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. If the Group fails to compete effectively, it could materially and adversely affect its business, financial condition, results of operations and market position.

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, during the fiscal year ended 31 December 2016, on the basis of prudence accounting principles, the Group recognised RMB482,343,767.48 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 the largest 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. Key raw materials for the Group include benzene, methylpyridine, sodium alkoxide and methylated acid. 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 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.

In addition, large amounts of raw materials are required in the Group's manufacturing processes. Although the Group has not experienced any significant difficulties in obtaining raw materials to satisfy its production 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 condition 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, 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 chemical 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, 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 and weather conditions. Therefore, revenue and operating profit from the Group's rubber chemicals segment 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 Company 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. 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, and although this has been brought down to manageable levels more recently, the Group's interest-bearing debt remains substantial at RMB20.2 billion as at 31 December 2016. 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 due, for example, to the following:

- a significant portion of the Group's net cash provided by operating activities is used to pay interest on borrowings, 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 Company has allocated RMB2.4 billion in 2017 towards capital expenditure, primarily in the chemical intermediates and new materials 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 additional financing, either on a short-term or long-term basis, will be available to it on satisfactory terms, or at all. If adequate funds are not available on satisfactory terms, the Group may be forced to curtail expansion plans, which could result in an inability to successfully implement our 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 our other liquidity needs and make planned capital expenditures.

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 2015 and 2016, the Group had total debt of RMB13.8 billion and RMB21.9 billion, respectively. Although the Group recorded net current assets (calculated as current assets minus current liabilities) of RMB1.9 billion and RMB2.2 billion as at 31 December 2015 and 2016. 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 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 payment of those earnings to the Group in the form of dividends, loans or advances and 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 the payments of dividends or the repayment of any loans or advances. The Group's rights to receive any payments of 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 to pay any amounts due on 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 accordingly. While the Group must maintain sufficient inventory to operate its business successfully and meet market demand, it also strives to avoid excess inventory to reduce 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 orders. On the other hand excessive inventory levels could lead to additional inventory carrying cost. There can be no assurance that the Group can manage its inventories effectively 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.

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. In addition, some of the Group's production facilities are highly technical and require specialised maintenance and inspections to ensure they remain operational.

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, South-East Asia and the Middle East with customers in more than 100 countries worldwide. For the year ended 31 December 2016, 54 per cent. of the Group's revenues were generated overseas and 47 per cent. of the Group's total assets were located 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 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 chemical intermediates and new materials 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 is exposed to currency and interest rate risks.

The Group is exposed to foreign exchange risks arising from various currency positions, primarily with respect to the U.S. dollar. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a significant portion of the Group's international purchases and sales are denominated in U.S. dollars (as is often the case with commodities transactions), while some of the costs, expenses and capital expenditures are incurred in other currencies, exchange rate fluctuations, in particular with respect to the Renminbi, could adversely affect the Group's result of operations.

A substantial portion of the Group's revenues, capital expenditures and operating expenses are denominated in Renminbi. The Group's acquisitions of assets and purchases of raw materials from outside of China are generally denominated in currencies other than Renminbi, and, as a result, the Group is exposed to foreign exchange risk with regard to these purchases. The Group may acquire more assets or purchase more raw materials and manufacturing equipment from outside of China and incur additional foreign–currency denominated obligations. 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 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 Company is an integral part of Sinochem Group's business and its business operations are currently managed by Sinochem Group.

Sinochem Group indirectly holds a 54.6535 per cent equity interest in the Company through Sinochem Corporation. The Company is an integral part of Sinochem Group's business and is the only platform for the Sinochem Group's agrochemical, rubber and chemical logistics operations. As such, the Company's business operations 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. Sinochem Group provides a number of administrative, personnel, risk management and other support to the Company. Furthermore, there are a number of intragroup agreements/arrangements between the Company and Sinochem Group to facilitate the Company's business operations, including the share custody agreement in relation to Sinochem Group's 0.06 per cent. shareholding in Jiangsu Yangnong. If the relationship between the Company and Sinochem Group changes, the operations and development of the Company's business could be materially and adversely affected.

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

The Group manufactures and sells products that require advanced technologies, therefore, technological superiority is a vital element of the Group's competitiveness. The rapid rate of technological innovation required in the Group's various businesses, however, means that the Group must incur substantial research and development ("**R&D**") costs, undertake long-term capital investments and planning based on product predictions in order to respond swiftly 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 China 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. 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 Company also owns an interest in two rubber plantations in the Ivory Coast. None of the proceeds of this offering will be used in relation to such rubber plantations. 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 Notes 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, both when initially beginning to work in a particular country and on an ongoing basis. 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 chemical intermediates and new materials 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.

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. 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 may not be able to renew certain licences, certificates and permits for its operations.

Under PRC law, the Group is required to obtain certain licences, certificates and permits from relevant PRC governmental authorities. 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.

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

The Group is subject to extensive tariffs or taxes in China and other countries. 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 regulations and exemptions or interpretations in a manner that could be adverse to the Group's overall business, financial condition and results of operations.

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 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. 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 chemical intermediates and new materials and chemical logistics segments. However, there can be no assurance that its patents, trade secrets and trademarks will be sufficient to protect the Group's intellectual property. 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 risk from potential information system failures or disruptions.

The Group's success depends on an efficient and effective computer information system to provide accurate and timely information to monitor and fine-tune production specifications. To prevent the failure of computer 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 computer system 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. 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. 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's businesses face operating risks arising from natural disasters, accidents, unscheduled maintenance or repair shutdowns or other disruptions that may cause significant business interruptions and expose the Group to losses and liability

The Group's businesses are subject to a variety of potentially severe operating risks arising from natural disasters, accidents or other disruptions. Natural disasters include earthquakes, tsunamis and typhoons as well as related fires and explosions striking its facilities, particularly its production facilities in the PRC. In addition, the Group's 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 agrichemical, rubber, chemical intermediates and new materials and chemical logistics 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 and fires; and
- discharges or releases of toxic or hazardous substances.

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 in the event of certain chemical leaks and other circumstances, 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.

In addition to interruptions in the Group's business operations, such 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, cleanup responsibilities, regulatory investigation and penalties. In accordance with what the Group believes is industry practice, it maintains insurance against some, but not all, of the losses related to these operating risks. However, there can be no assurance that the Group's insurance will be adequate to cover losses or liabilities that may arise. Also, the Group cannot predict the continued availability of insurance at premium levels that are not prohibitively expensive.

The Group is exposed to risks related to health epidemics and other outbreaks.

The Group's business could be adversely affected by the effects of global epidemics or outbreaks, including, for example, the ebola virus, H1N1 flu, H5N1 avian flu, Severe Acute Respiratory Syndrome ("**SARS**"). 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. Any prolonged occurrence or recurrence of H1N1 flu, H5N1 avian flu, SARS or other adverse public health developments in 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 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. Any severe travel or shipment restrictions and closures would severely disrupt the Group's operations and adversely affect its business, financial condition and results of operations.

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.

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 Notes are issued, the Guarantor is obligated by the terms of the Notes, among others, to provide holders of the Notes with its audited financial statements and certain unaudited but reviewed periodical financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been 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 Notes 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.

RISKS RELATING TO THE PRC

A majority of the Group's assets are located in the PRC and a significant portion of the Group's revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations. For example, the Group's financial condition and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations that are applicable to the Group. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Guarantor believes these reforms will have a positive effect on the Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Group's current or future business, results of operations or financial condition.

Uncertainty with respect to the PRC legal system could affect the Group.

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that 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 volume of published decisions and their non-binding 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) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

It may be difficult to enforce any judgements obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

A significant proportion of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within China, and assets of the directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of the Group's directors and senior management, including for matters arising under applicable securities law. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgements obtained from non-PRC courts against the Group, the Guarantor, any of their respective directors or senior management in the PRC.

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

Currently, RMB 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 Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities including NDRC and Ministry of Commerce of the PRC ("**MOFCOM**").

In addition, any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, operating results and financial condition of the Group, may be materially adversely affected.

The Group's labour costs may increase for reasons such as the implementation of the Labour Contract Law of the PRC or inflation in the PRC.

The Labour Contract Law of the PRC (中华人民共和国劳动合同法) (the "**Labour Contract Law**") became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the Labour Contract Law. In addition, unless otherwise prohibited by the Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employee (职工带薪年休假条例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (国民旅游休闲纲要 2013-2020) which became effective on 2 February 2013, the systems of paid annual leave for employees shall be implemented by 2020. As a result of the Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Group's products is likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Group's sales and financial condition. Increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

RISKS RELATING TO THE NOTES AND THE GUARANTEE

The Notes and the Guarantee are unsecured obligations.

The Notes and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Notes and payment under the Guarantee may be adversely affected 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 future 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 the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

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

Each potential investor in any Notes 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 Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes 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 Notes, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes 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.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

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

No assurances are made by the Issuer as to whether or not payments on the Notes may be made without withholding of PRC taxes if the Issuer is treated as a PRC tax resident enterprise. Although pursuant to the Terms and Conditions of the Notes the Issuer is required to gross up payments in respect of the Notes on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Notes at any time in the event it has or will become obliged to pay additional 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 Singapore, the PRC or any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of Singapore, the PRC or any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations, which change, amendment or statement becomes effective or is announced, as the case may be.

The Issuer may not be able to meet their outstanding obligations under the Notes.

The Issuer may (and at maturity, will) be required to redeem all of the Notes. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by or on behalf of the Issuer may constitute an event of default under the Notes, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Issuer may issue additional Notes in the future.

The Issuer may, from time to time, and without prior consultation of the Noteholders create and issue further Notes (see "*Terms and Conditions of the Notes – Further Issues*") or otherwise raise additional capital through such means and in such manner as the Issuer may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Notes.

Income or gains from the Notes may be subject to income tax or value added tax ("VAT") under PRC tax laws.

The Issuer is incorporated under the laws of Singapore. Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Notes may considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event the Issuer or Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Notes or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10 per cent. from payments of interest in respect of the Notes to any non-resident enterprise Noteholders. Any capital gain realised by a non-resident enterprise from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10 per cent. if the Issuer is treated as a PRC tax resident. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer or Guarantor is considered to be a PRC tax resident enterprise, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax on payments of interests to non-resident individual Noteholders. Any capital gain realised by a non-resident individual Noteholder from transfer of the Notes may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. if the Issuer is a PRC tax resident enterprise.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the "**Arrangement**") which was promulgated on 21 August 2006, Noteholders who are Hong Kong residents, including both enterprise Noteholders and individual Noteholders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

On 23 March 2016, MOF and the State Administration of Taxation of the PRC ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36 ("**Circular 36**"), which introduced a new VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

Singapore Taxation Risk

The Notes to be issued are intended to be "qualifying debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**ITA**"), subject to the fulfilment of certain conditions more particularly described in the section "*Taxation – Singapore*". However, there is no assurance that such Notes will continue to be "qualifying debt securities" or enjoy the tax concessions in connection therewith should the relevant tax laws be amended or revoked at any time.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Noteholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgements of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Notes and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (关于内地与香港特别行政区法院相互认可和执行当事人协议管辖的民商事案件判决的安排), judgements of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgements have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgement could be refused if the PRC courts consider that the enforcement of such judgement is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgement given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgements as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the Noteholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholder's ability to initiate a claim outside of Hong Kong will be limited.

The Issuer has no material assets and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Notes.

The Issuer will not conduct business or any other activities other than the offering, sale and issuance of debt securities and instruments and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Notes will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

Modifications and waivers may be made in respect of the Terms and Conditions of the Notes and the Trust Deed by the Trustee or less than all of the Noteholders.

The Terms and Conditions of the Notes provide that the Trustee may (but shall not be obliged to), without the consent of the Noteholders, agree to any modification of the Deed of Guarantee, the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the Noteholders and to any modification of the Deed of Guarantee, the Trust Deed, the Terms and Conditions of the Notes and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law. The Trustee may request and conclusively rely upon an officer's certificate or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and amendments.

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

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Notes, or current or future debt obligations and other agreements (if any), 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 the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by 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 Notes. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the Issuer's or the Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or 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 the Guarantor.

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

Pursuant to the Deed of Guarantee executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes and the Trust Deed.

The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Administration of Foreign Exchange for Cross-border Security (跨境担保外汇管理规定). Although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated timeframe. The Guarantor intends to register the Guarantee of the Notes as soon as practicable and in any event before the Registration Deadline (being 120 PRC Business Days after the Issue Date). If SAFE registration is not completed within the Registration Deadline, the Issuer shall redeem, at the option of the holder of any Note, such Note pursuant to Condition 5(d) of the Terms and Conditions of the Notes. If however any Noteholders fail to receive any amount payable to them on redemption, they may be required to rely on the exercise of the Deed of Guarantee and may face logistical hurdles at the time of remittance of funds (if any cross border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The Notes will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Notes will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (each a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Notes. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

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

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Notes. 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 the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer or the Guarantor in the event of a default under the Notes but will have to rely upon their rights under the Trust Deed.

The Issuer and the Guarantor may not be able to raise the funds necessary to finance the redemption of Notes upon the occurrence of certain redemption events.

Upon the maturity of the Notes or following the occurrence of certain redemption events described in the Terms and Conditions of the Notes, Noteholders may require the Issuer to redeem their Notes. See "*Terms and Conditions of the Notes – Redemption and Purchase*" for further details. The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or, failing whom the Guarantor, would have sufficient funds at that time to make the required redemption of the Notes. In addition, agreements to which the Issuer or the Guarantor is a party at that time may restrict or prohibit such a payment.

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

As the Issuer and the Guarantor are incorporated under the laws of Singapore and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve Singapore or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor upon the occurrence of events of default described in Condition 8 of the Terms and Conditions of the Notes and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Notes, the Trustee may, at its sole and absolute discretion, request the Noteholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Noteholders. 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 Notes 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 law, it will be for the Noteholders to take such actions directly.

Decisions that may be made on behalf of all Noteholders may be adverse to the interests of individual Noteholders.

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

The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes.

According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 working days after closing. Furthermore, the NDRC issued the NDRC Quota Certificate, pursuant to which the NDRC granted the NDRC Foreign Debt Quota to Sinochem Group exempting it from the registration requirements on a deal-by-deal basis as long as the debt securities or loan incurred outside the PRC is within such NDRC Foreign Debt Quota granted, even though the post-issuance filing with the NDRC is still required. Sinochem Group issued the Sinochem Group Letter and the Notes will be issued within the NDRC Foreign Debt Quota granted to Sinochem Group pursuant to the NDRC Quota Certificate. The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe, in accordance with the NDRC Circular.

The NDRC Circular, including the pilot programmes thereunder, is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue registration requirements. On 12 June 2017, NDRC issued Risks of External Debt Issuance (企业境外发行债券风险提示) on its website, in which NDRC reminds that any enterprise which does not make the NDRC filing in accordance with the NDRC Circular 2015 [2044] may be listed into the Bad Credit Record of the National Credit Information Platform (国家信用信息平台不良信用记录) and may also be recorded into the Joint Disciplinary Information Platform (联合惩戒信息平台). In addition, the administration of the NDRC Circular, including the pilot programmes thereunder, may be subject to a certain degree of executive and policy discretion by NDRC. There is also risk that the annual foreign debt quota with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Notes in the PRC. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

RISKS RELATING TO THE MARKET

An active trading market for the Notes may not develop.

There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Notes and any such market making, if commenced, may be discontinued at any time. Although application will be made for the listing of the Notes on the SGX-ST, no assurance can be given as to the liquidity of, or trading market for, the Notes. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Notes 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 liquidity and price of the Notes following this offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group 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 Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Notes.

The market price of the Notes may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Notes is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

USE OF PROCEEDS

The net proceeds from this offering, after deducting commissions and other estimated expenses payable in connection with the offering, will be approximately U.S.$297,264,000. The net proceeds from the offering is intended to be applied towards repaying existing indebtedness and for general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as of 31 December 2016 on an actual basis and as adjusted to give effect to the issue of the Notes in this offering before deduction of any commission and other estimated expenses payable by the Issuer. This table should be read in conjunction with the audited consolidated financial statements and the notes thereto appearing elsewhere in this Offering Circular.

	As of 31 December 2016	
	Actual	Adjusted[2]
	(RMB)	
Current Borrowings:		
Short-term borrowings	8,971,212,289.00	8,971,212,289.00
Notes payable	1,651,420,943.49	1,651,420,943.49
Non-current liabilities due within one year	2,280,168,622.25	2,280,168,622.25
	12,902,801,854.74	12,902,801,854.74
Non-Current Borrowings:		
Long-term borrowings	4,665,017,918.05	4,665,017,918.05
Bonds payable	4,284,697,565.21	4,284,697,565.21
Total Notes to be issued	—	2,028,000,000.00
	8,949,715,483.26	10,977,715,483.26
Total debt	21,852,517,338.00	23,880,517,338.00
Equity:		
Share capital	2,083,012,671.00	2,083,012,671.00
Capital reserves	4,479,654,691.37	4,479,654,691.37
Other comprehensive income	(511,108,607.52)	(511,108,607.52)
Special reserves	63,484,904.40	63,484,904.40
Surplus reserves	671,645,126.44	671,645,126.44
Retained earnings	4,385,263,976.76	4,385,263,976.76
Equity attributable to owners of the parent	11,171,952,762.45	11,171,952,762.45
Non-controlling interests	8,886,610,119.25	8,886,610,119.25
Total capitalisation[1]	41,911,080,219.70	43,939,080,219.70

Note:

(1) Total capitalisation represents the sum of total debt, non-controlling interests and equity attributable to owners of the parent.

(2) Assuming the Notes to be issued in this offering in the total amount of US$300,000,000 had been issued as at 31 December 2016. For the purpose of the above table, U.S. dollars is translated into RMB at the rate of RMB6.76 to US$1.00.

Save as indicated above and as disclosed in "*Description of the Group – Recent Developments*" related to the negative trends in respect of the 2017 First Quarter Financial Statements, there has been no other material change in the capitalisation and indebtedness of the Group since 31 December 2016.

EXCHANGE RATES

The People's Bank of China ("**PBOC**") sets and publishes daily a base 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. 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 the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

	Renminbi per U.S. Dollar Noon Buying Rate(1)			
Period	**End**	**Average(2)**	**High**	**Low**
		(CNY per U.S.$1.00)		
2012	6.2301	6.3088	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4896	6.1870	6.2869	6.4778
2016	6.9430	6.6549	6.9580	6.4480
2017				
January	6.8768	6.8907	6.9575	6.8360
February	6.8665	6.8694	6.8821	6.8517
March	6.8832	6.8940	6.9132	6.8687
April	6.8900	6.8876	6.8988	6.8778
May	6.8098	6.8843	6.9060	6.8098
June	6.7793	6.8066	6.8382	6.7793
July (through 10 July)	6.8026	6.8003	6.8034	6.7985

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 Board of Governors of the Federal Reserve System.

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Note Certificates issued in respect of the Notes:

The U.S.$300,000,000 3.125 per cent. guaranteed notes due 2022 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Sinochem International Development Pte. Ltd. (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated on or about 25 July 2017 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer, Sinochem International Corporation (中化国际（控股）股份有限公司) (the "**Guarantor**") and Citicorp International Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated on or about 25 July 2017 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, Citibank, N.A., London Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), Citibank, N.A., London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes), the 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 Notes) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agents 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 Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof, 50th Floor, Champion Tower, Three Garden Road, Central, Hong Kong, and at the Specified Offices (as defined in the Agency Agreement) of each of the Agents, the initial Specified Offices of which are set out below.

1. Form, Denomination, Status and Guarantee

(a) *Form and denomination*: The Notes 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 Notes*: The Notes constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unconditional, unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(c) *Status of the Guarantee of the Notes*: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed 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 Notes (the "**Guarantee of the Notes**"). The Guarantee of the Notes constitutes a direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligation of the Guarantor which shall, at all times rank at least *pari passu* with all other present and future unconditional, unsubordinated and unsecured obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

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

2. Register, Title and Transfers

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

(b) *Title*: The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note 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 Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note 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 Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*: Subject to Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note 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 Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor. No transfer of title to a Note will be valid unless and until entered on the Register.

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

(d) *Registration and delivery of Note Certificates*: Within five business days of the surrender of a Note Certificate in accordance with Condition 2(c)(*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount of the Notes 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 first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(d), "**business day**" means 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.

(e) *No charge*: The transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity 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*: Noteholders may not require transfers to be registered (i) during the period of 15 days ending on and including the due date for any payment of principal or interest in respect of the Notes; (ii) during the period of 15 days ending on and including the date fixed for redemption by the Issuer pursuant to Condition 5(b) (*Redemption for tax reasons*); or (iii) after a Change of Control Put Exercise Notice or Non-Registration Put Exercise Notice has been delivered.

(g) *Regulations concerning transfers and registration*: All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes 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 mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

3. Covenants

(a) *Negative Pledge:*

So long as any Note 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 the Principal Subsidiaries of the Guarantor (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:

(i) at the same time or prior thereto securing the Notes equally and rateably therewith to the satisfaction of the Trustee; or

(ii) providing such other security for the Notes as the Trustee may in its absolute discretion consider to be not materially less beneficial to the interests of the Noteholders or as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

(b) *Limitation on Activities*: So long as any Note remains outstanding, the Issuer shall not carry on any business activity whatsoever other than to finance the operations of the Guarantor Group through the offering, sale or issuance of securities or borrowings of indebtedness or investing in or lending the proceeds thereof to any member of the Guarantor Group, and any other activities in connection therewith.

(c) *Undertakings in relation to the Guarantee of the Notes*: 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) deliver to the Trustee, on or prior to the Registration Deadline, the documents required to satisfy the Release Condition; and

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

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

(d) *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 Reply of the National and Development Reform Commission to Pilot Enterprises (Second Batch) regarding the Administration and Reform of Enterprise Foreign Debt Scale in 2017 (国家发展改革委关于2017年外债规模管理改革试点企业）（第二批）的批复) issued by the NDRC and which came into effect on 22 March 2017, which granted an annual quota to Sinochem Group for the issuance of foreign debt (the "**NDRC Foreign Debt Quota**"), (c) the letter from Sinochem Group dated 29 June 2017 approving the utilisation by the Issuer of the NDRC Foreign Debt Quota for the issuance of up to U.S.$300 million in aggregate principal amount of Notes, and any implementation rules 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 Notes; and

(iii) within 10 PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate signed by any one director or duly authorised officer 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 Noteholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to Noteholders or any other person for not doing so.

(e) *Financial Statements:* So long as any Note remains outstanding, the Guarantor shall send to the Trustee:

(i) 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 (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider, together with a certificate signed by a director or duly authorised officer of the Guarantor certifying that such translation is complete and accurate; and

(ii) 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 (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider, together with a certificate signed by a director or duly authorised officer of the Guarantor certifying that such translation is complete and accurate.

(f) *Rating Maintenance*: So long as any Note remains outstanding, save with the approval of an Extraordinary Resolution of Noteholders, the Issuer shall maintain a rating on the Notes by at least one of the Rating Agencies.

(g) *Definitions*: In these Conditions:

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

(i) any obligation to purchase such Indebtedness;

(ii) 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;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**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;

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

"**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;

"**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;

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

a "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state or other entity (in each case whether or not having separate legal personality);

"**PRC**" means the People's Republic of China, which, solely for the purposes of these Conditions, excludes 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 a public holiday) on which banks in Beijing, the PRC are not authorised or obliged by law or executive order to be closed;

"**Rating Agencies**" 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 recognized 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;

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

"**Release Condition**" means the receipt by the Trustee of:

(a) a certificate in substantially the form set out in the Trust Deed of a director or duly authorised officer of the Guarantor confirming the completion of the registration of the Deed of Guarantee with SAFE as described in Condition 3(c) (*Undertakings in relation to the Guarantee of the Notes*); and

(b) a certified true copy of the relevant SAFE registration certificate and the particulars of registration and any other document (if applicable) issued by SAFE evidencing the completion of the Cross-border Security Registration;

"**Relevant Indebtedness**" means any Indebtedness issued outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, 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);

"**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);

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

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

"**U.S. dollars**" or "**U.S.$**" means the lawful currency of the United States of America.

4. Interest

The Notes bear interest from 25 July 2017 (the "**Issue Date**") at the rate of 3.125 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 25 January and 25 July in each year (each, an "**Interest Payment Date**") commencing on 25 January 2018, subject as provided in Condition 6 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be U.S.$3,125.00 in respect of each Note of U.S.$200,000 denomination and U.S.$15.625 in respect of each U.S.$1,000 principal amount of the Notes. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Note divided by the Calculation Amount, where:

"**Calculation Amount**" means U.S.$1,000;

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period; and

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360\ x\ (Y_2 - Y_1)] + [30\ x\ (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30".

5. Redemption and Purchase

(a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 25 July 2022, subject as provided in Condition 6 (*Payments*).

(b) *Redemption for tax reasons*: The Notes 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' notice (in accordance with Condition 15 (*Notices*)) to the Noteholders (which notice shall be irrevocable) at their principal amount, together with interest accrued to (but not including) the date fixed for redemption if, immediately before giving such notice, the Issuer satisfies the Trustee that:

(i) (A) the Issuer has or will become obliged to pay Additional Tax Amounts as provided for or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Singapore 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), which change or amendment becomes effective on or after 18 July 2017; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(ii) (A) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay Additional Tax Amounts as provided or referred to in Condition 7 (*Taxation*) or the Guarantee of the Notes, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the PRC 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), which change or amendment becomes effective on or after 18 July 2017; and (B) 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 Tax Amounts if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

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

(A) a certificate signed by a director or duly authorised officer of the Issuer stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and that the circumstances referred to in Conditions 5(b)(i)(A) and 5(b)(i)(B) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by a director or duly authorised officer of the Guarantor stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and that the circumstances referred to in Conditions 5(b)(ii)(A) and 5(b)(ii)(B) above prevail and setting out details of such circumstances; and

(B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax 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 Tax Amounts as a result of such change or amendment.

The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence (without further enquiry) of the satisfaction of the circumstances set out in Conditions 5(b)(i)(A) and 5(b)(i)(B) or (as the case may be) Conditions 5(b)(ii)(A) and 5(b)(ii)(B) above, in which event they shall be conclusive and binding on the Noteholders.

Upon the publication of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

(c) *Redemption for Change of Control*: At any time following the occurrence of a Change of Control Triggering Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Change of Control Put Settlement Date at 101 per cent. of their principal amount, together with accrued interest to (but not including) such Change of Control Put Settlement Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Change of Control Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Change of Control Triggering Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Change of Control Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Change of Control Put Exercise Notices delivered as aforesaid.

The Issuer or the Guarantor shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(c) (*Redemption for Change of Control*).

In these Conditions:

"**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) the Guarantor, directly or indirectly, ceases to own 100 per cent. of the issued and outstanding share capital of the Issuer,

where "**Control**" shall mean for the purpose of limb (a) of this definition, the following:

(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.

For the avoidance of doubt, 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 two or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Rating Decline;

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

"**Investment Grade**" means 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;

"**issued share capital**" means issued and outstanding ordinary shares having voting rights but does not include ordinary or preference shares without voting rights;

"**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 is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(i) in the event the Guarantor (x) is on the Rating Date (A) rated by three Ratings 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; or

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

"**SASAC**" means the State Owned Assets Supervision and Administration of the State Council of the PRC or its successor.

(d) *Redemption for Non-Registration*: At any time following the occurrence of a Non-Registration Event, each Noteholder will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Non-Registration Put Settlement Date at 100 per cent. of their principal amount, together with accrued interest to (but not including) such Non-Registration Put Settlement Date. To exercise such right, the Noteholder must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the Specified Office of any Paying Agent (a "**Non-Registration Put Exercise Notice**"), together with the Note Certificates evidencing the Notes to be redeemed by not later than 30 days following a Non-Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 15 (*Notices*). The "**Non-Registration Put Settlement Date**" shall be the 14th day after the expiry of such period of 30 days as referred to above.

A Non-Registration Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes subject to the Non-Registration Put Exercise Notices delivered as aforesaid.

The Issuer or the Guarantor shall give notice to Noteholders and the Trustee in accordance with Condition 15 (*Notices*) by not later than 14 days following the first day on which either of them becomes aware of the occurrence of a Non-Registration Event, which notice shall specify the procedure for exercise by Holders of their rights to require redemption of the Notes pursuant to this Condition 5(d) (*Redemption for Non-Registration*).

In these Conditions:

a "**Non-Registration Event**" occurs when the Release Condition has not been satisfied on or prior to the Registration Deadline.

(e) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 5(a) (*Scheduled redemption*) to 5(d) (*Redemption for Non-Registration*) above.

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

(g) *Cancellation*: All Notes so redeemed or purchased by the Issuer, the Guarantor or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.

(h) *No duty to monitor:* The Trustee shall not be obliged to take any steps to ascertain whether a Change of Control, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Change of Control, Potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

(i) *Calculations:* Neither the Trustee nor any of the Agents 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 Noteholders or any other person for not doing so.

6. Payments

(a) *Principal*: Payments of principal shall be made by U.S. dollar cheque drawn on, or, upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.

(b) *Interest:* Payments of interest shall be made by U.S. dollar cheque drawn on, or upon application by a Holder of a Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City and (i) (in the case of interest payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Note Certificates at the Specified Office of any Paying Agent.

(c) *Payments subject to fiscal laws*: All payments in respect of the Notes 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 inter-governmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) *Payments on business days*: Where payment is to be made by transfer to a U.S. dollar account, 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 and, where payment is to be made by U.S. dollar cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of partial payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail. 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 and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(e) *Partial payment:* If a Paying Agent makes a partial payment in respect of any Notes, 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 Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.

(f) *Record date*: Each payment in respect of a Note 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**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the Noteholder otherwise than by ordinary mail, expense of the Noteholder) to the address shown as the address of the Holder in the Register at the close of business on the relevant Record Date.

*Notwithstanding the foregoing, so long as the Global Note Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note 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 payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

7. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or payments under the Guarantee of the Notes by or on behalf of 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 imposed, levied, collected, withheld or assessed by or on behalf of Singapore, the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to the rate applicable on 18 July 2017 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

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

(a) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or governmental charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Note 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 Tax Amounts if it had surrendered the relevant Note 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 interest shall be deemed to include any additional tax amounts in respect of such principal or interest (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 such Singapore or the PRC and such other jurisdiction.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) 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, the Guarantor, the Noteholders or any other person to pay such tax, duty, charges, withholding or other payment.

8. Events of Default

If any of the following events (each, an "**Event of Default**") occurs and is continuing, then the Trustee at its discretion may and, if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

(a) *Non-payment of interest*: the Issuer or the Guarantor fails to pay any amount of interest in respect of the Notes on the due date for payment thereof and such failure to pay interest continues for a period of 30 days; or

(b) *Non-payment of principal*: the Issuer or the Guarantor fails to pay any amount of principal or premium, if any, in respect of the Notes on the due date for payment thereof; or

(c) *Failure to comply with other obligations*: the Issuer defaults in the performance or observance of any one or more of its obligations under Condition 3 (*Covenants*), (other than those the breach of which would give rise to a right of redemption pursuant to Condition 5(d) (*Redemption for Non-Registration*)) which default (i) is incapable of remedy or (ii) being a default which is capable of remedy but remains unremedied for 45 days after the Trustee has given written notice thereof to the Issuer or the Guarantor; or

(d) *Failure to comply with other agreements*: the Issuer or the Guarantor defaults in the performance or observance of any of its obligations under or in respect of the Deed of Guarantee and the Trust Deed which default (i) is incapable of remedy or (ii) being a default which is capable of remedy but remains unremedied for 60 days after the Trustee has given written notice thereof to the Issuer or the Guarantor; or

(e) *Cross-acceleration of Issuer, Guarantor or Subsidiary*: the Issuer, the Guarantor or any of the Principal Subsidiaries defaults under any Indebtedness of the Issuer, the Guarantor or any of the Principal Subsidiaries (or the payment of which is guaranteed by the Guarantor or any of the Guarantor's Principal Subsidiaries), 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 Net Worth; or

(f) *Insolvency*:

(i) the Issuer, the Guarantor or any of the Principal Subsidiaries (a) consents to the entry of judgment, decree or order for relief against it in an involuntary case or proceeding under any applicable Bankruptcy Law, (b) consents to the appointment of a Receiver of it or for any substantial part of its property and assets, (c) makes a general assignment for the benefit of its creditors, (d) consents to or acquiesces in the institution of a bankruptcy or an insolvency proceeding against it; or (e) takes any corporate action to authorize or effect any of the foregoing, in each case except in respect of the voluntary solvent winding up of a Principal Subsidiary where all of the business, undertaking and assets resulting from such voluntary solvent winding up are transferred to or otherwise vested in the Issuer, the Guarantor or any of its other Subsidiaries; or

(ii) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (x) is for relief in an involuntary case against the Issuer, the Guarantor or such Principal Subsidiary, as the case may be, (y) appoints a Receiver for all or substantially all of the property and assets of the Issuer, the Guarantor or such Principal Subsidiary, as the case may be; or (z) orders the winding up or liquidation of the Issuer, the Guarantor or such Principal Subsidiary, as the case may be; and in each case under this clause (ii) such order, decree or relief has not been discharged or stayed for a period of 90 days, in each case except in respect of the voluntary solvent winding up of a Principal Subsidiary where all of the business, undertaking and assets resulting from such voluntary solvent winding up are transferred to or otherwise vested in the Issuer, the Guarantor or any of its other Subsidiaries; or

(g) *Unsatisfied judgment*: one or more final judgment(s) or order(s) from a court of competent jurisdiction in Singapore, Hong Kong, the PRC, England or a member country of the Organisation for Economic Cooperation and Development for the payment of an amount aggregating in excess of the higher of U.S.$35 million (or its equivalent in other currencies) and 2.5 per cent. of the Guarantor's Tangible Net Worth (net of any amounts that are covered by insurance policies issued by solvent carriers), is rendered against the Issuer, the Guarantor or any of the Principal Subsidiaries and continue(s) unsatisfied, undischarged and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(h) *Notes or the Guarantee of the Notes not in force*: the Notes or the Guarantee of the Notes shall cease to be in full force or effect or the Issuer or the Guarantor shall deny or disaffirm its obligations under the Notes and the Guarantee of the Notes.

In these Conditions:

"**Bankruptcy Law**" means any applicable bankruptcy, insolvency or other similar law now or hereafter in effect;

"**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 this Condition 8 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; or

(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 this Condition 8 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 this Condition 8 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 Noteholders;

(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 Noteholders; 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 a director of the Issuer or 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 Notes 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; and

"**Receiver**" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Note Certificates

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, 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 may reasonably require. Mutilated or defaced Note 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 costs and expenses in priority to the claims of the Noteholders. 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 Noteholders or any person.

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

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer or 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 Noteholders.

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 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 Noteholders.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*: The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Deed of Guarantee, the Trust Deed or the Agency Agreement. 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 Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. 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 Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes, (iv) to effect the exchange, conversion or substitution of the Notes for other obligations or securities, (v) to amend Condition 3 (*Covenants*), (vi) to cancel or amend the terms of the Deed of Guarantee, the Trust Deed or the Agency Agreement in each case 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 Noteholders 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 Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Noteholders holding not less than 90 per cent. of the aggregate principal amount of the Notes then outstanding who for the time being are entitled to receive notice of a meeting of Noteholders 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 Noteholders 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 Noteholders.

(b) *Modification and waiver*: The Trustee may, without the consent of the Noteholders, agree to any modification of these Conditions, the Deed of Guarantee or the Trust Deed or the Agency Agreement (in each case, other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of Noteholders and to any modification of these Conditions, 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 Noteholders, authorise or waive any proposed breach or breach of the Notes or of any of the provisions of the Deed of Guarantee, the 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 Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders by the Issuer as soon as practicable thereafter.

Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, 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 from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured 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 legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(c) *Directions from Noteholders*: Notwithstanding anything to the contrary in these Conditions, the Notes, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Notes, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, 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 from the Noteholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured 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 legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

(d) *Certificates and Reports*: The Trustee may rely without liability to Noteholders on a report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

13. Enforcement

The Trustee may at any time, at its discretion and without notice, institute such actions, steps and 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 Notes, but it shall not be bound to do so unless:

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

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

No Noteholder 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

The Issuer may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest, the timing of registration of the Deed of Guarantee with SAFE and the timing of notification to NDRC) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee (acting on an Extraordinary Resolution), create and issue other series of notes having the benefit of the Trust Deed, *provided that* such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

15. Notices

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail 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.

Until such time as any individual certificates are issued and so long as the Global Note Certificate is held in its entirety on behalf of Euroclear and Clearstream any notice to the Noteholders 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 Notes 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 Notes, the Issuer and the Guarantor shall indemnify the Trustee and each Noteholder, on the written demand of the Trustee or such Noteholder 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 Noteholder 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 each 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 Notes, the Trust Deed, the Deed of Guarantee and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by English law.

(b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, the Deed of Guarantee and the Agency Agreement, and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Trust Deed, the Deed of Guarantee and the Agency Agreement ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of the courts of Hong Kong to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, the Deed of Guarantee and the Agency Agreement.

(c) *Agent for Service of Process*: Each of the Issuer and the Guarantor irrevocably appoints Sinochem International (Hong Kong) Chemical Investment Co., Limited (currently at Room 2103, Tung Chiu Commercial Centre, 193 Lockhart Road, Wan Chai, Hong Kong) as its authorised agent for service of process in Hong Kong. If for any reason such agent shall cease to be such agent for service of process, the Issuer and the Guarantor shall forthwith, on request of the Trustee, appoint a new agent for service of process in Hong Kong and deliver to the Trustee a copy of the new agent's acceptance of that appointment within 30 days.

(d) *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.

SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Notes in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Notes set out in this Offering Circular. Terms defined in the Terms and Conditions of the Notes have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Global Certificate for the Notes contains provisions which apply to the Notes while they are in global form, some of which modify the effect of the Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions. The Notes will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions represented by the Global Certificate to the Noteholders in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Notes.

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 (*Events of Default*) occurs.

Whenever the Global Certificate representing the Notes 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 Notes scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, 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 Terms and Conditions of the Notes as they apply to the Notes evidenced by such Global Certificate. The following is a summary of certain of those provisions:

Payments on business days: In the case of all payments made in respect of the Global Certificate, "**business day**" means any day which is a day on which dealings in foreign currencies may be carried on in New York City.

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 weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Exercise of put option: In order to exercise the option contained in Condition 5(c) (*Redemption for Change of Control*) the Holder of the Global Certificate must, within the period specified in the Terms and Conditions of the Notes for the deposit of the Global Certificate and put notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Notices: Notwithstanding Condition 15 (*Notices*), 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 Notes 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.

HISTORY AND STRUCTURE OF SINOCHEM GROUP AND THE COMPANY

Sinochem Group

Sinochem Group is a PRC State-Owned Enterprise ("**SOE**") under the supervision of the SASAC. Founded in 1950, 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 conglomerate.

Sinochem Group is one of China's key SOEs and has been named to the "Fortune Global 500" 26 times and ranked 139th in 2016. In 2014, Sinochem Group was also ranked first in the "trading industry list" of "World's Most Admired Companies" published by Fortune.

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) oil exploration, production and trading, (ii) oil refineries, including one in Quanzhou, Fujian Province, China which is operated and wholly owned by Sinochem Group, and a second one which is operated by Dalian West Pacific Petrochemical Co. Ltd. and in which Sinochem Group has a 33.6 per cent. and (iii) oil storage and logistics and gasoline retail businesses, which are operated by Sinochem Group. In 2016, Sinochem Group had a total storage capacity of approximately 13 million cubic metres, together with a storage and logistics network covering the Yangtze River Delta, the Pearl River Delta, the Bohai Bay region as well as other areas along China's coastline and rivers. Sinochem Group is also a leader in third-party petrochemical warehousing and logistics in China. Sinochem Group's distribution network includes approximately 600 gas stations and retail outlets in northern, eastern and southern China.

Chemicals

Sinochem Group has operated its chemical business since its establishment. It consists primarily of fluorine chemicals, natural rubber, chemical logistics, pharmaceutical, pigment and chemical trading businesses. Sinochem Group has formed a complete industrial chain in its fluorine chemicals business covering resource development (fluorspar and hydrofluoric acid), research and development, production and marketing. It 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 60 years. 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 2016, with integrated international operations ranging from rubber planting, processing and marketing to logistics. It has natural rubber plantations in West Africa, and factories in Southeast Asia, West Africa, Hainan and Yunnan provinces of China.

In 2016, Sinochem Group possessed a natural rubber production capacity of 140,000 tonnes, and was a leading enterprise in China in terms of processing capacities. Its products include tyres as well as a variety of standard rubbers for manufacturing enterprises.

Sinochem Group is China's leading third-party supplier of petrochemical storage and logistics services and operates its business primarily through Sinochem International Corporation which owns one of China's largest hazardous chemical and tank lorry fleets. Sinochem Group has also been a participant in setting industrial standards for the water transportation industry for liquid chemicals in China.

Sinochem Group's chemical business also conducts research and development, manufacturing and distribution of pharmaceutical products. 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, pesticide and seeds businesses. Sinochem Group's pesticide business engages in research and development, production, sales and marketing of pesticides in China. In the last few years, the pesticide business has acquired full or partial interests several of China's and Southeast Asia's leading pesticide 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.

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.

Financial Services

Sinochem Group's financial services business consists primarily of financial leasing, trust businesses, futures, securities and investment funds, life insurance, corporate finance services. 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., which managed about 50 open-ended funds as of 31 December 2016, 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. As of 31 December 2016, Manulife-Sinochem has opened branches in more than 50 cities in China, including Beijing, Shanghai and Chongqing, with over 14,000 agents providing professional insurance services for clients.

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. Within 7 years after the establishment, CNCIEC imported 600 thousand tonnes of rubber, opening the import channels for international oil and chemicals. This laid a foundation for CNCIEC's development 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 Company 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 Company'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.

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 200 subsidiaries and branches in and outside China.

The Company

Originating as a production and warehousing business of rubber, plastic and chemical products, the Company was established in Beijing on 14 December 1998.

The Company is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. It is the only platform of the Group's agrochemicals, rubber and chemical logistics businesses.

In December 1999, the Company launched an initial public offering of its shares on the SSE before listing in March 2000.

In 2004, the Company was incorporated into SSE 180 Index.

In 2005, the Company 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.

Strategic transformation, core business development & management improvement

The Company has a clear expansion strategy focusing on resources. 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.

In 2010, the Company's revenue rose from RMB30 billion to RMB38.2 billion, with a breakthrough of RMB1 billion representing its core business profit. With its foundation in China, the Company 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 Company acquired a 51 per cent. stake in GMG Global Limited (SGX-ST: 5IM) ("**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 obtained an amide product production base in China through acquisition of Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. (SSE: 600389) ("**Nantong Jiangshan**"). 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. With a rapid development of its ISO tank container business, the Company partnered its chemical logistics segment with NewPort Tank Containers Inc. ("**NewPort**") to expand overseas in 2009. As at 31 December 2017, the Group has established 112 institutions overseas.

Acceleration towards a world-class organisation

In recent years, the Company 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.

The Company's capital structure was optimised by the private placement of shares in November 2013, raising RMB3.74 billion. It resulted in an increase in the Sinochem Group's share interest to 54.6535 per cent. in the Company.

The Company's strategic breakthrough in its core businesses is exemplified by the following transactions: it merged with Sinorgchem and acquired a 60.98 per cent. stake in the company in order to enhance sales synergies between rubber chemicals and natural rubber. It also merged with Jiangsu Yangnong and acquired a 40.53 per cent. stake in the company. With the advanced technologies in fine chemicals and chemical intermediates, the merger with Jiangsu Yangnong is a significant strategic step in entering the agrochemical and chemical intermediates and new materials markets in order to pursue growth and to position itself as a global diversified chemical and materials company. The acquisition of HAC, 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 Corporation ("**Michelin**"), Bridgestone Corporation ("**Bridgestone**") and Goodyear Tire and Rubber Company ("**Goodyear**").

The Sinochem Group transferred its entire agrochemical assets to the Company, making it the subject of agrochemical business integration. The Company also signed a strategic cooperation Memorandum of Understanding with Belgium's Solvay S.A. to strengthen the cooperation regarding chemical intermediates and new materials and particularly green chemicals.

THE ISSUER

Formation

Sinochem International Development Pte. Ltd. is a limited liability company incorporated under the Companies Act (Chapter 50 of Singapore) (Company Number: 201717975R). It was incorporated in Singapore on 28 June 2017. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

The Issuer was established pursuant to the objects and powers set out in its constitution. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a wholly-owned subsidiary of the Company as well as in connection with the issuance of the Notes.

Financial Statements

Under Singapore law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep such proper books of account as are necessary to sufficiently explain its transactions and financial position and enable true and fair financial statements to be prepared.

Directors and Officers

The Directors of the Issuer are Cheng Ruimin and Ong Hooi Siang. None of the Directors of the Issuer holds any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

Share Capital

The Issuer has an issued and paid-up share capital of S$1,000 comprising 1,000 ordinary shares as of the date of this Offering Circular. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. As of the date of this Offering Circular, the Issuer does not have any debt outstanding other than the Notes offered hereby.

DESCRIPTION OF THE GROUP

Overview

The Company 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, 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, agricultural and chemical 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, transforming itself from a trading company into a multi-industry conglomerate. In addition, Sinochem Group has further diversified its businesses into real estate and financial services. Sinochem Group is one of China's key SOEs and has been named to the "Fortune Global 500" 26 times, ranking 139th in 2016.

The Company 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 at 31 December 2016, Sinochem Group has provided credit facilities of RMB700 million for working capital purposes to Sinochem Corporation (the Company's parent company) and RMB500 million to Nantong Jiangshan. Also, Sinochem Group has provided a shareholder loan of RMB657 million from SASAC to the Company by way of entrusted loan at a concessionary interest rate of 1.35 per cent.. The Company accounted for 11.4 per cent. and 12.5 per cent. of Sinochem Group's total assets as of 31 December 2015 and 2016, respectively. The Company accounted for 11.5 per cent. and 10.3 per cent. of Sinochem Group's revenue for the years ended 31 December 2015 and 2016, respectively.

The Group's businesses are categorised into six segments for financial reporting purposes: "Agrochemical", "Chemical Intermediates and New Materials", "Rubber Chemicals", "Natural Rubber", "Chemical Logistics" and "Distribution and Trade".

- *Agrochemical* – the Group's agrochemical segment mainly engages in the production of agrochemicals including herbicide, pesticide and fungicide covering high, middle and low-end markets.
- *Chemical Intermediates and New Materials* – the Group's chemical intermediates and new materials segment produces chemical intermediates including caustic soda, dichlorobenzene and epoxy, with a shifting focus to fine chemicals.
- *Rubber Chemicals* – the Group's rubber chemicals segment engages in the production of rubber chemicals, such as 6PPD and intermediate RT base, as well as its market platform and the expansion of rubber chemicals business into overseas markets.
- *Natural Rubber* – the Group's rubber segment covers the entire industrial chain of natural rubber including planting, acquiring, processing, rubber chemicals, trade and industrial application. It also covers rubber chemical production, processing, marketing and other value-added services.
- *Chemical Logistics* – the Group's chemical logistics segment provides logistics services to chemical producers and distributors including chemical shipping service, ISO tank containers, multimodal transport, freight forwarding and terminal storage tanks.
- *Distribution and Trade* – the Group's distribution and trade segment engages in the distribution of chemical products, energy and metallurgical products.

The following tables set forth the Group's revenue and gross profit by segment for the years ended 31 December 2014, 2015 and 2016.

	As at 31 December			
	2015		2016	
	Revenue *(RMB '000)*	Gross profit Margin %	Revenue *(RMB '000)*	Gross profit Margin %
Agrochemical	2,642,696.6	16.9	2,837,107.9	17.9
Chemical Intermediates and New Materials	5,951,504.2	24.3	5,468,502.9	21.9
Rubber Chemicals	2,197,272.6	34.1	2,272,913.9	34.5
Natural Rubber	12,939,049.4	6.2	11,898,784.7	7.7
Chemical Logistics	3,864,531.1	19.0	4,034,898.5	22.3
Distribution and Trade	16,150,638.1	2.3	14,131,210.2	2.3

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

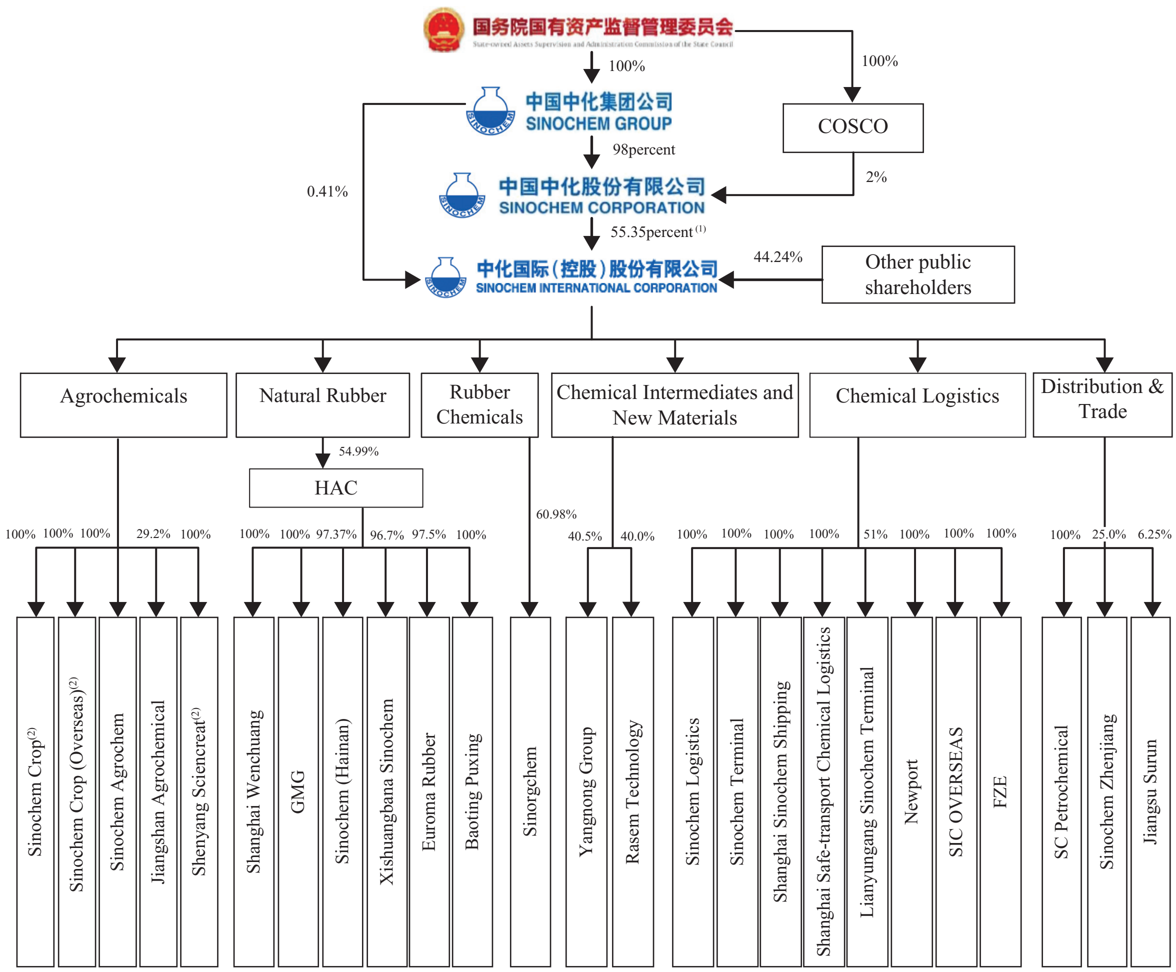
Group had RMB399.5 billion in total assets as of 31 December 2016 and RMB395.5 billion in revenue for the year ended 31 December 2016. Sinochem Group is the fourth largest PRC national oil and gas company as well as one of the largest chemical service providers and one of the largest agricultural input companies in China. See "*History and Structure of Sinochem Group and the Company*".

The Issuer

The Issuer is a wholly-owned subsidiary of the Company and was incorporated with limited liability on 28 June 2017 in Singapore under the Companies Act (Chapter 50 of Singapore). The Issuer has no material assets and will conduct no business except in connection with the issuance of the Notes and the advance of the net proceeds from their issuance to the Company. The registered address of the Issuer is located at 8 Marina View, #34-03, Asia Square Tower 1, Singapore (018960).

Corporate Structure

Being controlled by Sinochem Group, the Company achieves a highly-efficient and synergistic operation with integrated management structure. The following diagram illustrates the corporate structure of the Group as of 31 December 2016:



Notes:

(1) Other public shareholders represents the shareholding mainly held by retail investors whose individual share interest will not exceed 3 per cent.

Awards and Recognitions

Year	Events
2000	Jiangsu Yangnong was awarded the Post-Doctorate Scientific Research Workstation of National Committee of Post-Doctorate Management under MoP of the PRC.
2004	The Company received the First Prize of the Science Progress Award of China's Petrochemical Industry.
	The Company received the Second Prize of National Science and Technology Progress Award.
2005	The Company was awarded the "Big Wisdom Cup" for the Most Amicable Listed Company in Investor's Mind.
	The Company was awarded the Top 20 Chinese Listed Companies with the Strongest Comprehensive competitiveness.
	Jiangsu Yangnong was awarded the Technology Innovation Model Company in the Chemical Industry of China.
2006	The Company was awarded the Listed Company with the Highest Sense of Responsibility in the "Influence China" competition.
2006	The Company topped the list of 100 Best Listed Companies in Corporate Governance.
2010	Jiangsu Yangnong won the 1st Class Award of Science & Technology Progression of CPCIA.
2011	The Company was awarded the Chinese Listed Company with the Best Investor Relationship.
2013	The Company received the Second Prize of Sinochem Group's Technological Invention Award.
	Sinochem Agro was awarded the Chinese Farmers' Most Favourite Agrochemical Brand awarded by Farmers' Daily.
	The Company was awarded the 4th Risk Management Summit for Chinese Listed Companies and Golden Shield Award.
	Sinorgchem received the Award of Excellent Standard Project in National Petroleum & Chemical Industry of China Petroleum and Chemical Industry Federation ("**CPCIA**").
2014	Sinorgchem entered the list of Top 500 Chinese Chemical Companies in 2014.
	Sinorgchem Agro named as Top 100 Sales Company in the Agrochemical Industry of China.
2014	Sinochem Agro became a member of Safe and Scientific Use of Agrochemical Committee under the CPCIA.
2014	The Company was awarded the Golden Shield Award of Risk Management for Chinese Listed Companies.
2016	Sinorgchem received the Quality Accreditation Certification from China Rubber Industry Association.
2016	Sinochem Agro became a member of Safe and Scientific Use of Agrochemical Committee under CPCIA.
2016	Sinorgchem was awarded the Most Socially Responsible Enterprise by CPCIA.
2016	The Company was elected as one of the ten best Petroleum and Chemical supplier by CPCIA.
2016	Jiangsu Yangnong's patent of ZL200310122496.1 was awarded the China's Outstanding Patent Prize.
2016	The pesticide development team of Shenyang Sinochem Agrochemicals Research and Development Co., ("**Shenyang R&D**") was awarded the Innovative Team Prize by CPCIA.
2016	Jiangsu Yangnong and Youth Chemical Co., Ltd. was awarded the Second-Runner Up in the Scientific Development Prize by CPCIA.
2016	Shenyang Sciencreat was awarded the Third-Runner Up in the Scientific Development Prize by CPCIA.
2016	Jiangsu Yangnong was awarded China's Industrial Prize.
2016	The Company received Gold Round Table Award of Chinese Listed Companies sponsored by Board of Directors for 8 consecutive years.

Competitive Strengths

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

Leading position in the industry with vertically integrated operations across the entire industry value chain

The Group is a market leading chemical processing operator, and has developed vertically integrated operations along the production chains in these two industries. The Group has established an integrated industry chain in its agrochemical, rubber and chemical intermediates and new materials segments. It also leverages the shipping capacity of the chemical logistics segment and the distribution network of the distribution and trade segment to continuously enhance the synergies between segments, including (a) transport and trade synergy, where the chemical logistics segment transports goods to the Middle East for its distribution and trade segment; and (b) industry and trade synergy, where the distribution and trade segment completes its procurement tasks based on Sinorgchem's production status in order to stabilise supply.

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" (农达) 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" (马歇特) and "Lasso" (拉索), 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. Through investing in Nantong Jiangshan, the Group has achieved synergy by vertical integration of upstream and downstream operations and gained access to a stable supply, production and development of high quality agrochemical products. The Group has also expanded its operations into 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 Philippines. 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. was also acquired and consolidated under the Group in late 2014. The Group believes that, following the reorganisation, its competitive advantage in respect of its production efficiency, branding, technologies and distribution channels will be further enhanced.

Chemical intermediates and new materials

The Group's chemical intermediates and new materials segment processes two main categories of products, namely chemical intermediates and new materials. The Group has been making proactive efforts to expand its market share in the markets of caustic soda, dichlorobenzene, nitrochlorobenzene, epichlorohydrin and aniline. As at 31 December 2016, 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.

Rubber Chemicals

The Group has become a global market leading and competitive producer of 6PPD through its acquisition of Sinorgchem, and has maintained a stable leading position in both domestic and international 6PPD markets. Sinorgchem owns the patents for the key technologies used in producing rubber antioxidant 6PPD and chemical intermediate RT base and has solid industry foundation and strong R&D capabilities. As at 31 December 2016, 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, 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 Euroma Rubber in Malaysia, GMG in Singapore and TBH in Thailand, 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 and operating in all planting, processing and distributing stages.

As at 31 December 2016, the Group had 122,800 hectares of cultivated rubber plantations, which produces 1.2 million tonnes of natural rubber annually with factories 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, Goodyear, Hankook Tire ("**Hankook**") and Pirelli & C. S.p.A. ("**Pirelli**").

Chemical logistics

The Group's chemical logistics segment for chemicals is comprised of its shipping business, ISO tank business, storage tank business and freight warehouse business. In terms of shipping business, the Group has the highest market share for the domestic and Taiwanese Strait markets and a substantial market share for routes to the Middle East and Australia. The Group has also established a complete safety management system for its ships that meets international standards. As at 31 December 2016, the Group was the largest international standard liquid chemical logistics service provider in China, with the largest and the third largest liquid chemical shipping capacity in China and in Asia, respectively. As at 31 December 2016, the Group controlled 75 ships, with a shipping capacity of more than 1.2 million tonnes and a domestic market share of 18 per cent..

As at 31 December 2016, the Group manages more than 166,500 cubic metres of storage tanks. The Group provides comprehensive services including chemicals and oils storage, bonded warehousing and terminal handling at the Lianyungang Port through Lianyungang Port International Petrochemical Storage Group and Lianyungang Port International Petrochemical Harbor Service Company, two joint ventures of the Group and Lianyungang Port Group, with three liquid bulk terminals of 50,000 tonnes constructed already.

Distribution and trade

The Group's distribution and trade segment can be split into chemicals distribution business and metallurgical energy distribution business in terms of the products covered. Chemicals distribution covers benzene, phenol, hydrocarbon, base oil and gas, with major products including styrene, glycol, polyolefin and liquefied gas. The metallurgical energy distribution business mainly involves coke, iron ore and coal. The overseas operation of the Group's distribution and trade segment has been playing an increasingly important role, with gradual increase in proportion of long-term contracts. As of 31 December 2016, the Group was one of the top three importers of base oil and one of the top five importers of iron ore in the PRC.

Diversified chemicals industry operations effectively coping with market volatility

Since the listing of the Company on the SSE in 2000, the Company 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 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. 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, Sinorgchem and HAC as well as its investments in Nantong Jiangshan and Jiangsu Yangnong. 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 rubber, chemical intermediates and new materials, agrochemical, chemical logistics and distribution and trade, 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 industry integration 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, rubber and chemical logistics businesses have expedited the pace of its overseas expansion by acquiring companies such as GMG, NewPort, HAC and Dorval SC Tankers Inc. 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, the rubber industry and the chemical logistics industry from an early stage. As at 31 December 2015 and 2016, the Group has 46 per cent. and 47 per cent. of its total assets attributable to its overseas assets respectively. For the years ended 31 December 2015 and 2016, 49 per cent. and 54 per cent. of the Group's revenue were attributable to its overseas operations.

The Group has established strong and long-term business relationships with major global players in the key industries it operates in, including Monsanto for its agrochemical business, Michelin, Bridgestone and Goodyear for its rubber chemical business and NewPort for its shipping and storage tank business. The Group is also the designated distributor in relation to various chemical products in China of Exxon Mobil, JSR Corporation and Lanxess AG.

With strong, long-term business relationships with the leading global and domestic customers for its specialty chemical and rubber products and chemical logistics services, 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 with strong R&D capabilities

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 investment in its R&D steadily grew from RMB283.2 million for the year ended 31 December 2015 to RMB318.2 million for the year ended 31 December 2016 and such investment has laid a solid foundation for the Group's continuous innovative development. As at 31 December 2016, the Group employed 252 people for R&D and possessed 450 authorised patents.

The Group is currently cooperating with institutions including Shanghai Normal University, Shanghai Pesticide Research Institute, Shanghai Academy of Agricultural Sciences, Japan Mitsui Agro and East China University of Science and Technology, providing strong support to its R&D needs. 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 40 productive active ingredient varieties as at 31 December 2016. As at 31 December 2016, the Group's agrochemical team consisted of over 160 people in 31 provinces, municipalities and autonomous regions across the PRC. It also establishes liaison offices in countries such as Argentina, Brazil and Venezuela to actively promote overseas sales.

For the Group's chemical intermediates and new materials segment, Jiangsu Yangnong owns four research institutes. In addition, Jiangsu Yangnong 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 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. As at 31 December 2016, the Company had conducted 123 HSE checks. The Group found 4,308 hidden risks but had managed to ratify most risks with a ratification rate of 98.7 per cent. 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. The Group has also successfully maintained various energy conservation and emission reduction indicators within a controllable range. For example, the emission of sulfur dioxide, nitrogen oxides and chemical oxygen demand decreased from 1,710 tonnes, 2,041 tonnes and 1,602 tonnes for the year ended 31 December 2015 to 530 tonnes, 1,602 tonnes and 1,142 tonnes for the year ended 31 December 2016, resulting in a decrease of 69.0 per cent, 17.8 per cent. and 28.7 per cent. respectively. The Group has established a HSE management elements system which satisfies the ISO14001 and QHSAS18001 standard requirements, and 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. As at 31 December 2016, 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 RMB21.9 billion in total. Among such debt financing, 41 per cent. consisted of short term borrowings, 21 per cent. consisted of long term borrowings, 20 per cent. consisted of bonds payables, 10 per cent. consisted of non-current liabilities due within one year and 8 per cent. consisted of notes payables. Among such debt financing, 59 per cent. was categorised as short term debts and 41 per cent. was categorised as long term debts. Credit facilities amount to RMB48.5 billion, among which RMB11.9 billion has been utilised and RMB36.6 billion have not been utilised.

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 an AAA domestic credit rating that enables it to secure domestic debt financing at low cost and to financially support the Group, its strategically critical subsidiary. Both Sinochem Group and the Group also have access to ample bank facilities to support their funding needs and the growth of the Group's business.

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 60 years of history. Sinochem Group was the first import and export SOE authorised to specialise in foreign trade, has been named in the "Fortune Global 500" 26 times and ranked 139th in 2016, and ranked 31st in China's "Top 500 Enterprises" by China Enterprise Confederation ("CEC") and China Enterprise Directors Association ("CEDA") in 2016.

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 2016, Sinochem Group was awarded a Class A designation in its 2016 SOE operating performance review, achieving this honour for the eleventh consecutive year.

The Company 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 is the only platform of the Group's agrochemicals, rubber and chemical logistics businesses. In particular, the chemical segment is one of Sinochem Group's core businesses, and the Company is the most important platform of Sinochem Group's chemical segment, covering the major assets of Sinochem Group's chemical segment. The Company accounted for 47 per cent. of Sinochem Group's total assets at the end of 2016 and 54 per cent. of Sinochem Group's revenue for the year ended 31 December 2016.

The Company is a flagship holding subsidiary of Sinochem Group and a core platform for executing Sinochem Group's business strategy. The Company'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 Company. In particular, the Sinochem, Group offers liquidity loan support to the Company and to its subsidiaries through a finance company and has undertaken many senior management coordination efforts for the Company. In respect of the lines of credit granted by Chinese banks to the Company, 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 Company as deemed by Sinochem Group necessary for the Company.

Established and trusted Sinochem brand

The Company enjoys the high market value of the Sinochem brand, one of the most valuable and recognised brands in China over 60 years of cultivation. The World Brand Laboratory ranked Sinochem as the seventh most valuable brand in China in 2016.

Many of the Company'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 Company's business operations. For example, Sinochem received the Quality Accreditation Certification from China Rubber Industry Association in 2014 and Sinochem Agro became a member of Safe and Scientific Use of Agrochemical Committee under CPCIA in 2016.

Experienced and respected management team

The Company's businesses are generally centrally managed at Sinochem Group. Each of the Company's business units reports directly to the senior management of corresponding business units of 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 Company.

The current management team is comprised of individuals with a proven track record and many years of experience in the business sector.

Strategy

The Group aims to diversify its operations into high profit and high growth businesses through both organic growth and mergers and acquisitions. The Group has started developing its fine chemicals business as one of its core businesses through consolidating its existing resources globally and innovation. As an integral part of this overall goal, the Group aims to achieve significant growth in each of its six segments by employing the following strategies:

Agrochemical

The Group's vision for its agrochemical segment is to transform itself into a global leading generic agrochemical brand operator, own home grown core brands and formulations, and further improve its internationalised operation along the production chains of industries it operates in. The Group aims to maintain its market leadership in the agrochemical industry in China and to become a leading agrochemical operator in Asia Pacific and among the top 10 agrochemical producers globally.

The Group plans to continue to integrate the different entities operating in the agrochemical business within the Sinochem Group and strengthen the synergy across entities along the production chain. As a leading agrochemical enterprise in China with a complete product value chain, the Group has played a key role in areas of new agrochemical creation, R&D and industry upgrade, and has made significant contribution to enhancement of China's agrochemical self-sufficiency and widespread improvement of supply quality. The Group intends to strengthen its marketing effort within the PRC and actively raise the brand profile of its core products including the Roundup glyphosate. As for the Group's operations in the overseas markets, the Group will continue to expedite the development and marketing of its new products, and continue to register patents in key markets such as Asia Pacific for its core research projects, in order to strengthen the foundation for the Group's future expansion in overseas markets.

Chemical Intermediates and New Materials

The Group has been making proactive efforts to optimise its industry presence and enhance its existing business capability for caustic soda, dichlorobenzene, nitrochlorobenzene, epichlorohydrin and aniline products, while utilising its expertise in chemical intermediates and move further down the supply chain into businesses of coating ingredient and high-performance thermoplastic in order to gradually transform itself into a fine chemicals operator. It aims to diversify into new industries with high profit margins, such as aerospace, bulletproof products and automobile.

It also aims to be a global leader in the businesses of chlorination and nitration of aromatic hydrocarbon and develop a leading edge in the recycling economy.

Rubber Chemicals

The Group plans to solidify its rubber chemicals business, strengthen its rubber antioxidant business presence in both domestic and international markets, enhance strategic cooperation with core tyre manufacturers and accelerate its product line expansion with the aid of its own technological advancement.

Natural Rubber

The Group's vision for its rubber segment is to become a global leading natural rubber operator and provider with operations along the whole production chain. In order to maintain a stable source of raw materials for its natural rubber business, the Group has focused on developing its own plantation of natural rubber. It intends to proactively drive forward the establishment of its major global natural rubber operation centres and to achieve sustainable growth in its plantation progress, while increasing the operational efficiency of its domestic and overseas rubber processing plants.

At the same time, in light of the emphasis on sustainability and environmental impacts globally, the Group intends to establish a global franchise with a forward-looking management team to benchmark its activities globally against best practices found in other industries. Ultimately, the Group aims to lead the change in modernising the production of natural rubber.

Chemical Logistics

The Group's vision for its chemical logistics segment is to achieve business diversity through the introduction of strategic investors and to support the rapid and sustainable development of the Group's other segments.

The Group handles liquid chemicals shipping, tank container logistics and terminal storage tank and is able to build up scale advantage through synergy among the above operations and create a "door-to-door" service model by combining sea and land transportation for chemical logistics.

The Group intends to take advantage of the One Belt One Road initiative promoted by the PRC government, under which the terminals and storage tanks along the east coastal areas of the PRC would become key logistic nodes. The Group is able to import methanol through the Lianyungang Port and make local procurement through the Longhai-Lanxin railway line. The Group expects the Lianyungang project to be able to become the hub for transportation of methanol through highway, railway and waterway. Meanwhile, demand for para-xylene and glycol import from the nearby purified terephthalic acid plant are expected to grow steadily which would in turn drive the growth of storage tank business in Lianyungang.

Distribution and Trade

The Group's vision for its chemical distribution and trade segment is to support the distribution of products and facilitate the Group's business transformation through integration of its internal and external resources.

The Group currently distributes a wide variety of chemicals, including aromatic hydrocarbon, solvent, polyester, petroleum products, and metallurgical energy, including coke, iron ore and coal. The Group seeks to focus on core products to improve its key operating capabilities, while looking for vertical integration opportunities through acquisition of stable upstream resources surrounding its core products. The Group also intends to explore and maintain its key clients of its core products and increase the proportion of products sold under long-term supply contracts in order to maintain a stable income source.

Recent Developments

On 27 April 2017, the Guarantor published its 2017 First Quarter Financial Statements in the PRC. The 2017 First Quarter 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 reviewed or audited by EY, its independent auditor. The 2017 First Quarter Financial Statements should not be relied upon by the Investors (see "*Risk Factors – Risks relating to the Group's business – 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.*"). However, certain financial information has been extracted from the 2017 First Quarter Financial Statements and certain material changes in financial position and/or results have been disclosed below.

There were significant decreases in cash and bank balances and a significant increase in short term borrowings as at 31 March 2017 as compared to 31 December 2016 as a result of funding needs in respect of the Group's expansion activities and its initiatives to increase production capacity.

Agrochemical Segment

Industry Overview

China's agrochemical industry has experienced rapid development and it is expected that this trend will continue, especially against the backdrop of China capping its agrochemical products application by 2020. China's exports of agrochemicals have successfully competed in the overseas markets, and currently, approximately half of the domestic production supplies overseas markets.

However, more recently, 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.

Business Overview

The Group is engaged in operation of agricultural materials, industrial investment and trade of goods and technology. Currently, it is the only Chinese company which owns premium international brands of agrochemical products.

Production

The Group has established three production bases in Shenyang, Nantong and Yangzhou in China, with a total production capacity of 153 thousand tonnes. Primary agrochemical products include herbicides and insecticides with trademark ownership of the four brands of Machete, New Machete, Harness, Lasso as well as exclusive dealership for Roundup, Rodeo and Omex in China.

The Group actively seeks opportunities to integrate downstream and upstream businesses. It acquired a 28 per cent. stake in Nantong Jiangshan, in May 2007, and increased its stake to 29.19 per cent. and became its largest shareholder in November 2008.

In 2012, it obtained a 40.53 per cent. stake in Jiangsu Yangnong through acquisition and capital increase. Jiangsu Yangnong leads the domestic market in pyrethroid and imidacloprid, ranking second in the world in terms of production capacity.

As at 31 December 2016, the Group has a market share of 10 per cent. globally in glyphosate, 22 per cent. in pyrethroid and 50 per cent. in pyrephroid used for sanitation in term of production capacity.

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 200 registered trademarks, such as Jiangsu Yangnong, Moju and Jiangshan. It is also the exclusive dealer of brands such as Roundup, Latitude and Rocket, 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. In overseas markets, the Group has set up branch offices in Thailand, the Philippines, India, Australia, Argentina, and Brazil, and it owns over 40 brands overseas. 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. As at 31 December 2016, the Group has a market share of 95 per cent. in butachlor (a kind of pesticide), 25 per cent. in glyphosate in terms of sales in India.

R&D Capabilities

In 2014, the Group acquired Sinochem Agro Co., Ltd. ("**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.

In May 2015, Jiangsu Yangnong 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.

Chemical Intermediates and New Materials 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 chemical intermediates and new materials 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 chemical intermediates and new materials business is an industry in transition. Historically, North American, Western European and Japanese firms 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.

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 31 December 2016, the Group has a production capacity of 200,000 tonnes of aromatic hydrocarbon chlorination and 100,000 tonnes of aromatic hydrocarbon nitration. The Group also had the world's first 10,000 tonnes glycerol epichlorohydrin production machine. The Group has been making proactive efforts to optimise its industry presence and enhance its existing business capability for caustic soda, dichlorobenzene, nitrochlorobenzene, epichlorohydrin and aniline products, while utilising its expertise in chemical intermediates and move further down the supply chain into businesses of fine chemicals.

As at 31 December 2016, the Group ranks top 5, and has a market share of 7 per cent. in terms of sales in the Philippines. In particular, the Group has a market share of 20 per cent. in the corn production industry in terms of sales.

The table below shows the sales volume and the revenue of major chemical intermediates products for the years ended 31 December 2015 and 2016.

	As at 31 December			
	2015		**2016**	
	Sales Volume ('000 tonnes)	**Revenue** (RMB'000,000)	**Sales Volume** ('000 tonnes)	**Revenue** (RMB'000,000)
Caustic soda	200.2	360.1	194.7	395.6
Dichlorobenzene	63.0	540.0	63.4	420.6
Nitrochlorobenzene	97.0	461.5	93.5	452.2
Epichlorohydrin	108.3	830.8	103.9	669.5
Aniline	27.4	146.9	27.6	155.1

New Materials

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.

Furthermore, by utilising Jiangsu Yangnong'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. By utilising the Group's leading industrial technology, the Group has developed carbonate for lithium battery with an annual production capacity of 50,000 tonnes and NMP solvent with an annual production capacity of 20,000 tonnes.

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.

Rubber Chemicals Segment

Industry Overview

Entering the 21st century, China's rubber chemicals 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 rubber chemicals industry.

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 rubber chemicals 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 Sinorgchem, the world's largest rubber antioxidant 6PPD and intermediate RT base producer with strong production capacity and R&D capabilities.

Sinorgchem'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, Sinorgchem 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, Sinorgchem 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 table below shows the production volume by each production base for the years ended 31 December 2015 and 2016.

	As at 31 December	
	2015	**2016**
	('000 tonnes)	
Caoxian	61.7	72.3
Taian	46.9	51.7
Tongling	4.1	9.7
Total	112.7	133.7

Marketing and Sales

The Group has established business relations with over 100 companies across 30 provinces and municipalities in China with an increasing market share of 40 per cent. globally in terms of sales. The Group has a market coverage of nearly 100 per cent. of major tyre clients. The Group's core clients include Michelin, Bridgestone, Continental, Goodyear, Pirelli, Yokohama, Hankook, Kumho and other global top tyre manufacturers. 50 per cent. of the Group's products is exported to more than 50 countries and regions across the globe.

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 aim 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.

The Group has also established cooperation on R&D with renowned domestic and international universities. The Group has established long-term cooperation with leading universities and research institutions both at home and abroad, including Nanjing University of Technology, Zhejiang University of Technology, Zhejiang University, the University of Akron and Beijing Rubber Design Institute and have achieved over 190 scientific and technological innovations.

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 ha, 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 is expected to increase significantly.

Business Overview

The Group is a leading rubber business operator and service provider in the PRC and is an operator in the international natural rubber resource industry with core competitiveness, operating across the whole natural rubber industry chain. It possesses the largest market share in the PRC and is the third largest company in the world in terms of both production capacity and sales.

The Group has an integrated business model from upstream plantations to end-use applications. It connects the entire industrial chain of rubber, from plantation, purchase, processing, trading to production in order to provide sustainable high quality raw materials to tyre companies and rubber product manufacturers around the world. Furthermore, with years of R&D and production experience in material science, the Group offers customised functional rubber chemicals and high-performance solutions.

The Group primarily focuses on the domestic Chinese market and is actively expanding into Southeast Asia, South Asia, Europe, Africa and America. The Group is also a pioneer in implementing the One Belt One Road national policy of the Chinese government.

As one of the first natural rubber trade companies in China, the Group has a history of over 60 years 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. Now it has formed an integrated business model with upstream and downstream industrial chain operations. The Group is a pioneer in implementing the One Belt One Road national policy of Chinese government.

Production

The Group's rubber resources are located in Yunnan and Hainan of China, west Africa and Southeast Asia, covering the world's major rubber producing areas. As at 31 December 2016, the Group has a total cultivable land bank of 120 thousand hectares.

Over the years, the Group have acquired various companies to expand its rubber resources. In 2007, the Group acquired 3 domestic natural rubber processors, including Xiangdong in Yunnan as well as Anlian and Chengxin in Hainan. The Group also acquired Euroma Rubber, which had over 20 years of rubber processing operations and an annual processing capacity of 30,000 tonnes. In 2008, the Group successfully acquired the Singapore-listed company GMG, resulting in ownership of indirect interest in natural rubber plantations in Africa, Indonesia and other regions. The acquisition has brought the Group into the plantation sector of the natural rubber industry. GMG owns 12 production plants in countries such as Thailand and Indonesia, with a total capacity of 527 thousand tonnes. In 2010, the Group acquired a 55 per cent. stake in Thailand-based rubber giant TBH through GMG to grow exponentially and increasing its internally controlled capacity by 200,000 tonnes.

In 2016, Sinochem International (Overseas) Pte. Ltd. ("**SIO**"), a wholly-owned subsidiary of the Company, completed the acquisition of 54.99 per cent. of the total issued and paid-up shares in the capital of HAC, a natural rubber chain supplier. After the acquisition of HAC in 2016, the Group has 122,800 acres of land in Africa and Southeast Asia in its upstream business and 35 facilities in Indonesia, Thailand, Malaysia, China and Africa with a total annual processing capacity of 1.4 million metric tonnes in the midstream processing business. As at 31 December 2016, the Group has a production capacity of 11 per cent. of the world's total processing capacity of natural rubber.

Marketing and Sales

The Group continues to strengthen supply chain management, aiming to improve services to downstream customers through marketing networks, central warehouses, logistics and distribution facilities, as well as an overseas marketing platform in Singapore. Furthermore, the Group is strengthening its strategic cooperation with major players in the tyre industry like Bridgestone, Michelin, Continental and Goodyear, expanding its sales scale.

The Group has constantly strengthened its capabilities in supply chain management and downstream client market and services through a nationwide marketing network, central warehouses, logistics and distribution service facilities, as well as overseas distribution platforms in Singapore and other countries. The Group is a leader among domestic peers, boasting a worldwide sales network and an established domestic marketing networking covering China's tyre and rubber product manufacturers. In 2016, The Group reached total sales of 13.3 million tonnes, ranking third among all natural rubber suppliers in the world in terms of both production capacity and sales. The Group is also a major supplier to the world's top tyre manufacturers, including Michelin, Goodyear, Bridgestone, Hankook and Pirelli.

The table below shows the Group's market sales volume for the natural rubber segment.

	Sales Volume ('000 tonnes)
As at 31 December 2015	1,270
As at 31 December 2016	1,330

Chemical Logistics Segment

Industry Overview

Barriers to entry for liquid chemical shipping is relatively high in China, as market admittance to and the business operations of the liquid chemical shipping industry are strictly monitored by the transportation and maritime authorities in China. In line with an increase in chemical trade, it is expected that there will be steady and sustainable demand for chemical logistics. In addition, with more stringent safety and environmental protection requirements, industry standards will improve gradually and requirements for providing professional and highly technical services will also increase.

Business Overview

As a world-leading comprehensive logistics service supplier in liquid chemicals, the Group has established its network in major markets of the world, such as China, Taiwan, Northeast Asia, Southeast Asia, the Middle East, India, Australia and New Zealand. By connecting information flow and business operations, the Group offers advanced, efficient, and comprehensive logistics solutions and smart services for energy and chemical products. It is now an indispensable part in its clients' global supply chain.

Chemical Vessel

The Group is currently Asia's largest chemicals carrier and the only ship owner in China who has the capability to transport high-end and highly hazardous liquid chemicals. The Group controls 75 IMO I/II/III tankers ranging from 2,700 to 45,000-tonne deadweight capacity for liquid chemicals, with a total controlling capacity of over 1.2 million tonnes. The Group ships bulk liquid chemicals, hazardous liquid chemicals, acids, oil products, cooking oil, animal and vegetable oils and other specialty chemicals. The Group is the only qualified shipper in China for high-end chemicals like toluene diisocyanate and methylene diphenyl diisocyanate and it has a market share of 18 per cent., and 60 per cent. in the high-end market, in China as at 31 December 2016.

The Group has established a complete safety management system that meets international standards and continues to improve upon itself. The Group is proud of their onshore management staffs who have rich experience in chemicals ships and tankers, as well as their ship crews who have good ethics and professional expertise. They are thus capable of managing oil tankers and chemicals ships of all sizes, reaching standards set by major energy chemicals companies such as Shell, BP, Chevron, BASF, Exxon Mobil, and also by Chemical Distribution Institute.

The Group and Dorval Kaiun K.K., the fourth largest shipping company in Japan, established a joint venture Dorval SC Tankers Inc., aiming to take full advantage of their strengths in the routes to Australia and New Zealand to provide better services for global customers. As one of the first liquid chemicals shipowners to obtain a Taiwan direct route permit, the Group plays an important role in cross-strait shipping with 26 ships approved with direct-route certificates.

The table below summarises the number of vessel controlled, shipping capacity and revenue of the Group for the years ended 31 December 2015 and 2016.

	Number of Vessel Controlled	**Shipping Capacity ('000,000 tonnes)**	**Revenue (RMB' 000,000,000)**
As at 31 December 2015	75	1.1	3.0
As at 31 December 2016	75	1.2	2.9

The Group plans to eliminate some old vessels by 2018 and adds eight 30,000 DWT stainless steel vessels to optimise fleet structure.

ISO Tank Business

The Group is currently the largest ISO standard tanks business in China and it boasts a cross-cultural and professional marketing team operating about 20,000 international-standard tanks of models such as T11, T20 and T50. Making the most of local marketing grids in five continents, the Group is devoted to providing safe and efficient door-to-door logistics services for global customers in chemicals and food industries. Logistics models are diverse, including roads, waterways, railways and combinations thereof. Furthermore, supported by its powerful IT teams and supplier network, the Group offers package services including tanker rentals, maintenance, annual inspection, and technical support.

The Group ships general liquid chemicals and food, liquid and gas dangerous goods (except category 1 and 7) through its multimodal water transport and road logistics services and as at 31 December 2016, the average annual transport volume of the waterway transport and road logistics services is over 1.2 million tonnes. The Group also ships non-hazardous liquid chemicals and food such as BDO, MEG, PTMEG, liquid food, oil an d other products through its multimodal railway logistics services.

Tank Container

Lianyungang Port International Petrochemical Storage Company and Lianyungang Port International Petrochemical Harbor Service Company, two joint ventures of the Group and Lianyungang Port Group, has constructed three liquid bulk terminals of 50,000 tonnes and 800,000 cubic metre storage tanks. They will provide comprehensive services including chemicals and oils storage, bonded warehousing and terminal handling. The designed annual capability is about 5 million tonnes. Phase I was completed in May 2016, and it has reached an advanced industry level in safety, environmental protection, energy conservation and emission reduction, technology and market adaptation.

The Group has a market share in tank containers of 15 per cent. in China, 9 per cent. in Korea, 7 per cent. in Taiwan and 6 per cent. in the Japan in terms of trading volume as at 31 December 2016.

The table below summarises the volume, shipments and revenue of the tank containers.

	Number of tank containers	Number of Shipments	Revenue (RMB'000,000)
As at 31 December 2015	15,162	85,286	630
As at 31 December 2016	19,567	103,198	790

Freight Warehouse Business

Sinochem Intertrans Co., Ltd. ("**Sinochem Intertrans**") is one of the earliest enterprises to obtain freight forwarding qualifications at a national level in China. It is a member of China Council for the International Freight Forwarders' Association and deputy director unit of the Dangerous Goods Storage and Transportation branch. Over the years, it has been offering import and export services of chemicals to Sinochem Group and its customers. It is an experienced company with branches throughout the country.

Distribution and Trade Segment

Industry Overview

Due to the emerging shale gas reform in North America and capacity upgrading in the Middle East, these two regions have become the major exporters for chemicals globally. Incremental export volume will be mainly targeted at the Far East in the next four years, providing a good opportunity for chemicals trade and distribution in Asia. China is the largest chemicals importer globally. Driven by China's strong demand, the Asia Pacific region has become the engine of demand for chemicals globally, with approximately 30 per cent. of global chemicals trade volume emerge from Asia. The steady increase of chemicals trade volume in the Asia pacific region offers good opportunity for the Company.

Business Overview

After more than 60 years of development, the Group's distribution and trading stands by its focus on customer demand, offering customised services to core customers in chemicals and metallurgical energy products. The Group has become a link to both global chemicals and metallurgical energy companies and end-users.

The Group is a long-time partner of major global chemical suppliers such as Exxon Mobil, Shell, Malaysian National Oil Company, BASF, LOTTE/GS, INOPEC and PetroChina, with subsidiaries and offices in Singapore, Dubai, the Republic of Korea and Taiwan.

Chemical Distribution

Solvent Business

The solvent products mainly include acetone, phenol, BPA, methanol and etc. The Group has cooperated and created sound partnerships with mainstream suppliers such as Mitsui Chemicals, Mitsui & Co., Ltd, Sumitomo and LG Chemicals. The Group is committed to building a safe, convenient and cost-effective distribution service platform for the Chinese and foreign suppliers and downstream enterprises. Meanwhile, the Group also has a professional EHS team to provide professional value-adding services in the acetone sector.

Polyester Business

MEG is an important basic petrochemical raw material used for producing polyester fibre, anti-freeze, unsaturated polyester, lubricant, plasticizer, non-ionic surface active agent and etc. it has a wide range of uses. China's demand on MEG has been on the rise. As an important basic chemical product trader in the PRC, the Polyester Business Department of the Group has tapped into diversified supply channels and developed a stable customer base with its rich experiences on international business, logistics and trade of liquid chemicals. Pure Terephthalic Acid is one of the important raw materials for commodities used in various aspects of national economies such as chemical fibre, light industry, electronics and building. After years of fast and high quality development of the polyester business, the Group has created sound and stable business relations with various suppliers on the upper stream and powerful polyester factories on the downstream. The suppliers are widely distributed in various countries and regions, including South Korea, Thailand and Taiwan. The customers are mainly factories and distributors in Zhejiang and Jiangsu where there is a vibrant textile industry. With sufficient supply, fully-fledged import & export platform, supply chain management system as well as resourceful sales channels and rick marketing experiences, the Group has become a major trader with sound reputation and customer recognition in the polyester business and successfully served the pillar sector of China's national economy-textile.

Metallurgical Energy Distribution

Polyolefin Business

The polyolefin products of the Group have a nationwide marketing network, covering Beijing, Qingdao, Shanghai, Chengdu, Guangzhou and etc. By sticking to the business idea and philosophy of '*keeping integrity and serving customers*', the Group has gradually increased its market shares, created stable long-term partnerships with both Chinese and foreign large-sized petrochemical enterprises and become the designated dealer and agency for numerous large-sized petrochemical enterprises in China.

Iron ore Business

The Group is a council member of Iron Ore Branch, Commerce of Metals Minerals & Chemicals Importers & Exporters. Established in 2002, the iron ore business of the Group has become one of the most influential iron ore importers in China and the preferred long-term partner of mines and medium-to-large steel plants at home and abroad.

Employees

As of 31 December 2016, the Group had 16,941 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 Company 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 Company 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 Company 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. For instance, the loan rate from Chinese banks is generally 10 per cent. lower than the PBOC benchmark rate.

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 chemical logistics segment 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. As of 31 December 2016, the Group has insured property liability insurance amounting to approximately RMB8 billion.

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.

As of 31 December 2016, the Group and its subsidiaries held 450 patents and 6 R&D institutes. 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 Company and its subsidiaries are party to various legal proceedings in the ordinary course of business. Although the Company cannot predict the outcome of these matters, the Company 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.

DIRECTORS AND SENIOR MANAGEMENT

Sinochem Group provides the Company with access to strong managerial and personnel support and appoints all of its board members and senior management. The Company's business operations are centrally managed by Sinochem Group and a majority of the Company's senior management are also senior management of Sinochem Group.

Directors

The following table sets forth information on the directors of the Company.

Name	Age	Position
FENG Zhibin	53	Chairman
YANG Lin	53	Director
CUI Yan	47	Director
LIU Hongsheng	50	Director General Manager
XU Jingchang	51	Independent Director
YU Dahai	56	Independent Director
XU Yongqian	50	Independent Director

FENG Zhibin, born in 1963, is the Chairman of the Board of Directors of the Company. Mr. Feng holds a Master's Degree in EMBA from Sino-European International Management Institute. He is also a Senior International Business Engineer. He was a teaching assistant and a lecturer in Sociology in Renmin University of China, a Cadre of the Policy Research Office and a Deputy Researcher at the Organisation Department of the CPC Central Committee, the Deputy General Manager of the Business and Management Department, the Human Resources Department and the Corporate Development Department in China National Machinery Import & Export Corporation, Director, Deputy General Manager (Work Affairs) in China General Technology (Group) Holdings Co., Ltd., an assistant to the Deputy General Manager in China National Chemicals Import & Export Corporation (later renamed as Sinochem Group), the General Manager of the Investment Department, an assistant to the President, a Party member and the Vice President of Sinochem Group. He also served as a Director, a Secretary of the Party Committee, the General Manager of the now Sinochem Lantian Group Co., Ltd., a Director, a Secretary of the Party Committee, a Manager in Sinochem Corporation and the Executive Director and the Chief Executive Officer in Sinofert Holdings Ltd. At present, Mr. Feng also serves as the Vice President, a Party member in Sinochem Group, a Director in Sinochem Corporation, a Secretary of the Party Committee, the Chairman of the Board of Directors and the General Manager in Sinochem Lantian Group Co., Ltd., the chairman of the board of directors of Zhonghua (Qingdao) Industry Company Ltd., the Chairman of the Board of Directors of Dsm Sinochem Pharmaceutical Pte. Ltd., the Chairman of the Board of Directors of Zhejiang International Group Co., Ltd. as well as the Chairman of the Board of Directors and a member of the Strategy Committee in the Company.

YANG Lin, born in 1964, is currently the Chief Accountant of Sinochem Group and the Chief Financial Officer ("**CFO**") of Sinochem Corporation. 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 CFO of the Company. Before joining Sinochem Group, Mr. Yang also worked at 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.

CUI Yan, born in 1970, is currently the Vice Chairman and party member of the Financial Services business line of Sinochem Group and Deputy General Manager of Human Resource Department in Sinochem Group and Sinochem Corporation. Mr. Cui joined Sinochem Group in 2002 and served as General Manager Assistant and Deputy General Manager of Sinochem International Tendering Co., Ltd., Deputy General Manager of Human Resource Department of Sinochem Group and Sinochem Corporation. Mr. Cui holds a Master's Degree in Mechanical Design and Manufacture from Beijing Institute of Technology. After graduation, he joined the Import and Export Business Department in the China National Machinery Import and Export Corporation in 1994.

LIU Hongsheng, born in 1966, is a Director, the General Manager and a Secretary of the Party Committee of the Company. He obtained his Bachelor's Degree in Philosophy from Peking University and his Master's Degree in EMBA from Shanghai Maritime University. Prior to joining Sinochem International, he was a Section Member and Deputy Division Head of the Personnel 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 served as an Office Director and the General Manager of the Executive Department of the Company, 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.

XU Jingchang, born in 1965, is the Dean and Doctoral Supervisor of the Accounting School of Business of Renmin University of China. 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 listed companies, namely Beijing Urban Construction Group, Beijing New Building Materials Co., Ltd. and China Minmetals Rare Earth Co., Ltd. Mr. Xu is a member of the Acquisitions and Restructuring Audit Committee of China Securities Regulatory Commission. He also serves as a standing director of the Banking Accounting Society of China.

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 December 2013, he resigned from Evonik Group. He is currently a Partner at Advent International, Chairman of Yu's Consulting and Investment Co., Ltd., the Company'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. He 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, Executive Director of the Remuneration Committee of the Chinese Labour Society, Independent Director of the Company and Chairman of the Nomination and Corporate Governance Committee.

Supervisors

The board of supervisors is responsible for (1) supervising the actions of the board of directors and the senior management of the Company 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 Company's interest.

The following table sets forth information relating to the Company's supervisors as at the date of this Offering Circular:

Name	Age	Position
ZHANG Baohong	51	Chairman of the Board of Supervisors
ZHOU Min	42	Supervisor
LI Chao	53	Employee Supervisor

ZHANG Baohong, born in 1966, is the Chairman of the Board of Supervisors of the Company, the Director of the Audit and Compliance Department in Sinochem Group and a member of the Party Committee for Disciplinary Inspection. Mr. Zhang holds a Doctor's Degree in Management from Huazhong University of Science and Technology and joined the Sinochem Group in 1988. He 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 Co., Ltd., the General Manager of the Risk Management Department and a member of the Party Committee for Disciplinary Inspection in Sinochem Group and the General Manager of the Risk Management Department in Sinochem Corporation.

ZHOU Min, born in 1975, is a Supervisor of the Company 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.

LI Chao, born in 1964, is currently the Deputy Party Secretary and Employee Supervisor of the Company. He also serves as General Counsel, Director of Risk Management Committee, Director of Committee of Confidentiality in the Company, General Manager of Sinochem Shipping Co., Ltd. (Hainan) and Director of the Shanghai Dehuan Properties Co. Ltd. Mr. Li served as Deputy General Manager, General Manager of Audit Department, General Manager of Risk Management Department and General Manager of Rubber Business Department in the Company from 2010 to June 2012. He also served as secretary of Committee for Disciplinary Inspection of the Company, chairman of the labour unit, general manager of the Risk Management Department and director of General Manager Office in the Company. Mr. Li holds a Bachelor's Degree in Accounting from Shanghai Maritime University and a Master's Degree in EMBA from Murdoch University.

Senior Management

The Company currently has three deputy general manager, one secretary of board of directors 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 Company and implementation of the decisions of the board of directors.

The following table sets forth information relating to the Company's senior management as at the date of this Offering Circular:

Name	Age	Position
CHENG Xiaoxi	57	Deputy General Manager
CHEN Baoshu	54	Chief Technology Officer
KE Xiting	40	Secretary of the Board of Directors
QIN Jinke	47	Chief Financial Officer
ZHANG Baochang	55	Chief Strategy Officer

CHENG Xiaoxi, born in 1960, is currently a Deputy General Manager of the Company. He also serves as General Manager and Director of Jiansu Yangnong Chemical Group Co., Ltd, Director of Jiangsu Ruicheng New Material Technology Co., Ltd.. Mr. Cheng was an engineering technician and Director-General of the third workshop of the pesticide plant in Yangzhou. He also served as Director-General of the Production Department and Deputy Manager of the Factory. Mr. Cheng was a Director, General Manager of the General Affairs Department, General Manager, Vice-Chairman and Party Secretary of Jiangsu Yangnong. Mr. Cheng holds a Master Degree in Senior Business Administration from Nanjing University.

CHEN Baoshu, born in 1962, is the Chief Research and Development Advisor of the Company. 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. 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 Company. Mr. Ke also served as the Deputy Director of the President Office in the Company, 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 Company.

QIN Jinke, born in 1970, is currently the CFO, General Manager of the Capital Management Department, Director of the Budget and Performance Committee of the Company. Since joining Sinochem International in 2001, Mr. Qin also served as the CFO of Sinochem Zhengjiang, CFO of the Company's metallurgy and energy division and General Manager of the Company's Accounting and Tax Office of Financial Department. Mr. Qin holds a Bachelor's Degree in Accounting from the Central University of Finance and Economics and a Master's Degree in EMBA from China Europe International Business School.

ZHANG Baochang, born 1962, is a polymer chemical graduate from Nanjing University of Chemical Technology, and polymer materials graduate from East China University of Science and Technology. He was General Manager of Huazhong Polymer Materials Co., Ltd., General Manager of Ashland Polyester (Kunshan), General Manager, Director of Asia-Pacific High Performance Materials (Asia Pacific) and Global Vice President in High Performance Materials of Ashland Composite (Asia Pacific) as well as Chairman of the Business Management Committee of Ashland (Asia Pacific). In 2014 he joined the Company is currently the Chief Strategy Officer.

PRC LAWS AND REGULATIONS

NDRC Registration for Foreign Debts

On 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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)) (the "**NDRC Circular**"), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities.

Furthermore, the NDRC issued the NDRC Quota Certificate, pursuant to which the NDRC granted the NDRC quota to Sinochem Corporation exempting it from the registration requirements on a deal-by-deal basis as long as the debt securities or loan incurred outside the PRC is within such NDRC Foreign Debt Quota granted, though post-issuance filing with the NDRC is still required in accordance with the NDRC Quota Certificate. On 29 June 2017, Sinochem Corporation approved the utilisation by the Guarantor of U.S.$300 million, which falls within its NDRC Foreign Debt Quota. Sinochem Group issued the Sinochem Group Letter and the Guarantor shall file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe, in accordance with the NDRC Circular.

Cross-border Security Laws

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (国家外汇管理局关于发布《跨境担保外汇管理规定》的通知) (collectively the "**Cross-border Security Regulation**"). The Cross-border Security Regulation, which introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration 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 Cross-border Security Regulation. The Cross-border Security Regulation classify cross-border security into three types:

- Nei Bao Wai Dai (内保外贷) ("**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 (外保内贷) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owning by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境担保): 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 conduct a registration of 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). Upon occurrence of default, 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.

On 26 January 2017, the SAFE issued the Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination in Respect of Authenticity and Compliance (国家外汇管理局关于进一步推进外汇管理改革完善真实合规性审核的通知) (the "**2017 SAFE Circular**"), which came into effect on the same date. According to the 2017 SAFE Circular, the funds borrower offshore under a NBWD could be repatriated to or used onshore by means of loans, equity investments, etc., which was previously prohibited under the Cross-border Security Regulation.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Notes. The Guarantor's obligations in respect of the Trust Deed, the Notes 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 Cross-border Security Regulation, the Deed of Guarantee do 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 local SAFE for registration within 15 working days after their execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Deed of Guarantee.

Under the Cross-border Security Regulation, the local SAFE will go through a review of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under the Cross-border Security Regulation:

- Non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if submission for 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 under the Deed of Guarantee) as domestic banks require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Deed of Guarantee itself.

The Terms and Conditions provide that the Guarantor shall file or cause to be filed an application to register the Deed of Guarantee with Shanghai Branch of SAFE within 15 PRC Business Days of the execution of the Deed of Guarantee in accordance with the Cross-border Security Regulation and use its best endeavours to complete the registration on or before the date following 120 PRC Business Days after the Issue Date and obtain the SAFE registration certificate and any other document (if applicable) issued by SAFE evidencing the completion of the registration.

Regulation in the Rubber Industry

The rubber industry is regulated by several government departments in PRC, including the Ministry of Agriculture, the Ministry of Commerce, the Ministry of Environmental Protection, the Ministry of Forestry, etc. In addition, China Rubber Industry Association issues industrial standards and guides the healthy development of rubber industry.

Licence used to be required for producing rubber products. But this licensing requirement is removed on 24 June 2017 by the State Council according to the Decision on Adjusting the Catalogue of the Production Licensing of the Industrial Products and Simplifying Examination and Approval Procedures (国务院关于调整工业产品生产许可证管理目录和试行简化审批程序的决定国发[2017]34号) (the "**Catalogue**"). Environment law is important for rubber industry, in particular for rubber trees planting and rubber products processing. On 1 December 2003, the Ministry of Agriculture of the PRC promulgated the Discharge Standard of Wastewater Pollution for Natural Rubber Processing (NY 687-2003 天然橡胶加工废水污染物排放标准), which provides the maximum allowable discharge concentration of the wastewater for rubber processing.

On 1 January 2015, China implemented an updated Environmental Protection Law (the "**EPL**"). The most significant amendments of the EPL includes (i) heightened consequences for violating environmental laws, (ii) expanding the scope of projects subjected to environmental impact assessment requirements, and (iii) allowing nongovernmental organisations to take legal action against polluters on behalf of the public interest.

Regulation of the PRC Fertiliser Industry

Restrictions on Fertiliser Importation and Domestic Trading of Imported Fertilisers

In accordance with the Trial Measures for the State Administration of Crude Oil, Refined Oil and Fertilizer Importation (the "**Trial Measures**"), promulgated by MOFTEC on 18 July 2002, importation of fertilisers falls under the administration and supervision of MOFTEC. State-operated and non-state-operated enterprises specifically approved by the relevant PRC government authority to import fertiliser shall be subject to the TRQ Restrictions. All enterprises qualified to conduct foreign trading activities are entitled to import fertiliser at the out-quota tariff rate. Pursuant to the Trial Measures and the Announcement on Total Import Amount, Distribution Rules and Relevant Procedures of Tariff Quotas of Fertilizer in 2014, issued by the MOFCOM on 10 October 2013 and effective on 15 December 2013, any enterprise with quotas for state-operated trading must exclusively entrust state-operated trading enterprises with the import of fertiliser, while enterprises with quotas for non-state-operated trading may entrust either state-operated or non-state-operated enterprises to import fertilisers, and quota holders with qualifications for non-state-operated trading enterprises may conduct the import on their own.

Fertiliser importers have the right to sell imported fertiliser at wholesale or retail in accordance with relevant agreements, subject to regulatory restrictions imposed by the PRC government, described below under "Price Controls on Fertiliser".

Price Controls on Fertiliser

In accordance with the Notice of Reforming the Fertilizers Pricing Mechanism, promulgated jointly by the NDRC and the MOF on 24 January 2009, from 25 January 2009, the factory price of domestically produced fertilisers and the port delivery price of imported fertiliser (other than potash fertiliser) will no longer be government-guided but rather subject to market prices. The wholesale and retail sale prices of fertilisers remain subject to market prices.

In accordance with the Notice of the NDRC on Improving the Administration Policy of Potash Fertiliser Price (the "**Potash Fertilizer Notice**"), promulgated and effective on 6 February 2009, the benchmark port delivery price of potash fertiliser may be determined by enterprises in accordance with certain price control measures announced by the government. Importers may determine the applicable port delivery price by reference to a benchmark port delivery price with an upward floating range of up to 3% but without limitation on downward float, effective 1 July 2009. The ex-factory price of domestic-produced potash fertilizers and sale price of border trade imported potash fertilisers remain subject to market prices.

In addition, according to the Potash Fertilizer Notice, prior to the fifteenth day of each month, importers of potash fertiliser must file with the NDRC the preceding month's quantity of imported potash fertiliser, import costs, the predicted benchmark port delivery price and the actual sale price, along with copies of all import contracts, custom clearance receipts and invoices for record-keeping purposes. Moreover, such importers must file with the NDRC, prior to January 30 of each year, the preceding year's quantity of imported potash fertilisers, the names of major customers, sales volumes, sale prices and quantities in stock, for record-keeping purposes.

Fertiliser Registration Requirement

Registration and administration of the fertiliser industry is under the supervision of the Ministry of Agriculture (the "**MOA**"), and all fertiliser products must be registered in accordance with the Measures Concerning the Administration of Fertilizer Registration ("**Fertilizer Registration Measures**"), promulgated by the MOA on 23 June 2000 and amended on 1 July 2004, 11 October 2015 and 3 February 2016. The Fertilizer Registration Measures apply to all enterprises engaging in the importation, production, sales or use of fertiliser products in the PRC. Pursuant to the Fertilizer Registration Measures, details of all fertiliser products must be registered with the MOA before being imported, produced, sold, used or promoted to the market. However, fertiliser products, including urea and certain types of nitrogen-based, phosphate-based and potash fertilisers that have been widely used over a long period and for which national or industrial standards are available are exempted from registration.

Production Licence for Industrial Products

Pursuant to the Regulations of the PRC on the Management of Manufacturing License of Industrial Production, promulgated by the State Council and effective on 1 September 2005 and amended on 9 October 2007, 4 July 2010 and 23 September 2012, producers of important industrial products listed in the Catalogue must obtain a licence in order to produce industrial products. The Catalogue is formulated, evaluated and adjusted from time to time by the competent department of the State Council and published upon approval by the State Council.

Work Safety Permits

In accordance with the Work Safety Law of the PRC, promulgated by the Standing Committee of the NPC and effective on 1 November 2002 and amended on 31 August 2014, 24 February 2015 and 12 January 2017, and the Regulations on Work Safety Permits, promulgated by the State Council and effective on 13 January 2004 and amended on 18 July 2013 and 29 July 2014, any enterprise engaged in the manufacture of dangerous chemicals, firecrackers and civilian-use explosive equipment must obtain a work safety permit in order to produce such products.

Hazardous Chemicals Administration

Pursuant to the Regulations on the Safety Control of Hazardous Chemicals, promulgated by the State Council and effective on 15 March 2002 and amended on 1 December 2011 and 7 December 2013, enterprises manufacturing hazardous chemicals must be approved by the hazardous chemicals safety administration authority and must apply to the relevant State Council department for hazardous chemicals production licences. No such production may be commenced unless such a licence is obtained.

In addition, the PRC government implements a licensing system for operations involving hazardous chemicals. Pursuant to the Measures for the Administration of Operational Licenses for Hazardous Chemicals, promulgated by the State Administration of Work Safety, or SAWS, on 17 July 2012 and effective on 1 September 2012, and amended on 27 May 2015 enterprises in the business of hazardous chemicals must obtain a hazardous chemicals operational licence with the valid term of three (3) years, subject to renewal. In accordance with the Implementation Measures on Safety Production Licenses for Enterprises Producing Hazardous Chemicals, promulgated by the SAWS on 5 August 2011, and effective on 1 December 2011 and amended on 27 May 2015, enterprises producing hazardous chemicals must obtain safety production licences for hazardous chemicals. The safety production licences for hazardous chemicals are valid for three (3) years, subject to renewal. According to the Administrative Measures on the Registration of the Hazardous Chemicals, promulgated by the SAWS on 1 July 2012, and effective on 1 August 2012, the newly built enterprises producing hazardous chemicals must file a hazardous chemicals registration prior to the inspection and acceptance thereof, and enterprises importing hazardous chemicals shall file the hazardous chemicals registration prior to its first importation. Hazardous chemicals registration licences are valid for three (3) years, subject to renewal. Pursuant to the Circular on the Use of Enterprises involving the Hazardous Chemicals Safe Production Standardization Information Management System, promulgated and effected by the SAWS on 22 August 2012, enterprises in the hazardous chemicals industry shall register their basic information and its process of establishing safe production standardisation.

TAXATION

The following summary of certain Singapore and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of 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 Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes.

SINGAPORE

*The statements below are general in nature and are based on certain aspects of current tax laws in 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 at the date of this Offering Circular and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines or 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. Nether 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 Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. 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 Notes 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 Noteholders are advised to consult their own tax advisers as to the Singapore or other tax consequences of the purchase, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Joint Lead Managers and any other persons involved in the issuance of the Notes accept responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

1. 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 rate for non-resident individuals is currently 22 per cent. However, if the payment is derived by a person not resident in Singapore from sources otherwise than from its 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 rate of 15 per cent. may be reduced by applicable tax treaties.

However, 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.

The terms "**break cost**", "**prepayment fee**" and "**redemption premium**" are defined in the ITA as follows:

> "**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;
>
> "**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; and
>
> "**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.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

In addition, as the Notes are jointly lead managed by Australia and New Zealand Banking Group Limited, Singapore Branch, DBS Bank Ltd., Standard Chartered Bank, Singapore Branch, Credit Agricole Corporate and Investment Bank, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited, of which Australia and New Zealand Banking Group Limited, Singapore Branch, DBS Bank Ltd., Standard Chartered Bank, Singapore Branch and Credit Agricole Corporate and Investment Bank, Singapore Branch are each a Financial Sector Incentive (Bond Market) company or Financial Sector Incentive (Capital Market) company or a Financial Sector Incentive (Standard Tier) company (as defined in the ITA), the Notes which are issued on or before 31 December 2018 would be "qualifying debt securities" pursuant to the ITA, the Income Tax (Qualifying Debt Securities) Regulations and the MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on 28 June 2013 (the "MAS Circular"), to which the following treatments shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed, and the inclusion by the Issuer in all offering documents relating to the Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Notes 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 Notes using funds from that 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 "Specified Income") from the Notes, paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Notes as the relevant authorities may require to the MAS and such other relevant authorities as may be prescribed), Specified Income from the Notes 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.; and

(iii) subject to:

    (aa) the Issuer including in all offering documents relating to the Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax shall include such income in a return of income made under the ITA; and (bb) the furnishing to the MAS and such other relevant authorities as may be prescribed of a return on debt securities in respect of the Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Notes as the relevant authorities may require,

payments of Specified Income by the Issuer are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(A) if during the primary launch of the Notes, the Notes are issued to less than four persons and 50 per cent., or more of the issue of the Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Notes would not qualify as "qualifying debt securities"; and

(B) even though the Notes are "qualifying debt securities", if, at any time during the tenure of the Notes, 50 per cent., or more of the Notes which are outstanding at any time during the life of the issue is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived from the Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire the Notes 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 Issuer has applied to the MAS for a waiver from the strict application of the abovementioned "related party" requirements. However, there can be no assurance that such waiver will be granted. Noteholders and investors who may be related parties of the Issuer should consult their tax advisers on the Singapore tax implications of purchasing or holding the Notes.

Where interest, discount income, prepayment fee, redemption premium and break cost (i.e. the Specified Income) is derived from any of the Notes 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 qualifying debt securities under the ITA (as mentioned above) shall not apply if such person acquires the Notes using funds and profits of such person's operations through a permanent establishment in Singapore.

Notwithstanding that the Issuer is permitted to make payments of Specified Income in respect of the Notes without deduction or withholding for tax under Section 45 or Section 45A of the Income Tax Act, any person whose interest, discount income, break cost, prepayment fee and redemption premium derived from the Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes 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 Notes who apply or are required to apply Singapore Financial Reporting Standard 39 ("**FRS 39**") 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 Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "*Adoption of FRS 39 treatment for Singapore income tax purposes*".

3. Adoption of FRS 39 Treatment for Singapore income tax purposes

The IRAS has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

The Accounting Standards Council has issued a new financial reporting standard for financial instruments, FRS 109 – Financial Instruments, which will become mandatorily effective for annual periods beginning on or after 1 January 2018. The IRAS has issued a consultation paper "Proposed Income Tax Treatment Arising from the Adoption of FRS 109 – Financial Instruments" on 1 July 2016 and the closing date for submission of comments was 1 August 2016. Holders and prospective holders of the Notes should consult their own accounting and tax advisers on the proposed tax treatment to understand the implications and consequences that may be applicable to them.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Noteholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this "*Taxation – PRC*" section. In considering whether to invest in the Notes, investors should consult their individual tax advisers 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.

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law. The EIT Law provides that the "de facto management body" of an enterprise is the organisation that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and income or gains paid with respect to the Notes may considered to be derived from sources within the PRC.

Taxation on Interest

The EIT Law and its implementation regulations impose withholding tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on PRC-source income paid to a "non-resident enterprise" that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered to be a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise Noteholders may be treated as income derived from sources within the PRC and be subject to such PRC withholding tax at a rate of 10 per cent. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on 30 June 2011 and took effect on 1 September 2011 and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual Noteholders may be treated as income derived from sources within the PRC and be subject to a 20 per cent. individual income tax which the Issuer would be obliged to withhold from payments of interests to non-resident individual Noteholders. 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 Noteholders.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise Noteholders will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon. 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.

In the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, such interest payments under the Guarantee may considered to be derived from sources within the PRC. In such case, the Guarantor will be obliged to withhold PRC tax at a rate of 10 per cent. on such payments to non-PRC resident enterprise Noteholders and 20 per cent. for non-resident individual Noteholders. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong and Singapore, which allows a lower rate of withholding tax, such lower rate may apply to qualified Noteholders. According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will be subject to PRC tax at a rate of 7 per cent. on interest they received from PRC Guarantor. According to the double taxation arrangement between China and Singapore, residents of Singapore will be subject to PRC tax at a rate of 7 per cent. (if they are banks or financial institutions) or 10 per cent. (if they are not banks or financial institutions) on interest they received from PRC Guarantor.

Repayment of the principal will not be subject to PRC withholding tax.

Taxation on Capital Gains

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 Notes. Other non-PRC Noteholders will also not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-PRC Noteholders, 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 Bondholders from the transfer of the Notes 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.

VAT

On 23 March 2016, MOF and SAT issued the Circular 36 which provides for that the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing services within China are subject to VAT. 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 definition of "loans" under Circular 36, the issuance of Notes may be regarded as financial services by Noteholders and the payments under the Notes may be subject to VAT if the Issuer is a PRC resident enterprise for PRC tax purposes. Any taxable activities of taxpayers providing finance services shall be subject to a tax rate of 6 per cent. and the surcharges thereon (normally as 12 per cent. of the value-added tax payable).

Where a Noteholder who is an individual resells the Notes, the VAT may be exempted according to Circular 36 if the resale of Notes is treated as resale of financial products. Where a Noteholder who is an entity located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since the services is not provided in China, Circular 36 should not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, where a Noteholder who is an entity resells the Notes, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

In the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the interest and other interest like earnings received by a non-PRC resident Note holder from the Guarantor will be subject to a tax rate of 6 per cent. and the surcharges if the tax authorities deem this to be taxable item within the scope of Circular 36.

Circular 36 has been issued quite recently, the above statement 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.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Noteholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of Noteholders is maintained outside the PRC and the issuance and the sale of the Notes is made outside of the PRC.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group's financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Group has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Group, other potentially significant accounting and disclosure differences may be required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, investors must rely upon their own examination of the Group, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Reversal of long term assets impairment loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it would not be allowed to reverse in subsequent period.

Under IFRS, an impairment loss recognised in prior periods for a long term asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Measurement of biological assets

Under PRC GAAP, for subsequent measurement of biological assets, the cost model is the preferred treatment, but the standard also allows the fair value model to be used when specific criteria are met. The fair value model can be adopted when there is sound evidence indicating that the fair value of the biological assets can be obtained reliably on a continuing basis.

Under IFRS, the fair value model is required to be adopted for the measurement of biological assets. The only exception is, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, the cost model should be adopted.

Provision for work safety cost

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Group has to accrue special reserves for work safety costs according to certain percentage of revenue. The accrued work safety costs are debited as cost or expenses of the period and credited as special reserve of owner's equity. When actually used, payments for work safety cost with expense nature are directly offset the special reserves; payments to acquire fixed assets would be capitalised as "construction in progress" first, then transferred to fixed asset upon the construction is completed and has reached the expected usage condition. Meanwhile, the special reserves are offset by accumulated depreciation, which equals to the total cost of fixed asset, and subsequently no depreciation would be accrued for the fixed asset.

Under IFRS, work safety cost should be recognised when actually occurred. Relevant capital expenditures are recognised as part of cost of non-current assets when they are incurred and depreciated according to the respective depreciation policy. The differences between the above mentioned standards would give rise to differences in deferred tax.

Related party disclosures

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated on or about 18 July 2017 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or procure subscribers to subscribe and pay for, the aggregate principal amount of the Notes set forth in the Subscription Agreement opposite its name below:

Joint Lead Managers	**Principal amount of Notes to be subscribed**
	(U.S.$)
Australia and New Zealand Banking Group Limited	135,000,000
Standard Chartered Bank.	135,000,000
Crédit Agricole Corporate and Investment Bank, Singapore Branch	10,000,000
DBS Bank Ltd.	10,000,000
The Hongkong and Shanghai Banking Corporation Limited	10,000,000
Total	300,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Notes. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitle the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers may allocate certain Notes to third party sub-placing agents or co-managers, and the Joint Lead Managers may pay a fee to such agents/co-managers in connection with the subscription of the Notes, which fee shall be based on the principal amount of the Notes subscribed by such agents/co- managers.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the offering of the Notes, the Joint Lead Managers and/or their respective affiliates may place orders, receive allocations and purchase Notes for their own account (without a view to distributing such Notes). Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Joint Lead Managers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors – Risks Relating to the Market – The liquidity and price of the Notes following this offering may be volatile*"). The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Notes and could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their respective affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments.

GENERAL

The Notes are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Notes.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes 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.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering materials or advertisements in connection with the Notes or the Guarantee of the Notes may be distributed or published, by the Issuer or the Guarantor or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or its affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Notes and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States 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 of the Joint Lead Managers represents that it has not offered or sold, and agrees that it will not offer or sell, any of the Notes or the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, their respective affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes or the Guarantee.

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

UNITED KINGDOM

Each of the Joint Lead Managers has represented, warranted, 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 the Notes 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 Notes in, from or otherwise involving the United Kingdom.

HONG KONG

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (1) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (2) 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(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes 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.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been, and will not be, registered as a prospectus with MAS, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold and will not offer or sell the Notes nor make the Notes the subject of an invitation for subscription or purchase, 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 Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person 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 Notes are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Notes shall not be sold within the period of 6 months from the date of the initial acquisition of the Notes, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Notes 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within for six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer; or

    (iii) where the transfer is by operation of law; or

    (iv) pursuant to Section 276(7) of the SFA; or

    (v) pursuant to Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

THE PRC

Each of the Joint Lead Managers has represented, warranted, undertaken and agreed that the Notes 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 the securities laws of the PRC.

JAPAN

The Notes 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 of the Joint Lead Managers has represented, warranted, undertaken and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 and regulations of Japan.

GENERAL INFORMATION

Clearing Systems: The Notes have been accepted for clearance through Euroclear and Clearstream under Common Code 164511316 and ISIN XS1645113165.

Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes. The issue of the Notes was authorised by resolutions of the directors of the Issuer on 11 July 2017. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 27 April 2017 and by a resolution of the shareholders' meeting on 26 May 2017.

No Material Adverse Change: There has been no material adverse change, or any development likely to involve an adverse change, in the financial or trading position or to the condition (financial or otherwise), prospects, results of operations, capitalisation, profitability, business, properties, general affairs or management of the Issuer or the Group since 31 December 2016.

Litigation: The Group is not involved in any litigation or arbitration proceedings that the Group believes are material in the context of the Notes nor is the Group aware that any such proceedings are pending or threatened.

Available Documents: So long as any of the Notes is outstanding, copies of the following documents will be available for inspection from the Issue Date during normal business hours, at the specified office of the Principal Paying Agent:

- the constitution of the Issuer;
- the articles of association of the Guarantor;
- the 2016 Financial Statements;
- the Trust Deed;
- the Deed of Guarantee; and
- the Agency Agreement.

Financial Statements: The 2016 Financial Statements, which are included elsewhere in this Offering Circular, were prepared and presented in accordance with PRC GAAP and have been audited by EY, 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 2015 and 2016 has been extracted from the 2016 Financial Statements.

Listing: Application has been made to the SGX-ST for permission to deal in and the listing and quotation of the Notes on the Official List of the SGX-ST. Such permission will be granted when the Notes have been admitted to the Official List of the SGX-ST. There is no assurance that an application to the SGX-ST for the listing of the Notes will be approved. The approval-in-principle from, and admission to the Official List of, the SGX-ST for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries and associated companies (if any), and/or the Notes and the Guarantee. 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.

If the application to the SGX-ST to list the Notes is approved, for so long as such Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000.

GLOSSARY

Acetochlor (禾耐斯)	A market-leading brand of herbicide developed and owned by the Group
Alternative Clearing System	Any clearing system other than Euroclear or Clearstream
Arrangement	The Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was promulgated on 21 August 2006
Banking Services or Transactions	Various activities offered by full service financial institutions, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities
Bridgestone	Bridgestone Corporation
Business Day	Any day which is a day on which dealings in foreign currencies may be carried on in New York City
Catalogue	Catalogue of Industrial Products, which is formulated, evaluated and adjusted from time to time by the competent department of the State Council and published upon approval by the State Council
China	The People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
China Jinmao	China Jinmao Holdings Group Limited
Circular 36	The Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36, issued by MOF and SAT on 23 March 2016, which introduced a new VAT in the PRC from 1 May 2016
Clearing System	Either Euroclear or Clearstream
Clearing System Business Day	A weekday (Monday to Friday, inclusive), except 25 December and 1 January
Clearstream	Clearstream Banking, S.A
CNCIEC	China National Chemicals Import and Export Corporation, the predecessor of the Group
CNY or Renminbi or RMB	The lawful currency of the PRC
Company	Sinochem International Corporation (中化国际（控股）股份有限公司)
CPCIA	The Award of Excellent Standard Project in National Petroleum & Chemical Industry of China Petroleum and Chemical Industry Federation, which was received by Sinorgchem in 2013
Cross-border Security Regulation	Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (国家外汇管理局关于发布《跨境担保外汇管理规定》的通知)
C(WUMP)O	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong

EIT Law	Enterprise Income Tax Law of the PRC
EPL	Environmental Protection Law in the PRC
Euroclear	Euroclear Bank SA/NV
Euroma Rubber	Euroma Rubber Industries Sdn. Bhd, with which the Company merged
EY	Ernst & Young Hua Ming LLP
Far East Horizon	Far East Horizon Limited
Fertilizer Registration Measures	Measures Concerning the Administration of Fertilizer Registration promulgated by the Ministry of Agriculture on 23 June 2000 and amended on 1 July 2004, 11 October 2015 and 3 February 2016
Financial Instruments and Exchange Act	Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended)
Flexsys	Flexsys Inc.
FRS 39	Singapore Financial Reporting Standard 39
FRS 39 Circular	The circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" issued by the IRAS
FSMA	Financial Services and Markets Act 2000 of the UK
GDP	Gross Domestic Product
Global Certificate	A global certificate in registered form, beneficial interests in which represent the Notes
GMG	GMG Global Limited (SGX-ST: 5IM)
Goodyear	Goodyear Tire and Rubber Company
Group	Sinochem International Corporation (中化国际（控股）股份有限公司) and its direct and indirect subsidiaries, taken as a whole
Guarantor	Sinochem International Corporation (中化国际（控股）股份有限公司)
HAC	Halcyon Agri Corporation Limited
Hankook	Hankook Tire
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
HSE	Health, safety and environment
IFRS	International Financial Reporting Standards
IRAS	Inland Revenue Authority of Singapore
Issuer	Sinochem International Development Pte. Ltd.
ITA	Income Tax Act, Chapter 134 of Singapore

Jiangsu Yangnong	Jiangsu Yangnong Chemical Group Co., Ltd.
Jinmao	Jinmao (China) Hotel Investments & Management Ltd.
Joint Lead Managers	Australia and New Zealand Banking Group Limited, Standard Chartered Bank, Crédit Agricole Corporate and Investment Bank, Singapore Branch, DBS Bank Ltd. and The Hongkong and Shanghai Banking Corporation Limited
Labour Contract Law	Labour Contract Law of the PRC (中华人民共和国劳动合同法)
Lasso (拉索)	A market-leading brand of herbicide developed and owned by the Group
Machete (马歇特)	A market-leading brand of herbicide developed and owned by the Group
Manulife-Sinochem	Manulife-Sinochem Life Insurance Co., Ltd.
MAS	Monetary Authority of Singapore
MAS Circular	The MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" issued by the MAS on 28 June 2013
Michelin	Michelin Corporation
MOA	Ministry of Agriculture of the PRC
MOFCOM	Ministry of Commerce of the PRC
MOFTEC	Ministry of Foreign Trade and Economic Cooperation
Monsanto	Monsanto Company
Moody's	Moody's Investor Service, Inc.
Nantong Jiangshan	Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. (SSE: 600389)
NBWD	Nei Bao Wai Dai (内保外贷)
NDRC	National Development and Reform Commission of the PRC
NDRC Circular	Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (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))
NDRC Foreign Debt Quota	The annual foreign debt issuance quota granted by the NDRC to Sinochem Corporation (the parent company of the Guarantor), exempting it from the registration requirements otherwise applicable to its debt securities and medium-to-long term loans issued or incurred outside the PRC, pursuant to the NDRC Quota Certificate
NDRC Quota Certificate	The Reply of the National Development and Reform Commission to Pilot Enterprises (Second Batch) regarding Administration and Reform of Enterprise Foreign Debt Scale in 2017

	(国家发展改革委关于2017年外债规模管理改革试点企业)（第二批）的批覆) issued by the NDRC and which came into effect on 22 March 2017
NewPort	NewPort Tank Containers Inc.
PBOC	People's Bank of China
Pirelli	Pirelli & C. S.p.A.
Potash Fertilizer Notice	Notice of the NDRC on Improving the Administration Policy of Potash Fertilizer Price
PRC	The People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
PRC GAAP	Accounting Standards for Business Enterprises in China
PVA	Polyvinyl acetate, one of the main products of the Group's chlor-alkali business
PVC	Polyvinyl chloride, one of the main products of the Group's chlor-alkali business
R&D	Research and development
Record Date	The due date for each payment in respect of the Global Certificate
Renminbi or RMB	The lawful currency of the PRC
Roundup (农达)	A form of glyphosate and one of the most popular brands of herbicides globally, of which the Group has become a key distributor in Asian-Pacific markets
S$ or Singapore dollars	The lawful currency of Singapore
SAFE	State Administration of Foreign Exchange of the PRC or its local counterpart
SARS	Severe Acute Respiratory Syndrome
SASAC	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
SAT	State Administration of Taxation of the PRC
Securities Act	U.S. Securities Act of 1933, as amended
SFA	Securities and Futures Act (Chapter 289) of Singapore
SGX-ST	Singapore Exchange Securities Trading Limited
Shenyang R&D	Shenyang Sinochem Agrochemicals Research and Development Co.
Shenyang Sciencreat	Shenyang Sciencreat Chemicals Co., Ltd., one of the Group's production bases
Sinochem Agro	Sinochem Agro Co., Ltd.

Sinochem Group Letter	A letter dated 29 June 2017 issued by Sinochem Group approving the utilisation by the Issuer of the NDRC Foreign Debt Quota for the issuance of up to U.S.$300 million in aggregate principal amount of Notes.
Sinochem Intertrans	Sinochem Intertrans Co., Ltd., the Group's freight warehouse business
Sinorgchem	Jiangsu Sinorgchem Technology Co., Ltd.
SFO	Securities and Futures Ordinance (Cap. 571) of Hong Kong
SIO	Sinochem International (Overseas) Pte. Ltd.
SOE	State-Owned Enterprise
SSE	Shanghai Stock Exchange
Subscription Agreement	The Subscription agreement entered into by the Issuer and the Guarantor with the Joint Lead Managers dated on or about 18 July 2017
TBH	Teck Bee Hang Co., Ltd.
Translated Financial Statements	The English translations of the 2016 Financial Statements
Trial Measures	Trial Measures for the State Administration of Crude Oil, Refined Oil and Fertilizer Importation
U.S. or United States	The United States of America
U.S.$ or U.S. dollars	The lawful currency of the United States of America
WBND	Wai Bao Nei Dai (外保内贷)
VAT	Value added tax
2016 Financial Statements	The audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2016
2017 First Quarter Financial Statements	The unaudited consolidated financial information of the Guarantor as at and for the three months ended 31 March 2017
2017 SAFE Circular	Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination in Respect of Authenticity and Compliance (国家外汇管理局关于进一步推进外汇管理改革完善真实合规性审核的通知) issued by SAFE
6PPD	N'-phenyl-p-phenylenediamine

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AUDITORS' REPORT

Ernst & Young Hua Ming LLP (2017)
Shen Zi No. 60943059_B08

To the shareholders of Sinochem International Corporation:

We have audited the accompanying financial statements of Sinochem International Corporation, which comprise the consolidated and company balance sheets as at 31 December 2016 and the consolidated and company income statements, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and the notes to these financial statements.

I. Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements. This responsibility includes: (1) preparing and fairly presenting the financial statements in accordance with Accounting Standards for Business Enterprises; and (2) designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and company financial position of Sinochem International Corporation as at 31 December 2016 and the consolidated and company financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

	Pan Jianhui
Ernst & Young Hua Ming LLP	Chinese Certified Public Accountant
	Ke Jiajie
Beijing, the People's Republic of China	Chinese Certified Public Accountant
	27 April 2017

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2016
(Expressed in Renminbi Yuan)

ASSETS	Note V	31 December 2016	31 December 2015 Restated
Current assets			
Cash and bank balances	1	7,319,504,200.83	4,771,863,939.28
Financial assets at fair value through profit or loss	2	7,211,520.00	1,272,318.44
Derivative financial assets	3	76,971,028.36	69,849,620.82
Notes receivable	4	1,779,604,128.70	1,718,211,130.10
Accounts receivable	5	4,491,429,639.19	3,037,900,340.25
Prepayments	6	565,320,374.55	559,049,252.49
Interest receivable	7	43,056,725.98	1,003,550.37
Other receivables	8	834,066,158.51	1,115,320,994.39
Inventories	9	4,931,868,347.87	3,944,515,965.98
Assets classified as held-for-sale	10	—	60,215,247.31
Other current assets	11	2,005,171,805.54	1,037,299,528.37
Non-current assets maturing within one year	12	4,454,232.88	—
Total current assets		22,058,658,162.41	16,316,501,887.80
Non-current assets			
Available-for-sale financial assets	13	1,366,640,268.96	275,643,759.55
Long-term receivables	14	22,278,306.90	21,634,650.00
Long-term equity investments	15	3,237,597,565.09	3,377,791,849.85
Investment properties	16	236,964,880.15	76,028,304.46
Fixed assets	17	10,338,800,607.17	9,409,700,483.82
Construction in progress	18	2,183,256,643.34	2,572,431,034.88
Construction materials	19	48,563,414.67	51,398,978.41
Bearer biological assets	20	1,039,237,287.29	804,180,651.18
Intangible assets	21	3,632,994,438.02	3,100,451,262.10
Development expenditure	22	1,382,265.00	1,382,265.00
Goodwill	23	4,446,756,224.48	2,595,330,026.97
Long-term deferred expenses	24	160,124,311.49	73,591,303.38
Deferred tax assets	25	569,054,747.81	389,561,557.24
Other non-current assets	26	668,525,057.09	1,393,103,691.14
Total non-current assets		27,952,176,017.46	24,142,229,817.98
TOTAL ASSETS		50,010,834,179.87	40,458,731,705.78

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

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEET (continued)
31 DECEMBER 2016
(Expressed in Renminbi Yuan)

LIABILITIES AND EQUITY	Note V	31 December 2016	31 December 2015 Restated
Current liabilities			
Short-term borrowings	28	8,971,212,289.00	4,049,308,101.34
Financial liabilities at fair value through profit or loss		7,211,520.00	1,272,318.44
Derivative financial liabilities	29	146,780,009.98	20,980,863.01
Notes payable	30	1,651,420,943.49	2,137,626,462.44
Accounts payable	31	4,554,772,399.18	3,126,352,654.46
Advance from customers	32	640,888,049.61	342,283,067.96
Payroll payable	33	251,847,847.10	213,953,009.81
Taxes payable	34	411,843,679.56	228,266,121.80
Interest payable	35	139,098,155.38	113,536,349.69
Dividends payable	36	2,837,114.10	4,294,017.02
Other payables	37	778,239,460.58	1,022,213,733.08
Other current liabilities	38	3,316,675.37	1,002,619,245.01
Non-current liabilities due within one year	39	2,280,168,622.25	2,181,665,108.44
Total current liabilities		19,839,636,765.60	14,444,371,052.50
Non-current liabilities			
Long-term borrowings	40	4,665,017,918.05	4,222,483,488.08
Bonds payable	41	4,284,697,565.21	1,195,694,392.11
Long-term payables	42	5,566,563.20	1,851,513.44
Long-term payroll payable	44	83,532,364.15	—
Specific payable	45	204,210,614.82	—
Deferred tax liabilities	25	780,014,385.21	867,516,270.80
Other non-current liabilities	43	38,646,433.97	38,713,134.93
Deferred income	46	50,948,687.96	41,505,164.89
Total non-current liabilities		10,112,634,532.57	6,367,763,964.25
TOTAL LIABILITIES		29,952,271,298.17	20,812,135,016.75

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

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED BALANCE SHEET (continued)
31 DECEMBER 2016
(Expressed in Renminbi Yuan)

LIABILITIES AND EQUITY	Note V	31 December 2016	31 December 2015 Restated
Shareholders' equity			
Share capital	47	2,083,012,671.00	2,083,012,671.00
Capital reserves	48	4,479,654,691.37	4,487,916,806.82
Other comprehensive income	49	(511,108,607.52)	(539,118,358.53)
Special reserves	50	63,484,904.40	65,487,012.34
Surplus reserves	51	671,645,126.44	668,902,870.10
Retained earnings	52	4,385,263,976.76	4,559,891,099.09
Equity attributable to owners of the parent		11,171,952,762.45	11,326,092,100.82
Minority interests		8,886,610,119.25	8,320,504,588.21
Total shareholders' equity		20,058,562,881.70	19,646,596,689.03
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		50,010,834,179.87	40,458,731,705.78

The financial statements have been signed by:

Legal Representative: Financial Controller: Accounting Supervisor:

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Note V	2016	2015
			Restated
Revenue	53	40,656,746,011.76	43,746,804,638.95
Less: Operating costs	53	36,043,432,179.90	39,202,753,178.21
Taxes and surcharges	54	113,864,764.13	105,313,919.60
Selling expenses	55	992,594,030.89	1,007,342,652.70
General and administrative expenses	56	1,941,026,134.42	1,625,182,107.70
Financial expenses	57	424,159,108.31	539,847,311.99
Impairment loss on assets	58	482,343,767.48	695,041,982.93
Add: Gains or losses on changes in fair values	59	(120,210,923.50)	16,069,536.03
Investment income	60	(103,221,508.80)	707,025,698.36
Incl.: Share of profits of associates and joint ventures		(22,484,344.74)	86,879,760.05
Operating profit		435,893,594.33	1,294,418,720.21
Add: Non-operating income	61	325,535,851.86	115,066,116.52
Incl.: Gain on disposal of non-current assets		1,349,577.33	10,376,013.25
Less: Non-operating expenses	62	169,372,635.74	30,484,695.00
Incl.: Loss on disposal of non-current assets		28,256,226.21	5,377,462.94
Total profit		592,056,810.45	1,379,000,141.73
Less: Income tax expense	64	151,248,444.95	356,365,359.75
Net profit		440,808,365.50	1,022,634,781.98
Incl.: Net profit/(loss) before the merger in a business combination under common control		(40,692,288.56)	514,917,885.87
Net profit attributable to owners of the parent		57,246,527.82	473,042,079.36
Net profit attributable to non-controlling interests		383,561,837.68	549,592,702.62

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

(Expressed in Renminbi Yuan)

	Note V	2016	2015 Restated
Net value of other comprehensive income after tax		(156,650,647.01)	(185,451,678.69)
Net value of other comprehensive income after tax attributable to owners of the parent	49	28,009,751.01	(120,530,286.82)
Other comprehensive income which won't be reclassified to the income statement			
Recalculation of change of net liabilities or net assets of the defined benefit pension plan		(2,763,669.51)	—
Other comprehensive income which will be reclassified to the income statement			
Share in other comprehensive income that will be reclassified to profit or loss under equity method		(1,178,888.26)	2,939,904.69
Changes in fair value of available-for-sale financial assets		72,063,116.56	42,408,379.80
Exchange differences from translation of the financial statements prepared in foreign currencies		(40,216,902.24)	(154,059,271.31)
Others		106,094.46	(11,819,300.00)
Net value of other comprehensive income after tax attributable to minority shareholders		(184,660,398.02)	(64,921,391.87)
Total comprehensive income		284,157,718.49	837,183,103.29
Including:			
Attributable to owners of the parent		85,256,278.83	352,511,792.54
Attributable to minority shareholders		198,901,439.66	484,671,310.75
Earnings per share	65		
Basic earnings per share		0.03	0.23
Diluted earnings per share		0.03	0.23

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

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Equity attributable to owners of the parent							Minority interests	Total equity
	Share capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Subtotal		
I. At 31 December 2015	2,083,012,671.00	4,460,099,938.82	(539,118,358.53)	65,487,012.34	668,902,870.10	4,567,348,779.55	11,305,732,913.28	8,320,504,588.21	19,626,237,501.49
Add: Business combination under common control	—	27,816,868.00	—	—	—	(7,457,680.46)	20,359,187.54	—	20,359,187.54
Changes in accounting policies	—	—	—	—	—	—	—	—	—
II. At 1 January 2016	2,083,012,671.00	4,487,916,806.82	(539,118,358.53)	65,487,012.34	668,902,870.10	4,559,891,099.09	11,326,092,100.82	8,320,504,588.21	19,646,596,689.03
III. Movements of current year									
(1) Net profit	—	—	—	—	—	57,246,527.82	57,246,527.82	383,561,837.68	440,808,365.50
(2) Other comprehensive income (e.g. foreign currency translation)	—	—	28,009,751.01	—	—	—	28,009,751.01	(184,660,398.02)	(156,650,647.01)
(3) Injection and reduction									
1.Others	—	—	—	—	—	—	—	—	—
(4) Profit appropriation and distribution									
1. Appropriation to surplus reserves	—	—	—	—	2,742,256.34	(2,742,256.34)	—	—	—
2. Distribution to shareholders	—	—	—	—	—	(229,131,393.81)	(229,131,393.81)	(176,779,143.02)	(405,910,536.83)
(5) Special reserves									
1. Addition	—	—	—	31,488,096.85	—	—	31,488,096.85	36,398,621.58	67,886,718.43
2. Decrease	—	—	—	(33,490,204.79)	—	—	(33,490,204.79)	(33,619,239.54)	(67,109,444.33)
(6) Others									
1. Purchase of minority interests1	—	(55,762,504.05)	—	—	—	—	(55,762,504.05)	55,762,504.05	—
2. Reduction of disposal of subsidiaries2	—	126,019,243.32	—	—	—	—	126,019,243.32	485,441,348.31	611,460,591.63
3. Change of other interests Of affiliated enterprises	—	(18,961,200.50)	—	—	—	—	(18,961,200.50)	—	(18,961,200.50)
4. Business combination Under common control3	—	(59,934,300.00)	—	—	—	—	(59,934,300.00)	—	(59,934,300.00)
5. Others	—	376,645.78	—	—	—	—	376,645.78	—	376,645.78
IV. At 31 December 2016	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	11,171,952,762.45	8,886,610,119.25	20,058,562,881.70

1: The Group acquired minority interests of GMG Global Ltd. And increased capital to Hainan Sino hem Rubber co., Ltd., which decreased capital reserves by RMB 55,762,504.05.

2: The Group disposed of part of equity in the subsidiary Halcyon Agra Corporation Limited without losing control. The difference between the disposal price and the net assets attributable to the Group from the consolidation date Was adjusted in capital reserves.

3: The Group acquired Shenyang Sino hem Pesticide Chemical Industry Development Co., Ltd. which was a business combination under common control. The difference between the payment and the quire's book net assets was adjusted in capital reserves. Refer to NoteVI.1 for details.

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

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
YEAR ENDED 31 DECEMBER 2015 (restated)
(Expressed in Renminbi Yuan)

	Equity attributable to owners of the parent							Minority interests	Total equity
	Share capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Subtotal		
I. At 31 December 2014	2,083,012,671.00	4,454,445,502.14	(407,643,387.35)	35,883,279.63	619,463,051.48	4,110,689,867.19	10,895,850,984.09	3,499,392,451.31	14,395,243,435.40
Add: Business combination Under common control	—	13,476,601.68	(10,944,684.36)	20,246,155.58	—	296,390,618.39	319,168,691.29	4,454,454,976.78	4,773,623,668.07
Changes in accounting policies	—	—	—	—	—	—	—	—	—
II. At 1 January 2015	2,083,012,671.00	4,467,922,103.82	(418,588,071.71)	56,129,435.21	619,463,051.48	4,407,080,485.58	11,215,019,675.38	7,953,847,428.09	19,168,867,103.47
III. Movements of current year									
(1) Net profit	—	—	—	—	—	473,042,079.36	473,042,079.36	549,592,702.62	1,022,634,781.98
(2) Other comprehensive income (E.g. foreign currency translation)	—	—	(120,530,286.82)	—	—	—	(120,530,286.82)	(64,921,391.87)	(185,451,678.69)
(3) Injection and reduction									
1. Shareholders' injection	—	—	—	—	—	—	—	20,000,000.00	20,000,000.00
(4) Profit appropriation And distribution									
1. Appropriation to Surplus reserves	—	—	—	—	49,439,818.62	(49,439,818.62)	—	—	—
2. Distribution to Shareholders	—	—	—	—	—	(270,791,647.23)	(270,791,647.23)	(156,887,988.44)	(427,679,635.67)
(5) Special reserves									
1. Addition	—	—	—	35,225,305.82	—	—	35,225,305.82	48,872,985.58	84,098,291.40
2. Decrease	—	—	—	(25,867,728.69)	—	—	(25,867,728.69)	(28,671,748.74)	(54,539,477.43)
(6) Others									
1. Purchase of Minority interests1	—	151,209.51	—	—	—	—	151,209.51	(1,327,399.03)	(1,176,189.52)
2. Reduction of disposal Of subsidiaries	—	—	—	—	—	—	—	—	—
3. Business combination Under common control2	—	17,286,186.64	—	—	—	—	17,286,186.64	—	17,286,186.64
4. Others3	—	2,557,306.85	—	—	—	—	2,557,306.85	—	2,557,306.85
IV. At 31 December 2015	2,083,012,671.00	4,487,916,806.82	(539,118,358.53)	65,487,012.34	668,902,870.10	4,559,891,099.09	11,326,092,100.82	8,320,504,588.21	19,646,596,689.03

1: The Group acquired the minority interests of Aoxing Ship Management (Shanghai) LTD which increased capital reserves by RMB 151,209.51.

2: The Group acquired Sino hem Agrochemical Co., Ltd, (Hong Kong) and Shenyang Sinochem Pesticide Chemical Research Co., Ltd., which were business combinations under common control. The differences between the payment and the acquirees' book net assets were adjusted in capital reserves. Refer to NoteVI.1 for details.

3: Sinochem International Polyurethane Co., Ltd., a subsidiary of the Company, underwent bankruptcy liquidation this year and reversed capital reserves by RMB 2,557,306.85.

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

SINOCHEM INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Note V	2016	2015 Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		42,452,188,171.33	46,772,574,625.17
Refund of tax		307,516,931.20	266,322,151.59
Cash received relating to other operating activities	66	215,691,560.69	478,613,380.24
Sub-total of cash inflows		42,975,396,663.22	47,517,510,157.00
Cash paid for goods and services received		36,421,863,943.31	40,923,394,824.57
Cash paid to and on behalf of employees		1,906,604,745.30	1,635,962,268.68
Cash paid for all types of taxes		757,317,271.86	897,494,461.08
Cash paid relating to other operating activities	66	1,970,700,467.95	1,714,329,166.03
Sub-total of cash outflows		41,056,486,428.42	45,171,180,720.36
Net cash flows from operating activities	67	1,918,910,234.80	2,346,329,436.64
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from investment		15,189,293,555.42	6,422,897,480.83
Cash received from Investment income		400,414,943.31	372,910,902.51
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		112,654,922.00	423,572,571.57
Net cash received from disposal of subsidiaries and other business entities	67	—	—
Cash received relating to other investing activities	66	1,618,687,652.28	33,425,928.57
Sub-total of cash inflows		17,321,051,073.01	7,252,806,883.48
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,391,069,371.67	2,712,730,110.52
Cash paid for investments		15,932,886,681.22	6,557,469,843.74
Net cash received from acquisition of subsidiaries and other business entities	67	1,133,401,694.80	—
Cash paid relating to other investing activities	66	243,524,892.29	177,169,959.98
Sub-total of cash outflows		19,700,882,639.98	9,447,369,914.24
Net cash flows from investing activities		(2,379,831,566.97)	(2,194,563,030.76)

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

(Expressed in Renminbi Yuan)

	Note V	2016	2015 Restated
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from absorbing investment		—	35,820,000.00
Incl.: Cash received from subsidiaries absorbing the investment of minority shareholder		—	20,000,000.00
Cash received from borrowings		35,271,589,330.29	32,746,868,652.45
Cash received relating to other financing activities	66	21,527,190.16	29,608,361.31
Sub-total of cash inflows		35,293,116,520.45	32,812,297,013.76
Cash repayment of borrowings		31,210,341,784.29	32,638,169,938.17
Cash paid for interest expenses and distribution of dividends or profits		940,171,332.11	960,519,871.87
Incl.: Dividends or profits of subsidiaries paid for minority shareholders		176,779,143.02	156,887,988.44
Cash paid for other financing activities	66	59,934,300.00	15,403,399.98
Sub-total of cash outflows		32,210,447,416.40	33,614,093,210.02
Net cash flows from financing activities		3,082,669,104.05	(801,796,196.26)
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(58,411,380.21)	118,566,001.02
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,563,336,391.67	(531,463,789.36)
Add: Cash and cash equivalents at the beginning of the year		4,658,200,300.52	5,189,664,089.88
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	67	7,221,536,692.19	4,658,200,300.52

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

SINOCHEM INTERNATIONAL CORPORATION
BALANCE SHEET
31 DECEMBER 2016
(Expressed in Renminbi Yuan)

ASSETS	Note XIV	31 December 2016	31 December 2015
Current assets			
Cash and bank balances		2,980,499,788.76	696,710,567.36
Derivative financial assets		2,607,132.68	68,137,873.52
Notes receivable		146,555,852.64	221,711,695.91
Accounts receivable	1	655,350,684.44	630,376,240.09
Prepayments		249,919,914.62	430,825,579.95
Interest receivable		955,848.99	—
Dividends receivable		775,989,547.51	530,000,000.00
Other receivables	2	237,659,730.00	427,939,702.48
Inventories		741,314,156.69	1,105,949,694.48
Other current assets	3	1,049,480,457.84	3,963,154,315.49
Total current assets		6,840,333,114.17	8,074,805,669.28
Non-current assets			
Available-for-sale financial assets		49,500,000.00	49,500,000.00
Long-term equity investments	4	8,149,870,033.23	8,280,040,823.37
Fixed assets		47,156,067.75	12,731,772.20
Construction in progress		644,525.08	17,016,381.45
Intangible assets		11,438,740.56	11,905,356.71
Deferred tax assets		303,420,631.30	213,644,539.66
Total non-current assets		8,562,029,997.92	8,584,838,873.39
TOTAL ASSETS		15,402,363,112.09	16,659,644,542.67

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

SINOCHEM INTERNATIONAL CORPORATION
BALANCE SHEET (continued)
31 DECEMBER 2016
(Expressed in Renminbi Yuan)

LIABILITIES AND EQUITY	Note XIV	31 December 2016	31 December 2015
Current liabilities			
Short-term borrowings		231,638,886.27	869,480,647.49
Derivative financial liabilities		38,905,424.42	8,276,591.95
Notes payable		563,428,232.30	1,330,313,421.50
Accounts payable		426,357,346.21	1,172,620,400.35
Advance from customers		209,517,751.72	138,806,829.36
Payroll payable		2,837,537.89	1,849,740.63
Taxes payable		15,667,771.16	12,089,077.96
Interest payable		102,969,482.50	99,707,745.17
Other payables		329,050,032.39	116,648,272.45
Non-current liabilities due within one year		747,180,000.00	1,668,598,861.46
Total current liabilities		2,667,552,464.86	5,418,391,588.32
Non-current liabilities			
Long-term borrowings		845,000,000.00	1,592,180,000.00
Bonds payable		3,689,938,747.55	1,195,694,392.11
Deferred income		7,670,800.00	—
Total non-current liabilities		4,542,609,547.55	2,787,874,392.11
TOTAL LIABILITIES		7,210,162,012.41	8,206,265,980.43
Shareholders' equity			
Share capital		2,083,012,671.00	2,083,012,671.00
Capital reserves		4,559,967,582.75	4,619,901,882.75
Special reserve		19,908,903.67	19,443,235.85
Surplus reserves		671,645,126.44	668,902,870.10
Retained earnings		857,666,815.82	1,062,117,902.54
Total shareholders' equity		8,192,201,099.68	8,453,378,562.24
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,402,363,112.09	16,659,644,542.67

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

SINOCHEM INTERNATIONAL CORPORATION
INCOME STATEMENT
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Note XIV	2016	2015
Revenue	5	9,267,895,009.97	12,666,130,567.10
Less: Operating costs	5	8,702,343,888.67	12,067,412,576.55
Taxes and surcharges		1,872,458.26	10,168,775.33
Selling expenses		248,383,220.76	301,668,897.39
General and administrative expenses		262,053,233.06	231,672,154.27
Financial expenses		214,133,514.65	276,144,971.46
Impairment loss on assets		217,251,108.35	549,352,044.27
Add: Gains on changes in fair values		(96,159,573.31)	33,594,037.91
Investment income	6	405,853,311.80	1,130,509,422.58
Incl.: Income from investment in associates and joint ventures		87,172,111.08	197,546,599.71
Operating loss		(68,448,675.29)	393,814,608.32
Add: Non-operating income		6,894,221.61	8,935,302.16
Incl.: Profit on disposal of non-current assets		322,917.64	388,593.94
Less: Non-operating expenses		249,552.31	1,990,750.02
Incl.: Loss on disposal of non-current assets		238,252.31	88,758.79
Total loss		(61,804,005.99)	400,759,160.46
Less: Income tax expense		(89,226,569.42)	(93,639,025.73)
Net profit		27,422,563.43	494,398,186.19
Net value of other comprehensive income after tax		—	(11,819,300.00)
Other comprehensive income which will be reclassified to the income statement		—	(11,819,300.00)
Total comprehensive income		27,422,563.43	482,578,886.19

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

SINOCHEM INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Share capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Total equity
I. At 1 January 2016	2,083,012,671.00	4,619,901,882.75	—	19,443,235.85	668,902,870.10	1,062,117,902.54	8,453,378,562.24
II. Movements of current year							
1. Total comprehensive income	—	—	—	—	—	27,422,563.43	27,422,563.43
2. Profit appropriation and distribution							
(1)Appropriation to surplus reserves	—	—	—	—	2,742,256.34	(2,742,256.34)	—
(2)Distribution to shareholders	—	—	—	—	—	(229,131,393.81)	(229,131,393.81)
3. Others							
(1)Others1&2	—	(59,934,300.00)	—	465,667.82	—	—	(59,468,632.18)
III. At 31 December 2016	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

1: The Company increased special reserves by RMB 465,667.82 according to the accrual of associates.
2: The Company acquired Shenyang sinochem pesticide chemical industry development co., LTD, which is a business combination under common control. The difference between the payment and the acquiree's book net assets was adjusted in capital reserves by RMB 59,934,300.00.

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

SINOCHEM INTERNATIONAL CORPORATION
STATEMENT OF CHANGES IN EQUITY (continued)
YEAR ENDED 31 DECEMBER 2015
(Expressed in Renminbi Yuan)

	Share capital	Capital reserves	Other comprehensive income	Special reserve	Surplus reserves	Retained earnings	Total equity
I. At 1 January 2015	2,083,012,671.00	4,428,832,423.81	11,819,300.00	4,993,065.94	619,463,051.48	887,951,182.20	8,036,071,694.43
II. Movements of current year							
1. Total comprehensive income	—	—	(11,819,300.00)	—	—	494,398,186.19	482,578,886.19
2. Profit appropriation and distribution							
(1)Appropriation to surplus reserves	—	—	—	—	49,439,818.62	(49,439,818.62)	—
(2)Distribution to shareholders	—	—	—	—	—	(270,791,647.23)	(270,791,647.23)
3. Others							
(1)Others1&2	—	191,069,458.94	—	14,450,169.91	—	—	205,519,628.85
IV. At 31 December 2015	2,083,012,671.00	4,619,901,882.75	—	19,443,235.85	668,902,870.10	1,062,117,902.54	8,453,378,562.24

1: The Company increased special reserves by RMB 14,450,169.91 according to the accrual of associates.
2: The Company increased capital reserves by RMB 191,069,458.94 according to the increase in the amount by the associates.

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

SINOCHEM INTERNATIONAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2016
(Expressed in Renminbi Yuan)

	Note XIV	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services		10,563,414,898.28	14,414,799,160.57
Refund of tax		43,504,446.71	19,322,938.63
Cash received relating to other operating activities		83,187,972.99	149,063,529.64
Sub-total of cash inflows		10,690,107,317.98	14,583,185,628.84
Cash paid for goods and services received		10,989,645,750.37	14,375,484,025.38
Cash paid to and on behalf of employees		195,753,099.76	196,221,030.35
Cash paid for all types of taxes		17,325,717.21	16,319,218.62
Cash paid relating to other operating activities		293,423,351.31	331,434,305.05
Sub-total of cash outflows		11,496,147,918.65	14,919,458,579.40
Net cash flows from operating activities	7	(806,040,600.67)	(336,272,950.56)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from investment		16,445,065,271.26	6,813,171,349.12
Cash received from investment income		255,767,937.33	788,881,470.93
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		126,869.30	1,022,576.17
Sub-total of cash inflows		16,700,960,077.89	7,603,075,396.22
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		34,166,908.89	20,385,094.21
Cash paid for investments		12,396,436,520.52	7,946,572,928.52
Sub-total of cash outflows		12,430,603,429.41	7,966,958,022.73
Net cash flows from investing activities		4,270,356,648.48	(363,882,626.51)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from borrowings		11,199,255,491.66	9,255,015,698.92
Sub-total of cash inflows		11,199,255,491.66	9,255,015,698.92
Cash repayment of borrowings		11,925,738,496.33	8,472,365,220.26
Cash paid for interest expenses and distribution of dividends or profits		452,745,987.72	491,229,802.42
Sub-total of cash outflows		12,378,484,484.05	8,963,595,022.68
Net cash flows from financing activities		(1,179,228,992.39)	291,420,676.24
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(1,297,834.02)	(29,194,231.68)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		2,283,789,221.40	(437,929,132.51)
Add: Cash and cash equivalents at the beginning of the year		696,710,567.36	1,134,639,699.87
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		2,980,499,788.76	696,710,567.36

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

I. CORPORATE PROFILE

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 with share capital of RMB 252.65 million, and received the Enterprise Business License. On 21 December 1999, with approval of Zheng Jian Fa Xing Zi [1999] No. 155 Document issued by the China Securities Regulatory Commission (CSRC), the Company issued 120 million RMB ordinary shares to public investors through the Shanghai Stock Exchange. On 28 December 1999, the Company received the new Enterprise Business License with share capital of RMB 372.65 million after the change. On 1 March 2000, the Company's shares were listed on the Shanghai Stock Exchange.

In July 2001, the Company moved to Shanghai Pudong New Area. In September 2002, the Company announced to transfer its own capital reserves to ordinary shares, with replacement of 10 shares for 5 shares of share capital, and its share capital increased to RMB 558.975 million. On 26 April 2004, the Company announced to transfer retained earnings and capital reserves of 2003 to ordinary shares, issuing 3 shares, with 2 additional gift shares for every 10 shares, and the share capital was changed to RMB 838.4625 million. On 26 April 2005, the Company announced to transfer retained earnings and capital reserves of 2004 to ordinary shares, issuing 3 shares, with 2 additional gift shares for every 10 shares, and the share capital was changed to RMB 1,257.69375 million.

On 19 June 2005, the Company was selected to be among the second batch of equity division reform pilot companies by the CSRC. The Company Equity Division Reform Scheme was amended at the 11th Session of the 3rd Board Meeting held by the Company on 20 July 2005, and was approved at the 1st Extraordinary General Meeting of 2005 held by the Company on 5 August. The shareholders of circulation shares registered on 10 August 2005 (the registration date to execute shareholding by the Scheme) would obtain 1.75 shares and consideration of RMB 5.58 (both paid by shareholders of non-circulation shares) for each 10 circulation shares held. On 12 August 2005, the implementation of the Company Equity Division Reform Scheme was completed. On 1 December 2006, the Company issued 120 million convertible bonds with 180 million share warrants. On 17 December 2007, the Company successfully exercised 179,895,821 share warrants and changed the share capital to RMB 1,437,589,571.

On 1 June 2009, according to the Reply to Establish Sinochem Corporation (Guo Zi Gai Ge [2009] No.358) issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), Sinochem Group and China Ocean Shipping (Group) Company launched to set up Sinochem Corporation. Sinochem Group held 98% shares of Sinochem Corporation, and China Ocean Shipping (Group) Company held 2% of shares of Sinochem Corporation.

On 24 June 2009, the SASAC issued the Reply to Issues Related to the Administration of State-Owned Shareholding of Sinochem Corporation (Guo Zi Chan Quan [2009] No. 447), and approved Sinochem Group's capital contribution to Sinochem Corporation with the shares and other assets of the Company held by the former. In order to implement this contribution, Sinochem Group transferred 55.17% shares of the Company held by it to Sinochem Corporation. For the 1.49% shares of the Company (indirectly held by Sinochem Group through China Foreign Economy and Trade Trust Co., Ltd.) involved in this acquisition, the China Banking Regulatory Commission (CBRC) issued the Reply to the Approval of the Shareholding Changes and Articles of Association Amendments of China Foreign Economy and Trade Trust Co., Ltd. (Yin Jian Fu [2009] No. 262) on 24 July 2009, and permitted Sinochem Group to transfer all its shareholdings of China Foreign Economy and Trade Trust Co., Ltd. to Sinochem Corporation.

After completing this acquisition, Sinochem Corporation would hold 55.17% of shares of the Company directly and indirectly through its subsidiaries. In accordance with the Measures for the Administration of the Takeover of Listed Companies, the obligation of the tender offer has been triggered. Sinochem Corporation's equity in the Company has exceeded 30% of total stock issue which resulted from Sinochem Group's whole restructuring and reform and fulfilling obligation of capital contribution, and the actual

I. CORPORATE PROFILE (continued)

controller of the Company before and after the transfer of shares is not changed. Therefore, in accordance with Article 62 of Chapter 6 in the Measures for the Administration of the Takeover of Listed Companies, the purchaser applied for the relief from fulfilling the obligation of the tender offer with the CSRC and received Official Reply to Approval of Sinochem Corporation's Announcement of Sinochem International Corporation's Purchase Report and Relief From its Fulfilling Obligation of the Tender Offer (Zhenjianxuke[2009]No.867) from the CSRC, approving the relief of Sinochem Corporation from fulfilling the obligation of tender offer resulting from its holding of 793,100,931 shares due to the agreement transfer.

After Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC) issued Transfer Registration Confirmation on 15 September 2009, the Company's 747,418,295 shares directly held by Sinochem Group were transferred to Sinochem Corporation. After Shanghai Branch of the CSDC issued the Transfer Registration Confirmation on 16 September 2009, the Company's 24,199,146 shares (accounting for 1.68% of the Company's total share capital) and 21,483,490 shares (accounting for 1.49% of the Company's total share capital) directly held by Fareast International Lease Co., Ltd. and FOTIC respectively were transferred to Sinochem Corporation. So far, the Company's 793,100,931 shares are held directly by Sinochem Corporation, accounting for 55.17% of the Company's total share capital.

Based on the resolution of the 2nd Extraordinary General Meeting of 2012 held by the Company on 28 September 2012 , the Company planned to issue new RMB ordinary shares to less than 10 (or the quantity ceiling set in accordance with laws and regulations when issuing) specific investors including Sinochem Corporation, such as qualified legal persons, natural persons and other investors including security investment fund companies, securities companies, insurers' investors, trust and investment companies, finance companies, qualified foreign institutional investors. The total amount of this private shares placement was no more than RMB 4 billion.

On 22 July 2013, the CSRC issued Official Reply to Approval of Sinochem International Corporation's Non-public Issue (Zhengjianxuke[2013]No.956), approving the issues related to the Company's private RMB ordinary shares placement.

On 26 November 2013, the Company received the private share placement. The net amount was RMB 3,705,358,820.60. This public issue was verified by Ernst & Young Hua Ming LLP and Ernst & Young Hua Ming (2013)'s capital verification report (Yanzi No. 60662729_B01) was issued.

After completing this private share placement, the Company's 1,152,988,931 shares were held directly by Sinochem Corporation, accounting for 55.35% of the Company's total equity.

The Company's private shares purchased by the controlling shareholder, Sinochem Corporation, must not be transferred within 36 months from the date at which this issue ends. The restricted share trade period for the shares purchased by the specific investors is 12 months from the date at which this issue ends.

The main business scope of the Company and its subsidiaries (hereinafter referred to as "the Group") includes import and export, domestic trade and storage and transportation and freight forwarding business and others of chemical raw materials, fine chemicals, agrochemicals, plastics, rubber products etc. The business scope of the parent company: self-operation and agent of other goods and technology import and export business in addition to the goods export jointly operated under the State's unified arrangement and the goods import 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 business above. The subsidiaries are mainly engaged in

I. CORPORATE PROFILE (continued)

international cargo transportation and oil shipping; domestic coastal chemical tanker transportation; ocean, land and air transportation agency of import and export goods; natural rubber cultivation, processing and marketing, etc.

The Group's parent company is Sinochem Corporation, and is ultimately controlled by Sinochem Group.

The financial statements have been determined and approved by the Board of Directors of the Company on 27 April 2017. According to the Company's Articles of Association, the financial statements will be submitted to the General Meeting of Shareholders for deliberation.

The consolidation scope of the consolidated financial statements is determined on the basis of control. Please refer to Note VI for the change of this year.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

1. Preparation basis

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises – Basic Standards and specific accounting standards, the implementation guidance, interpretations and other relevant provisions (collectively referred to as the "Accounting Standards for Business Enterprises") issued and revised subsequently by the Ministry of Finance (the "MOF").

The financial statements have been prepared on a going concern basis.

The financial statements have been prepared on a historical cost basis except for some financial instruments. If the assets are impaired, corresponding provisions should be made according to relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has developed specific accounting policies and accounting estimates based on actual production and management features, mainly reflected in the provision for bad debts, revenue recognition, etc.

1. Statement of compliance with the Accounting Standards for Business Enterprises

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 and the Group's financial position as at 31 December 2016 and the Company and the Group's results of operations and cash flows for the year then ended.

2. Accounting year

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Functional currency

The Group's reporting and presentation currency is Renminbi ("RMB"). Unless otherwise stated, the unit of the currency is RMB Yuan.

The subsidiaries and associates of the Group determine their own functional currencies according to the primary economic environment, and currencies will be translated into RMB when preparing financial statements.

4. Business combinations

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations under common control and business combinations not under common control.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

4. Business combinations (continued)

Business combinations under common control

A business combination under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the acquiring party, while that other entity participating in the combination is a party being acquired. The combination date is the date on which the acquiring party effectively obtains control of the party being acquired.

Assets and liabilities that are obtained by the acquirer in a business combination under common control are measured at their carrying amounts at the combination date as recorded by the party being acquired. 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 in share premium under capital reserves. If the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer measures the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. Goodwill is subsequently measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer reassesses the measurement of the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities, the fair value of the considerations paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest. If after that reassessment, the aggregate of the fair value of the considerations paid (or the fair value of the equity securities issued) and any fair value of the acquirer's previously held equity interest is still less than the acquirer's interest in the fair value of the acquirer's identifiable net assets, the acquirer recognizes the difference immediately in the income statement for the current period.

5. Consolidated financial statements

The consolidation scope of the consolidated financial statements is determined on the basis of control, including the financial statements for the year ended 31 December 2016 of the Company and all of its subsidiaries. A subsidiary is an enterprise or entity that is controlled by the Company.

During the preparation of the consolidated financial statements, the accounting years and accounting policies are determined to be those of the Company. If the subsidiaries acquired through a business combination do not use the same accounting year and accounting policies as those of the Company, they should make necessary adjustment to conform with the Company. All intra-group assets, liabilities, equity, revenue, expenses and cash flows resulting from intra-group transactions are eliminated on consolidation in full.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

5. Consolidated financial statements (continued)

Where the amount of the loss for the current period attributed to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of the shareholders' equity of the subsidiary, the excess amount is allocated against minority interests.

For subsidiaries acquired through a business combination involving entities not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, adjustments are made to the subsidiaries' financial statements based on the fair values of the identifiable assets, liabilities and contingent liabilities on the acquisition date.

For subsidiaries acquired through a business combination involving entities under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the combination period. In preparing the consolidated financial statements, adjustments are made to related items of the prior year's financial statements, as if the reporting entities after the combination had existed from the date when the combining entities first came under control of the ultimate controlling party.

If the changes of relevant facts and circumstances result in the changes of one or more control factors, the Group will reevaluate whether it continues to control the investee.

Without a loss of control, a change in minority shareholders is accounted for as an equity transaction.

6. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

7. Foreign currency transactions and translation of the financial statements prepared in foreign currencies

The Group translates the amounts of foreign currency transactions into its functional currency.

Foreign currency transactions are initially recorded using the functional currency rate ruling at the dates of the transactions.

Monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at the balance sheet date. The resulting exchange differences from settlements and translations of monetary items are recognized in the income statement, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the foreign exchange rate at the end of the reporting period at the transaction date, without changing the amount in functional currencies. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value is determined; the resulting exchange differences are recognized in profit or loss or other comprehensive income in accordance with the nature of non-monetary items.

For foreign operations, the Group translates their functional currency amounts into RMB in preparing the financial statements as follows: asset and liability items in the balance sheet are translated using the spot exchange rate at the balance sheet date, and equity items other than "retained earnings" are translated using the spot exchange rate at the dates of the transactions; revenue and expense items in the income statement are translated using the average exchange rate for the period during which the transactions occur. The resulting exchange differences are recognized in other comprehensive income and presented as a separate component of equity in the balance sheet. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement. If

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

7. Foreign currency transactions and translation of the financial statements prepared in foreign currencies (continued)

the disposal only involves a portion of a particular foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement on a pro rata basis.

Foreign currency cash flows and the cash flows of foreign subsidiaries are translated using the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash is separately presented as an adjustment item in the statement of cash flows.

8. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial assets

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets) as write-off from the balance sheet and the accounts when the following conditions are met:

(1) The rights to receive cash flows from the asset have expired; or

(2) The Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through arrangement"; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss.

Regular way purchases or sales of financial assets are recognized and derecognized on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period as specified by regulations or convention in the marketplace. Trade date is the date that the Group commits to purchase or sell the assets.

Classification and measurement of financial assets

Financial assets of the Group are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and derivatives designated as effective hedging instruments. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

Subsequent measurement of financial assets depends on their classification:

Financial assets at fair value through profit or loss

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

8. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets at fair value through profit or loss (continued)

held for trading is the financial asset that meets one of the following conditions: i) the financial asset is acquired for the purpose of selling in a short term; ii) the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits; or iii) the financial asset is a derivative, except for a derivative that is designated as an 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 from an active market) whose fair value cannot be reliably measured. For such a kind of financial assets, fair values are adopted for subsequent measurement. All the realized or unrealized gains or losses on these financial assets are recognized in profit or loss. Dividend income or interest income related to financial assets at fair value through profit or loss is charged to profit or loss.

Financial assets can only be designated as financial assets at fair value through profit or loss upon initial measurement if meeting one of the following conditions:

(1) The designation can eliminate or significantly reduce the difference in recognition or measurement of the relative profit or loss due to the different measurement bases of the financial instruments.

(2) The written documents of risk management or investment strategies indicate that the portfolio of identifiable financial instruments is managed, evaluated, and reported to key management staff on a fair value basis.

(3) The financial assets include combined instruments into which one or more derivatives are imbedded, unless imbedding derivatives has no significant effect on cash flows of the combined instruments, or the imbedded derivatives should not be separated from the relevant combined instruments apparently.

(4) The financial assets include combined instruments into which derivatives are imbedded, and which need to be separated but cannot be measured individually at acquisition or subsequent balance sheet date.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, should not be designated as financial assets at fair value through profit or loss.

A certain financial asset which was designated by the enterprise upon initial recognition as at fair value through profit or loss should not be reclassified as other financial asset afterwards; other financial assets should not be reclassified as financial assets at fair value through profit or loss either.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that an entity has the positive intention and ability to hold to maturity. Such financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from amortization or impairment and derecognition are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from amortization or impairment are recognized in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

8. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories at initial recognition. After initial recognition, available-for-sale financial assets are subsequently measured at fair value. The discount/premium is amortized using the effective interest method and recognized as interest income or expense. A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognized as other comprehensive income in capital reserves, except for impairment losses and foreign exchange gains and losses resulting from monetary financial assets, until the financial asset is derecognized or determined to be impaired, at which time the accumulated gains or losses previously recognized are transferred to profit or loss. Interest and dividends relating to available-for-sale financial assets are recognized in profit or loss.

Investments in equity instruments, which do not have quoted prices in an active market and whose fair values cannot be reliably measured, are measured at cost.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, the relevant transaction costs are immediately recognized in profit or loss, and transaction costs relating to other financial liabilities are included in the amounts initially recognized.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities at fair value through profit or loss

The Group's financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) it has been undertaken principally for the purpose of buying back in the near term; or (2) 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 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. The above financial instruments are subsequently measured at fair value, realized and unrealized profit or loss is recognized when incurred.

Financial liabilities can only be designated upon initial measurement as at fair value through profit or loss if meeting one of the following conditions:

(1) The designation can eliminate or significantly reduce the difference in recognition or measurement of the relative gains or losses due to the different measurement basis of the financial instruments.

(2) The written documents of risk management or investment strategies that the portfolio of identifiable financial instruments is managed, evaluated, and reported to key management staff on fair value basis.

(3) The financial liabilities include hybrid instruments into which one or more derivatives are embedded, unless embedded derivatives has no significant effect on cash flows of the hybrid instruments, or the embedded derivatives should not be separated from the relevant hybrid instruments apparently.

(4) The financial liabilities include hybrid instruments into which derivatives are embedded, and which need to be separated but cannot be measured individually upon acquisition or at subsequent balance sheet date.

A certain financial liability which was designated by the Group upon initial recognition as at fair value through profit or loss should not be reclassified as other financial liability afterwards; other financial liabilities should not be reclassified as financial liabilities at fair value through profit or loss either.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

8. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Other financial liabilities

After initial recognition, such financial liabilities are measured at amortized cost by using the effective interest method.

Offsetting of financial instruments

The net value that offset by financial assets and liabilities is recorded in the balance sheet if both of the following requirements are met: the legal right of offsetting the confirmed value is possessed and such legal right is applicable currently; the financial instruments are planned to be accounted in net value or realizing the financial assets and liquidating the financial liabilities.

Financial guarantee contract

A financial guarantee contract is the contract signed by guarantor and creditor that the guarantor will fulfill obligation or bear the responsibility once the debtor fails to fulfill obligation. Financial guarantee contracts are recorded at fair value upon initial recognition. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss shall be measured at the higher of: (1) the amount of the best estimate of the expenditure required to settle the obligation on balance sheet date, and (2) the amount initially recognized less cumulative amortization according to revenue recognition principle.

Convertible bonds

The Group determines whether the convertible bonds include both liability and equity components according to terms upon issuance. If the issued convertible bond includes both liability and equity components, the components should be split at initial recognition and accounted for separately. While splitting, the fair value of the liability component is determined first and recognized as the initial amount; then the initial amount of the equity component is determined at the amount of the total issuing price of the convertible bond net of the initial amount of the liability component. Transaction cost is allocated between the liability component and equity component based on the relative fair value respectively. The liability component is presented as a liability, and subsequently measured at amortized cost, until canceled, converted or redeemed. The equity component is presented as equity without subsequent measurement.

If the issued convertible bonds only include the liability component and embedded derivatives (i.e. the conversion option of the share is featured with the embedded derivative), it should be split from the convertible bond and individually accounted for as a derivative financial instrument, and initially recognized based on its fair value. The proportion that the issuing price exceeding the one initially recognized as a derivative financial instrument is recognized as a debt instrument. Transaction cost is allocated according to the issuing prices allocated to the debt instrument and the derivative financial instrument at initial recognition on a pro rata basis. Transaction cost related to the debt instrument is recognized as a liability and transaction cost related to derivative financial instrument is recognized in profit or loss.

Impairment of financial assets

The Group assesses the carrying amount of financial assets at each balance sheet date. 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 an indication 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 of impairment of financial assets includes indications that the issuer or the debtor is experiencing significant financial difficulties, the debtor violates contract terms (such as default or delinquency in interest or principal payments etc.), the probability that the debtor will enter bankrupt or other financial reorganization, and observable data indicating that there is a measurable decrease in the estimated future cash flows.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

8. Financial instruments (continued)

Impairment of financial assets (continued)

Financial assets carried at amortized cost

If a financial asset measured at amortized cost is impaired, the carrying amount of the financial asset is reduced through the use of an allowance account to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The reduced amount is recognized in profit or loss. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (the effective interest rate upon initially recognition), and the value of the relevant guaranty should also be taken into account. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

For a financial asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognized in profit or loss if there is objective evidence of impairment. For a financial asset that is not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment, or it is individually assessed for impairment. If no objective evidence of impairment occurs for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Assets for which an impairment loss is individually recognized are not included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

If, subsequent to the Group's recognition of an impairment loss on a financial asset carried at amortized cost, there is objective evidence of a recovery in the value of the financial asset and the recovery can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized.

Available-for-sale financial assets

If there is objective evidence that an available-for-sale asset is impaired, the accumulated losses arising from decline in fair value previously recognized in other comprehensive income are removed and recognized in profit or loss. The accumulated losses that are removed from other comprehensive income are the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss.

The objective evidence of the impairment on investments of available-for-sale equity instrument includes significant or non-temporary decline in fair value. "Significant" can be judged by the degree of difference between fair value and cost. "Non-temporary" can be judged by the length of time when fair value is less than cost. If the objective evidence of impairment exists, the transferred cumulative loss is the balance of the acquisition costs deducted current fair value and impairment losses previously recorded in profit or loss. Impairment losses of investments of available-for-sale equity instrument shall not be reversed through profit or loss. Increase in fair value after impairment shall be recognized directly in other comprehensive income.

Judgement is required in determining what is "Significant" or "Not temporary". The group will judge with the degree or period of the fair value lower than cost, and other factors.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

8. Financial instruments (continued)

Impairment of financial assets (continued)

Available-for-sale financial assets (continued)

impairment loss on that investment previously recognised in profit or loss. Future interest income are accrued at the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized.

Financial assets carried at cost

If there is objective evidence that such an asset is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognize the financial asset.

The Group neither transfers nor retains substantially all the risks and rewards of ownership of financial assets and related accounting treatments are as follows: the Group derecognizes financial assets when it retains no control on them, and associated assets and liabilities are recognized at the same time. If the Group 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.

For the continuing involvement that takes the form of financial guarantees over the transferred asset, the assets rising from continuing involvement will be recorded at the lower amount between the book value and the amount of financial guarantees. The amount of financial guarantees refers to the maximum amount of consideration that the Group could be required to repay.

9. Receivables

(1) Receivables with individually significant amounts and individual provision made

The Group recognized the top five receivables with the most significant amounts as receivables with individually significant amounts which are assessed for impairment. If no objective evidence of impairment incurs for an individually assessed financial asset, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Receivables for which an impairment loss is individually recognized are not included in a group of receivables with similar credit risk characteristics and collectively assessed for impairment.

(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

9. Receivables (continued)

(2) Receivables with provisions made collectively by credit risk characteristics

The Group recognizes the receivables overdue more than one year except for the top five ones as an asset portfolio based on the similarity and relevance of credit risk characteristics. These credit risks typically reflect the debtor's capability to repay all due debts in line with the contact terms of such assets, and are in relevance with the future cash flow estimation of the assessed assets. The Group determines the group of receivables by taking aging as credit risk characteristic, and uses the aging analysis method to make provisions of bad debts for accounts receivable and other receivables in the following proportions:

	Proportion of provision for accounts receivable	Proportion of provision for other receivables
No overdue	0%	0%
Overdue for less than one year	0-10%	0-10%
From one year to two years	0%-20%	0%-20%
From two years to three years	20%-60%	20%-60%
More than three years	60%-100%	60%-100%

The Group does not make provisions for the balance of receivables from related parties.

(3) Receivables without individually significant amount but with provisions for bad debts made individually

The Group recognizes the receivables overdue for less than one year except for the top five ones as non-significant receivables, and made provisions for bad debts individually. The Group individually assesses the receivables without individually significant amounts but with provisions for bad debts made individually for impairment.

10. Inventories

Inventories comprise raw materials, work in progress, finished goods, goods-in-transit, low-valued consumables and consigned processing materials.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs, as well as gains or losses transferred from other comprehensive income as the purchase meets the cash flow hedge. The cost of inventories transferred out is determined on the weighted average basis. Turnover materials include low-valued consumables and packaging that are amortized using the one-off amortization method.

The Group applies a perpetual inventory system. At the balance sheet date, inventories are stated at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for the inventories are made through profit or loss. If the factors that previously caused the provision for inventories no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. If the cost is higher than the net realizable value, the provision for inventories is made based on the difference between the cost and net realizable value on an item-by-item basis.

11. Assets classified as held-for-sale

Except for financial assets and deferred tax assets, corporate components (or non-current assets) are classified as held-for-sale if the following conditions are satisfied:

(1) The component (or non-current asset) shall be available for immediate sale in its present conditions subject only to terms that are usual and customary for sales of such component (or non-current asset);

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

11. Assets classified as held-for-sale (continued)

(2) Resolution has been made by the Group concerning the disposal of such component (or non-current asset) and, if required, shareholders' approval has been obtained;

(3) Irrevocable transfer agreement has been entered into with the transferee;

(4) The transfer will be completed within one year.

Individual assets of non-current assets and disposal groups classified as held for sale are not subject to depreciation or amortization and shall not be accounted for under the equity method. They are measured at fair value less cost of disposal, but such amount shall not exceed the original carrying amount during a period where the conditions precedent to being held-for-sale are satisfied. The excess of the original carrying amount over fair value less cost of disposal shall be recognized in profit and loss as loss on impairment of assets.

12. Long-term equity investments

Long-term equity investments include investments in subsidiaries and associates.

Long-term equity investments are initially measured at cost. For a long-term equity investment involving enterprises under common control, the initial investment cost is the attributable share of the carrying amount of the owners' equity of the acquirer in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between initial investment cost and the carrying amount of the combined consideration is adjusted against capital reserve (If the capital reserves are not sufficient to absorb the difference, any excess shall be adjusted against retained earnings). For the other comprehensive income which is already held before the acquisition date, on the disposal, the same accounting treatment for which the investee directly disposes of the related assets and liabilities should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss when the investments are disposed of. Among which, those remain as long-term equity investments will be charged to the income statement proportionately, and those transferred as financial instruments will be fully charged to the income statement. For a long-term equity investment acquired through business combinations not involving enterprises under common control, the investment cost of a long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combinations not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The investment cost 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. For the other comprehensive income generated from a long-term equity investment under the equity method which is already held before the acquisition date, on the disposal of the investment, the same accounting treatment for which the investee directly disposes of the related assets and liabilities should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss when the investments are disposed of. Among which, those remain as long-term equity investments will be charged to the income statement proportionately, those transferred as financial instruments will be fully charged to the income statement. For long-term equity investments which is a financial instrument and already held before the acquisition date, the accumulated fair value changes previously recorded as other comprehensive income should be transferred to profit or loss for the period under the cost method. The costs of the investments acquired other than business combinations are recognized as follows: a) acquired by cash, the investment is initially recognized at the actual consideration paid plus the expenses, taxes and other required expenditures directly attributable to the acquisition; b) acquired through issuing equity securities, the investment is initially recognized at the fair value of issuing equity instruments; and c) acquired through exchange of non-monetary assets, the cost of investment is initially recognized in accordance with the requirements of "Accounting Standard for Business Enterprises No. 7 Exchange of Non-monetary Assets".

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

12. Long-term equity investments (continued)

For long-term equity investments over which the Company has control are accounted for using the cost method in the Company's separate financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the cost method, a long-term equity investment is measured at initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profits distribution declared by the investee.

For long-term equity investments over which the Group has significant influence, the Group accounts for such long-term equity investments using the equity method. 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.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current 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 profits or losses and other comprehensive income made by the investee as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. The Group determines and recognizes its share of the investee's net profits or losses after making appropriate adjustments to the investee's net profits and losses based on the fair values of the investee's identifiable assets at the acquisition date, using the Group's accounting policies and periods, and eliminating the portion of the profits or losses arising from internal transactions with its joint ventures and associates, attributable to the investing entity according to its share ratio (but losses arising from internal transactions that belong to losses on the impairment of assets, shall be recognized in full). The carrying amount of the investment is reduced based on the Group's share of any profit distributions or cash dividends declared by the investee. The net loss of the investee is recognized to the extent that the carrying amount of the long-term equity investment and other long-term equity substantially constituted to the net investment of the investee are reduced to zero, except to the extent that the Group has incurred obligations to assume additional losses. Changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are correspondingly adjusted to the carrying amount of the long-term equity investments, and recognized in shareholders' equity.

On disposal of a long-term equity investment, the difference between the proceeds actually received and carrying amount is recognized in profit or loss. For the other comprehensive income generated from a long-term equity investment under equity method, if the equity method is not applied any more, the same accounting treatment for which the investee directly disposes of the related assets and liabilities should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss for the period. If the equity method is still applied, the same accounting treatment for which the investee directly disposes of the related assets and liabilities should be used and recognized in profit or loss for the period on a pro rata basis, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss for the period on a pro rata basis.

13. Investment property

Investment property is a property held to earn rentals or for capital appreciation or both, including a building that is leased out.

Investment properties are measured initially at cost. Subsequent expenditures incurred for such investment properties are included in the cost of the investment properties when it is probable that economic benefits

(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

13. Investment property (continued)

associated with investment properties 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 its investment properties.

14. Fixed assets

Fixed assets are recognized only when it is probable that future economic benefits associated with the fixed assets will flow to the Group and the cost can be measured reliably. Subsequent expenditures related to a fixed asset are recognized in the cost of the fixed asset if the above recognition criteria are met, and the carrying value of the replaced part is derecognized; otherwise, those expenditures are recognized in profit or loss as incurred.

Fixed assets are initially recognized at cost. Cost of purchased fixed assets comprises the purchase price, relevant taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Except for the assets attributed to the withdrawn expenses for safety production, fixed assets are depreciated on a straight-line basis, and the respective useful lives, estimated residual value rate and annual depreciation rates are as follows:

	Useful life	Estimated residual value	Annual depreciation rate
Land and buildings	10-50 years	0%-5%	1.90-10.00%
Machinery and equipment	1-15 years	0%-5%	6.33-97.00%
Transport device	4-25 years	0%-5%	3.80-25.00%
Storage tank equipment and other equipment	1-25 years	0%-5%	3.80-97.00%

Fixed assets held under finance leases are depreciated using the same depreciation method as other property, plant and equipment. The assets are depreciated over their useful lives where ownership of the assets can be reasonably estimated to be gained when lease periods end; otherwise, the lease assets are depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

Estimated residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each accounting period.

15. Construction in progress

Construction in progress is measured at its actual cost. The actual cost includes 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 transferred to fixed assets while it is ready for the intended use.

16. Borrowing Costs

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs include interest, amortization of discounts or premiums, ancillary costs, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are expensed in profit or loss. Qualifying assets are assets (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

16. Borrowing Costs (continued)

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

(1) Expenditures for the asset are being incurred;

(2) Borrowing costs are being incurred;

(3) 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. Any borrowing costs subsequently incurred are expensed in profit or loss.

During the capitalization period, the amount of interest to be capitalized for each accounting period shall be determined as follows:

(1) Where funds are borrowed for a specific purpose, 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.

(2) Where funds are borrowed for a general purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally for a continuous period of more than three months except those necessary activities to bring the assets to their intended use or sale.. Borrowing costs incurred during these periods are expensed in profit or loss until the acquisition, construction or production is resumed.

17. Biological assets

The bearer biological assets are biological assets held for the purpose of producing agricultural products, rendering services, leasing or others, including economic forest. The bearer biological assets are initially measured at cost. The cost of self-built bearer biological assets are the necessary expenditures occurring before bring the assets to its intended production and operation and directly attributable to such assets, including borrowing costs qualified for capitalization.

After brought to its intended production and operation, the bearer biological assets are depreciated over the useful life using the straight-line method. The useful lives, estimated residual value rates and annual depreciation rates of various bearer biological assets are as follows:

	Useful life	Estimated residual value	Annual depreciation rate
Rubber plantation	25 years	—	4%
Palm grove	25 years	—	4%

The Group reviews the useful life and estimated net residual value of a bearer biological asset and the depreciation method applied at least at each financial year-end, and makes adjustments if necessary.

The difference of disposal earnings of sales, inventory shortage, death or damage of the bearer biological asset, less its carrying value and related taxes, are recognized in profit or loss.

The Group assesses at each balance sheet date whether there is any indication that a bearer biological asset may be impaired. If any indication that a bearer biological asset may be impaired exists, the Group estimates the recoverable amount of the asset. The Group estimates the recoverable amount of the asset on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group

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III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

17. Biological assets (continued)

determines the recoverable amount of the asset group to which the asset belongs. If the recoverable amount is less than the book value, the difference is recognized as impairment provision in profit or loss.

Once the impairment loss of a bearer biological asset is confirmed, there is no reversal in the future periods.

18. Intangible assets

Intangible assets are recognized and measured initially at cost only when the economic benefits associated with the assets will probably flow to the Group and the cost of the asset can be measured reliably. The intangible assets acquired in business combinations not involving enterprises under common control should be measured at fair value separately as intangible assets when their fair values can be reliably measured.

The useful life of an intangible asset is determined according to the period over which it is expected to generate economic benefits for the Group. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

The useful lives of the intangible assets are as follows:

	Useful life
Land use right in Cameroon	Indefinite
Other land use rights	20-70 years
Patent	2-20 years
Trademark use rights and product registration certificates	10-20 years
Non-patents	Indefinite
Customer Relationship	20 years
Software	3-10 years

Land use rights that are purchased by the Group are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

An intangible asset with a finite useful life is amortized using the straight-line method over its useful life. For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at least at each financial year-end and makes adjustments if necessary.

Intangible assets with indefinite useful lives are tested for impairment annually, irrespective of whether there is any impairment indication or not. Such intangible assets cannot be amortized. The useful life of an intangible asset with an indefinite life is reviewed annually. If there is evidence that the useful life is finite, then the Group accounts for the asset in accordance with the above-mentioned policies of intangible assets with finite useful lives.

19. Impairment of assets

The Group determines the impairment of assets, other than the impairment of inventories, deferred tax assets and financial assets using the following methods:

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset and performs impairment tests. Goodwill arising in a business combination and an intangible asset with an indefinite useful life are tested for impairment at least at each year-end, irrespective of whether there is any indication that the asset may be impaired. The intangible asset not ready for the intended use is subject to impairment test annually.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

19. Impairment of assets (continued)

The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow expected to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

When the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount is reduced to the recoverable amount. The reduction in carrying amount is treated as an impairment loss and is recognised in profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly.

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated, from the acquisition date, on a reasonable basis to each of the related asset groups; if it is impossible to allocate the carrying amount to the related asset groups, it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is able to benefit from the synergies of the business combination and shall not be larger than a report segment determined by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group first tests the asset group or set of asset groups excluding the amount of goodwill allocated for impairment, calculates recoverable amount and recognizes any impairment loss. After that, the Group tests the asset group or set of asset groups including goodwill for impairment, and compares the carrying amount of the related asset group or set of asset groups to its recoverable amount. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss shall be first used to reduce the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then be used to reduce the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

Once the above impairment loss is recognized, it cannot be reversed in subsequent accounting periods.

20. Long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method and the amortization period is as follows:

	Period
Venue rental charge	5-50 years
Building decoration	5 years
Operating lease improvement	3-7 years
Long-term lease deposit	3-11 years
Ionic membrane replacement	3 years
Others	3-7 years

21. Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Group in exchange for services rendered by employees or for termination of labor relation. Employee benefits include short-term employee benefits, defined contribution plan benefits, termination benefits and other long-term benefits, as well as benefits that are provided to the employees' spouses, children, dependents, late employee's family members and other beneficiaries.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

21. Employee benefits (continued)

Short-term employee benefits

During the period when the employees render services to the Group, the actual short-term employee benefits shall be recognized as liabilities in profit or loss or related costs. The Group's estimated annual bonus, in reference to the performance of the employee's performance, is listed if not exceeding the total approved employee's salary.

Post-retirement benefits (defined contribution plan)

The employees in the Group participate in an endowment and unemployment insurance scheme and an enterprise annuity plan administrated by local government. The related expenditures are expensed in the cost of related assets or profit or loss as incurred.

Post-employment benefits (defined benefits plan)

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the effect of the assets ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to shareholders' equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment and the date that the Group recognizes related restructuring costs or post-employments benefits.

Net ineptest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sale', 'administration expenses' and 'financial expenses' in the income statement: service costs comprising current service costs, past-service costs, gains and losses on curtailments; net interest expense or income comprising interest income on the defined benefit assets, interest expense on the defined benefit liabilities and interest on the effect of the assets ceiling.

22. Contingent liabilities

Except for the contingent consideration or contingent liabilities derived from the business combination not involving enterprises under common control, the Group recognizes the obligation related to a contingency as a contingent liability when it meets the following conditions:

(1) It is a present obligation of the Group;

(2) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation;

(3) The amount of the obligation can be measured reliably.

Contingent liabilities are measured initially at the best estimates required to settle relevant present obligation, taking into factors such as the risks, uncertainty and the time value of money. The carrying value of contingent liabilities will be reviewed at each balance sheet date. If there is strong evidence that the carrying value does not reflect the current best estimates, the Group should adjust the carrying value in accordance with current best estimates.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

23. Revenue

Revenue is recognized only when it is probable that the associated economic benefits will flow to the Group, its amount can be measured reliably, and all of the following conditions are satisfied.

Revenue from the sale of goods

The Group recognizes revenue when it has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; the associated costs incurred or to be incurred can be measured reliably. The revenue from the sale of good is recognized at contractual or agreed price received or receivable, except that the received or receivable contractual or agreed price is not in fair value. If the contractual or agreed price is collected as deferred revenue and is for the purpose of financing in substance, the revenue should be recognized based on the fair value of the receivable contractual or agreed price.

Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably at the balance sheet date, revenue associated with the transaction is recognized using the percentage of completion method, or otherwise, the revenue is recognized to the extent of costs incurred that are expected to be recoverable. The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; the stage of completion of the transaction can be measured reliably; the costs incurred and to be incurred for the transaction can be measured reliably. The Group determines the stage of completion of a transaction involving rendering of services by the proportion of services performed to date to the total services to be performed. The revenue from the rendering of services should be recognized on contractual or agreed considerations received or receivable from the acceptor, except that such considerations are not fair value.

Rental income

Rental income from operating leases is recognized on a straight-line basis over the lease term, while contingent rental is recognized in profit or loss as incurred.

Interest income

Interest income is determined according to the length of time for which the Group's currency fund is used by others and the effective interest rate.

24. Government grants

Government grant shall be recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. The government grant shall be measured at the amount received or receivable when in the form of a monetary asset, and at fair value when in the form of a non-monetary asset. Where the fair value is not reliably determinable, the government grant is measured at the nominal amount.

Government grants specified in the government documents used to construct long-term assets or otherwise form long-term assets, should be recognized as government grants related to assets. If the government documents are inexplicit, the Group should make a judgement based on the basic conditions to obtain the government grants, and recognize them as government grants related to assets if the purpose is for constructing or otherwise forming long-term assets. Otherwise, they should be recognized as government grants related to income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

24. Government grants (continued)

Government grants related to income shall be recognized as deferred income in profit or loss over the periods in which the related costs are recognized, if it is a compensation for related expenses or losses to be incurred by the Group in subsequent periods, and shall be recognized immediately in profit or loss if it is a compensation for related expenses or losses already incurred. Government grants related to an asset shall be recognized as deferred income and evenly amortized to profit or loss over the useful life of the related asset. Government grants measured at a nominal amount, however, shall be recognized immediately in profit or loss.

25. Income tax

Income tax comprises current and deferred tax. Income tax is recognized as income or expense in profit or loss, or recognized immediately in owners' equity if it arises from the adjusted goodwill of a business combination or relates to a transaction or event which is recognized immediately in owners' equity.

The Group measures current income tax liabilities or assets for the current and prior periods at the amount expected to be paid (or recovered) according to the requirements of tax laws.

For temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts, and temporary differences between the carrying amounts and the tax bases of items, of which the tax bases can be determined for tax purposes, but have not been recognized as assets and liabilities, deferred taxes are provided using the liability method.

A deferred tax liability is recognized for all taxable temporary differences, except:

(1) To the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which contains both of the following characteristics: (i) the transaction is not a business combination; and (ii) at the time of the transaction, it affects neither the accounting profit nor taxable profit or deductible loss.

(2) In respect of taxable temporary differences associated with investments in subsidiaries and 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.

A deferred tax asset is recognized for deductible temporary differences, 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 utilized, except:

(1) Where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or deductible loss

(2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, deferred tax assets are only recognized 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 utilized in the future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, the Group reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Group reduces the carrying amount of deferred tax assets. Previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

25. Income tax (continued)

Deferred tax assets and deferred tax liabilities are presented at a net amount after offset if a legally enforceable right exists to settle current tax assets and current tax liabilities and the deferred taxes related to the same taxable entity and the same taxation authority.

26. Leases

A finance lease is a lease that transfers in substance all the risks and rewards of ownership of an asset. An operating lease is a lease other than a finance lease.

As lessee under operating leases

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss. The contingent rental is recognized in profit or loss as incurred.

As lessor under operating leases

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term through profit or loss. The contingent rental is recognized in profit and loss as incurred.

As lessee under finance leases

At the commencement of the lease term, a lessee recognizes assets under a finance lease at the lower of the fair value of the leased property and the present value of the minimum lease payments at the inception of the lease. The amount of long-term payables is recognized as minimum lease payments, and the difference is recorded as unrecognized financing cost which is allocated to each period during the lease term using an actual interest rate. The contingent rental shall be expensed in profit or loss as incurred.

27. Hedge accounting

In respect of the methods of hedge accounting, hedges of the Group are classified as:

(1) Fair value hedge, is a hedge of the exposure to variability in the fair value of a recognized asset or liability or an unrecognized firm commitment (other than foreign exchange risk).

(2) Cash flow hedge, is a hedge of the exposure to variability in cash flows that is: (a) attributable to a particular risk associated with a recognized asset or liability, or probable forecast transaction; or (b) a foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group officially designates the hedge relationship and prepares formal written documentation on hedge accounting, risk management objectives and hedge strategies. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument’s effectiveness. Hedge effectiveness is the extent to which the changes in fair value or cash flows of hedging instruments can offset the fair value or cash flow of hedged items caused by hedged risk. Such hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that such hedges are highly effective during the accounting period with designated hedging relationships.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in profit or loss. The change in the fair value of the hedged item attributable to hedged risk is recognized in profit or loss and the carrying amount of the hedged item is adjusted.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

27. Hedge accounting (continued)

Fair value hedges (continued)

For fair value hedge relating to financial instruments carried at amortized cost, the carrying value of the hedged items is adjusted and amortized through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin upon the adjustment of the carrying amount but no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized immediately in other comprehensive, while any ineffective portion is recognized immediately in the income statement.

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

The amount previously recognized in other comprehensive income will not be transferred out if the hedging instrument expires or is sold, terminated or exercised (but the renewal or replacement considered as components of hedging strategy cannot be accounted for as expiration or termination); the Group revokes the hedge designation; or the hedge no longer meets the hedge accounting criteria, until the forecast transactions actually occur or the commitments are certain to be performed.

28. Profit distribution

The cash dividend approved at a shareholders' meeting is recognized as a liability.

29. Safety production expenses

The safety production expenses are accrued in accordance with relevant regulations and recognized as cost of relevant products or profit or loss, and are stated as the special reserves. For the utilization of the fee to pay for safety relevant expenses, the special reserves shall be reversed directly. Capitalized expenditure shall be recognized in fixed assets when the asset is ready for its intended use. The actual expenditure shall be offset with the balance of special reserves and full depreciation is provided for the asset at the same amount.

30. Fair value measurement

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

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

30. Fair value measurement (continued)

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

The Group uses valuation techniques that are appropriate in the circumstances and supported by sufficient, available data and other information. The Group will first use observable inputs. Unobservable inputs are adopted only when observable inputs are not available or impracticable to be obtained.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date; Level 2 – based on inputs other than inputs within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 – based on unobservable inputs of related asset or liability.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group re-assess them at each balance sheet date to determine whether transfers have occurred between levels in the hierarchy.

31. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgement, estimations and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the balance sheet date. Uncertainty about these assumptions and estimations could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

Judgements

In the process of applying the Group's accounting policy, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

Step-acquisition of a subsidiary by multiple transactions

When a subsidiary is acquired by multiple transactions, the Group considers whether the terms, conditions and economic impact of transactions meet one or more of following factors to assess whether the transactions are treated as a single acquisition in which control is gained: the transactions are agreed simultaneously, or impact with one another has been considered; the transactions form an integral part of a business outcome; occurrence of one transaction depends on occurrence of at least one other transaction; one transaction is economic only when considered with other transaction or transactions.

Operating lease commitments – Group as lessor

The Group has entered into leasing contracts on its leased assets. The Group has determined, based on the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these assets and account for the contracts as operating leases.

Divide of investment properties and properties for own use

The Group classifies the properties, which are self-owned but under an operating lease arrangement to earn rental income as investment properties. Others properties are classified as properties for own use.

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

31. Significant accounting judgments and estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within future accounting periods, are discussed below.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognizes their fair value movement in other comprehensive income immediately. When there is a decline in fair value, management will make certain assumptions to determine whether it is necessary to recognize the impairment losses in the income statement.

Impairment of non-current assets other than financial assets (excluding goodwill)

The Group assesses whether there are any indicators of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicator exists. Other non-current assets other than financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its present value of future cash flows.

The calculation of the fair value less costs to sell is based on the agreed price in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When calculating the present value of estimated future cash flows of an asset or asset group, management shall forecast the estimated future cash flows of such asset or asset group and selecting a suitable discount rate.

Impairment of goodwill

The Group determines whether the goodwill is impaired at least on an annual basis. For the purpose of impairment testing, the present value of cash flows, which are generated from sets of assets or asset groups considered together with goodwill, is estimated. The Group estimates the present value of estimated cash flows of the sets of assets or asset groups by forecasting the related cash flows and selecting a suitable discount rate.

Fair value of investments on private equity

Valuation of private equity is the estimated future cash flows discounted based on the current discount rate of other financial instruments with similar contract terms and risk characteristics. It requires the Group to forecast the estimated future cash flows, credit risk, fluctuation and discount rates, so there is uncertainty in estimation.

Bearer biological assets

The useful life and estimated residual value of bearer biological assets are based on the experience of the actual useful lives and residual values of bearer biological assets with similar characteristics and functions and subject to significant changes due to natural factors. If the useful lives and estimated residual values of bearer biological assets are less than previous estimation, the Group will increase amortization or write off relevant bearer biological assets.

Deferred tax assets

Deferred tax assets are recognized for all unused deductible losses to the extent that it is probable that taxable profit will be sufficient against deductible losses. Significant management judgement is required to determine the amount of deferred tax assets to be recognized, based on the estimated timing and amount of future taxable profit together with tax planning strategies.

(Expressed in Renminbi Yuan)

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (continued)

31. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Net realizable value of inventories

Net realizable value of inventories is based on the assessment of sales of the inventories and their net realizable value. Management need to obtain solid evidence and take into account factors, such as the purpose of inventories and the effects of events after the balance sheet date, to make judgement and estimations about inventory depreciation. The difference between the actual results and previous estimations will affect the carrying value and the accrual and reversal of provisions of the inventories during the period when the estimations are changed.

Impairment of accounts receivable

The impairment of accounts receivables is based on the assessment of the recoverability of receivables. It requires managements' judgement and estimations. The difference between the actual results and previous estimations will affect the carrying value and the accrual and reversal of bad-debt provisions of the account receivables during the period when the estimations are changed.

IV. TAXES

1. The major categories of taxes and respective tax rates

Corporate income tax	–	The corporate income tax is levied at 25% on the taxable income. Certain overseas subsidiaries use a preferential tax rate granted by local tax law; refer to Note IV.2 for details.
Value added tax (VAT)	–	Output VAT calculated by applying 6%, 11%, 13%, and 17%, on the taxable income, after subtracting the deducting deductible input VAT of the current period, is VAT payable.The charge rate under simple taxation method is 3% and 5%. According to the Circular of the Ministry of Finance and the State Administration of Taxation on Tax Policies in the Nationwide Pilot Collection of Value Added Tax in Lieu of Business Tax in the Transportation Industry and Certain Modern Services Industries (Caishui [2013]No. 37) issued by the Tax Department and the Financial Department, the logistics subsidiaries have already changed from the Business tax to VAT for modern transportation at 6% for international freight forwarding business, 11% for land carriage business and 17% for leasing business
Business tax	–	Levied at 3% – 5% on taxable revenue. From May 1th 2016, value-added tax has replaced business tax.
Urban maintenance and construction tax	–	Levied at 1% – 7% on the turnover taxes paid.

2. Preferential tax treatment

In accordance with Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Caishui [2011]No. 58) issued by the MOF, SAT and General Administration of Customs, the preferential tax policies of Western Development Strategy are implemented continuously. From 1 January 2011 to 31 December 2020, for the companies which run business included in Western Encouragement Business List as major business and which revenue covers more than 70% of total revenue, their corporate income tax rate is 15%. Xishuangbanna Sinochem Rubber Co., Ltd. has been enjoying the preferential tax rate mentioned above since 2012.

IV. TAXES (continued)

2. Preferential tax treatment (continued)

Shanghai Stoltchem Ship Management Ltd. is a shipping enterprise registered in Shanghai Yangshan Boned Port Zone, and enjoys the preferential tax policy of instant VAT refund in the transportation industry.

Shenyang Kechuang Chemical Co., Ltd. is a high-tech enterprise and acquired the certificate of High-tech Enterprise on 30 November 2016 (Certificate No.: GR201621000324), so its income tax rate from 2016 to 2018 was 15%.

Jiangsu Yangnong Chemical Group is a high-tech enterprise and acquired the certificate of High-tech Enterprise on 2 September 2014 (Certificate No.: GR201532001338), so its income tax rate from 2014 to 2016 is 15%.

Jiangsu Yangnong Chemical Corporation is a high-tech enterprise which acquired the certificate of High-tech Enterprise on 30 June 2014 (Certificate No.: GR201532000367), so its income tax rate from 2014 to 2016 is 15%.

Youth Chemical Co.,Ltd. is a high-tech enterprise which acquired the certificate of High-tech Enterprise on 6 July 2015 (Certificate No.: GR201632000206), so its income tax rate from 2015 to 2017 is 15%.

Jiangsu Youjia Plant Protection Co.,Ltd. is a high-tech enterprise which acquired the certificate of High-tech Enterprise on 20 October 2016 (Certificate No.: GR201632000081), so its income tax rate from 2016 to 2017 is 15%.

In accordance with the requirements set by Jebel Ali Freezone of Arab Emirates Dubai, Sinochem International FZE, SC Petrochemical FZE and Sinochem Isotank FZE Co., Ltd. are exempted from tax.

Approved by Singapore's Ministry of Industry and Commerce, the Global Trader Program of Sinochem International (Overseas) Pte., Ltd. enjoyed the preferential tax rate for five years since 1 October 2004. The Company was taxed at 10% tax rate discount for the profit before tax in this project for corporate tax, and the rest profit before tax is taxed at 17%. On 31 December 2012, Global Trader Programme of Sinochem International (Overseas) Pte., Ltd was approved by the Singapore's Ministry of Industry and Commerce to enjoy the corporate income tax rate of 5% of profit before tax from 1 January 2013.

GMG Investment (S'pore) Pte., Ltd. is an overseas company registered in Singapore, and with the approval of the Singapore's Ministry of Industry and Commerce in 2013, enjoyed the corporate income tax rate of 5% for the trading profit before tax, and the rest profit before tax was taxed at 17% as corporate income tax rate. In 2016, the company still enjoyed the tax benefit.

GMG Investment Congo SPRL is an overseas company registered in Democratic Republic of the Congo, which was granted of the tax free policy from 2012 to 2016 according to the preferential tax policies by the local SAT.

Sinochem Shipping Singapore Pte. Ltd. is a shipping enterprise registered in Singapore. It obtained the international shipping enterprise certificate issued by Singapore Maritime Port Authority on 25 November 2013. For a period of 10 years from 1 October 2013, it is entitled to enjoy a full tax exemption for the trading profit before tax.

New Continent Enterprises and Hevea Global Pte Ltd enjoy beneficial tax rate of Global Trader Programme after obtaining related approval from the Ministry of Industry & Trade of Singapore. In the duration of four years and six months since 1 July 2014 and 1 July 2016 for New Continent Enterprises and Hevea Global Pte Ltd., respectively, the pre-tax profits earned under the Programme would be levied at 10%. Corporate income tax rate for other years is 17%.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2016	2015
Cash	3,682,128.46	4,234,500.96
Bank deposits	7,217,854,563.73	4,622,199,566.55
Other monetary funds	97,967,508.64	145,429,871.77
	7,319,504,200.83	4,771,863,939.28

As at 31 December 2016, cash and bank balances which were deposited overseas by the Group were RMB 915,742,896.01 (31 December 2015:RMB 845,829,588.01).

Interest income earned on current deposits is calculated by using the current deposit interest rate. The deposit periods for short-term time deposits vary from seven days to three months depending on the cash requirements of the Group, and the deposits earn interest at the corresponding respective deposit rates.

On 31 December 2016, the Group's cash breakdown is as follows:

	2016	2015
Deposits pledged for loans	27,127,619.80	55,531,205.79
Acceptance deposits	63,857,189.68	85,141,502.87
Guarantee deposits	2,000,000.00	3,454,588.00
L/C deposits	3,000,000.00	—
Housing maintenance deposits	1,982,699.16	1,302,575.11
	97,967,508.64	145,429,871.77

2. Financial assets at fair value through profit or loss

	2016	2015
Gains and assets caused by changes in the fair value of the hedging instrument	7,211,520.00	1,272,318.44

	2016	2015
Losses and liabilities caused by changes in the fair value of the hedging instrument	7,211,520.00	1,272,318.44

3. Derivative financial assets

	2016	2015
Rubber futures	65,807,576.85	67,774,632.95
Forward exchange contracts	11,163,451.51	2,074,987.87
	76,971,028.36	69,849,620.82

The Group's derivative financial assets mainly include rubber futures and forward foreign exchange contracts. For the fair value of rubber futures at the end of the year, refer to the settlement price of the corresponding futures trading on the last trading day of the year; as regards the year-end fair value of forward exchange contracts, refer to the forward exchange quotation of related institutions.

4. Notes receivable

	2016	2015
Bank acceptance bills	1,779,604,128.70	1,718,211,130.10

As at 31 December 2016, the Group did not have pledged notes receivable (2015: RMB 321,934,590.77).

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Notes receivable (continued)

Endorsed or discounted notes receivable which were not due as at the balance sheet date 31 December 2015 are as follows:

	2016 Derecognized	Not derecognized	2015 Derecognized	Not derecognized
Bank acceptance bills . . .	750,844,938.44	353,093,665.49	689,156,304.18	267,035,052.40

As at 31 December 2016, the Group did not have notes receivables which were transferred to accounts receivable due to the drawer's failure to perform the contract.

5. Accounts receivable

The credit period of accounts receivable is usually 3 months. For major customers, the credit period can be extended up to 1 year. Accounts receivable are bear no interest.

An aging analysis is as follows:

	2016	2015
Within 1 year	4,516,951,708.75	3,026,083,199.34
1 to 2 years	73,776,491.31	89,416,436.30
2 to 3 years	25,806,111.91	39,552,617.21
Over 3 years	50,506,702.58	16,765,684.98
	4,667,041,014.55	3,171,817,937.83
Less: Provision	175,611,375.36	133,917,597.58
	4,491,429,639.19	3,037,900,340.25

Movements of bad debt provision are as follows:

	Opening balance	Increase under common control	Addition	Reversal	Write-off	Adjustment of exchange	Increase due to reduction of subsidiaries	Closing balance
2016	133,917,597.58	—	53,899,340.91	23,031.90	10,348,556.92	(1,833,974.31)	—	175,611,375.36
2015	67,077,416.13	—	57,507,757.60	1,815.00	885,176.59	11,101.75	10,208,313.69	133,917,597.58

	2016				2015			
	Book balance		Bad debt		Book balance		Bad debt	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually insignificant but assessed for bad-debt provision individually	752,495,380.53	16.12	27,167,587.49	3.61	542,272,819.97	17.10	29,414,600.88	5.42
Assessed for bad-debt provision by groups based on credit risk	354,285,083.41	7.59	63,486,517.86	17.92	238,307,241.43	7.51	33,062,846.38	13.87
Individually insignificant but assessed for bad-debt provision	3,560,260,550.61	76.29	84,957,270.01	2.39	2,391,237,876.43	75.39	71,440,150.32	2.99
	4,667,041,014.55	100.00	175,611,375.36	3.76	3,171,817,937.83	100.00	133,917,597.58	4.22

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

On 31 December 2016, accounts receivable individually insignificant but assessed for bad-debt provision individually are as follows:

	Book balance	Bad debts	Percentage (%)	Reason
Company A	271,675,874.92	27,167,587.49	10.00	Part is expected to be irrecoverable
Company B	137,326,532.97	—	—	—
Company C	132,914,040.71	—	—	—
Company D	105,298,784.68	—	—	—
Company E	105,280,147.25	—	—	—
	752,495,380.53	27,167,587.49		

On 31 December 2015, accounts receivable individually insignificant but assessed for bad-debt provision individually are as follows:

	Book balance	Bad debts	Percentage (%)	Reason
Company A	196,469,082.80	19,646,908.28	10.00	Part is expected to be irrecoverable
Company B	117,000,000.00	—	—	—
Company C	97,676,926.00	9,767,692.60	10.00	Part is expected to be irrecoverable
Company D	69,000,000.00	—	—	—
Company E	62,126,811.17	—	—	—
	542,272,819.97	29,414,600.88		

Bad debt provisions for accounts receivable is analysed by aging as follows:

	2016			2015		
	Book balance	Percentage (%)	Bad debt	Book balance	Percentage (%)	Bad debt
Accounts receivable individually insignificant but with higher risk from portfolio combined based on features of credit risk:						
Within 1 year	276,424,576.40	0-10	27,642,457.64	200,536,875.91	0-10	20,053,687.49
1 to 2 years	25,536,155.83	0-20	1,348,389.15	20,389,891.16	0-20	2,132,680.08
2 to 3 years	18,988,270.14	20-60	3,797,654.03	7,340,440.45	20-60	1,468,088.11
Over 3 years	33,336,081.04	60-100	30,698,017.04	10,040,033.91	60-100	9,408,390.70
	354,285,083.41		63,486,517.86	238,307,241.43		33,062,846.38

The provision of bad debts during 2016 was RMB 53,899,340.91 (2015:RMB 57,507,757.60). No increase in the bad debts occurred due to the reduction of subsidiaries (2015: RMB 10,208,313.69). Reversals and write-offs of bad debts were RMB 23,031.90 (2014:RMB 1,815.00).

Actual write-offs of account receivable during 2016 were RMB 10,348,556.92 (2015:RMB 885,176.59).

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Accounts receivable (continued)

As at 31 December 2016, for the amount of accounts receivable, the top five companies are as follows:

	Closing balance	Percentage of accounts receivable	Nature	Aging	Closing balance of bad debts
Company A	271,675,874.92	5.82	Loan	<1 year	27,167,587.49
Company B	141,463,952.48	3.03	Loan	<1 year	—
Company C	137,326,532.97	2.94	Loan	<1 year	—
Company D	132,914,040.71	2.85	Loan	<1 year	—
Company E	105,298,784.68	2.26	Loan	<1 year	—
	788,679,185.76	16.90			27,167,587.49

As at 31 December 2015, for the amount of accounts receivable, the top five companies are as follows:

	Closing balance	Percentage of accounts receivable	Nature	Aging	Closing balance of bad debts
Company A	196,469,082.80	6.19	Loan	<1 year	19,646,908.28
Company B	117,000,000.00	3.69	Loan	<1 year	—
Company C	97,676,926.00	3.08	Loan	<1 year	9,767,692.60
Company D	69,000,000.00	2.18	Loan	<1 year	—
Company E	62,126,811.17	1.96	Loan	<1 year	—
	542,272,819.97	17.10			29,414,600.88

6. Prepayments

The aging analysis of prepayments is as follows:

	2016		2015	
	Book balance	Percentage	Book balance	Percentage
Within 1 year	543,412,965.68	96.12	547,415,311.74	97.92
1 to 2 years	15,158,382.51	2.68	5,368,326.96	0.96
2 to 3 years	1,167,593.90	0.21	5,782,915.32	1.03
Over 3 years	5,581,432.46	0.99	482,698.47	0.09
	565,320,374.55	100.00	559,049,252.49	100.00

As at 31 December 2016, for the prepayments, the top five companies are as follows:

	Book balance	Percentage (%)
Company A	60,303,750.00	10.67
Company B	38,420,892.60	6.80
Company C	30,960,000.00	5.48
Company D	29,134,897.29	5.15
Company E	25,200,000.00	4.46
	184,019,539.89	32.56

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Prepayments (continued)

As at 31 December 2015, for the prepayments, the top five companies are as follows:

	Book balance	Percentage (%)
Company A	112,160,980.54	20.06
Company B	39,723,300.00	7.11
Company C	25,656,400.00	4.59
Company D	16,883,360.00	3.02
Company E	16,573,764.34	2.96
	210,997,804.88	37.74

7. Interests receivables

	2016	2015
Interest of time deposits	43,056,725.98	1,003,550.37

8. Other receivables

The aging analysis of other receivables is as follows:

	2016	2015
Within 1 year	706,516,993.09	1,103,258,598.34
1 to 2 years	183,561,983.89	33,596,507.10
2 to 3 years	39,601,119.70	73,012,356.22
Over 3 years	90,196,246.70	98,501,218.22
	1,019,876,343.38	1,308,368,679.88
Less: Bad debts provision	185,810,184.87	193,047,685.49
	834,066,158.51	1,115,320,994.39

Movements in the bad debts provision are as follows:

	Opening balance	Increase under common control	Addition	Reversal	Write-off	Adjustment of exchange	Increase due to reduction of subsidiaries	Closing balance
2016	193,047,685.49	—	57,993,551.01	645,547.92	67,417,027.05	2,831,523.34	—	185,810,184.87
2015	51,603,007.95	—	76,696,923.35	568,834.26	2,618.25	(657,234.75)	65,976,441.45	193,047,685.49

	2016				2015			
	Book balance		Bad debts		Book balance		Bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually insignificant but assessed for bad-debt provision individually	335,075,786.38	32.85	—	—	468,669,229.98	35.82	66,000,000.00	14.08
Assessed for bad-debt provision by groups based on credit risk characteristics	66,066,810.45	6.48	34,304,149.87	51.92	90,199,995.94	6.89	56,407,181.77	62.54
Individually insignificant but assessed for bad-debt provision individually	618,733,746.55	60.67	151,506,035.00	24.49	749,499,453.96	57.29	70,640,503.72	9.43
	1,019,876,343.38	100.00	185,810,184.87	18.22	1,308,368,679.88	100.00	193,047,685.49	14.75

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

As at 31 December 2016, other receivables individually insignificant but assessed for bad-debt provision individually are as follows:

	Book balance	Bad debt	Percentage	Reason
Company A	113,526,468.19	—	—	—
Company B	86,125,865.15	—	—	—
Company C	56,367,752.88	—	—	—
Company D	41,304,602.96	—	—	—
Company E	37,751,097.20	—	—	—
	335,075,786.38	—		

As at 31 December 2015, other receivables individually insignificant but assessed for bad-debt provision individually are as follows:

	Book balance	Bad debt	Percentage	Reason
Company A	149,749,614.80	—	—	—
Company B	106,437,500.82	—	—	—
Company C	85,666,917.34	—	—	—
Suzhou Sinochem International PU Co. Ltd.	66,000,000.00	66,000,000.00	100.00	Expected to be irrecoverable
Company D	60,815,197.02	—	—	—
	468,669,229.98	66,000,000.00		

Other receivables using aging analysis for bad debt provision are as follows:

	2016			2015		
	Book balance	Percentage (%)	Bad debt	Book balance	Percentage (%)	Bad debt
Other receivables individually insignificant but with higher risk after being categorized in credit risk characteristics portfolio:						
Within 1 years	32,982,000.75	0-10	3,298,200.08	—	—	—
1 to 2 years	—	0-20	—	15,121,588.95	0-20	580,657.51
2 to 3 years	1,810,013.90	20-60	782,219.68	10,030,717.31	20-60	5,729,929.25
Over 3 years	31,274,795.80	60-100	30,223,730.11	65,047,689.68	60-100	50,096,595.01
	66,066,810.45		34,304,149.87	90,199,995.94		56,407,181.77

The provision of bad debts during 2016 was RMB 57,993,551.01 (2015:RMB 76,696,923.35). No increase in the bad debts occurred due to the reduction of subsidiaries (2015:RMB 65,976,441.45). Reversals and write-offs of bad debts were RMB 645,547.92 (2015:RMB 568,834.26).

Actual write-offs of account receivables during 2016 were RMB 66,323,680.48 (2015:RMB 2,618.25).

Other receivables are classified by nature as follows:

	2016	2015
Deposits	343,890,287.36	496,683,435.15
Prepayments	170,148,592.76	30,000,917.55
Tax rebate receivables	153,050,697.69	214,870,899.86
Advance money	5,628,355.99	74,802,350.68
Others	161,348,224.71	298,963,391.15
	834,066,158.51	1,115,320,994.39

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Other receivables (continued)

As at 31 December 2016, other receivables due from the top five debtors of the Group are as follows:

	Closing balance	Percentage Of other receivables	Nature	Aging	Closing balance of bad debts
Company A	113,526,468.19	11.13	Deposit	<1 year	—
Company B	86,125,865.15	8.44	Deposit	<1 year	—
Company C	56,367,752.88	5.53	Tax rebate	<1 year	—
Company D	41,304,602.96	4.05	Deposit	<1 year	—
Company E	37,751,097.20	3.70	Deposit	<1 year	—
	335,075,786.38	32.85			—

As at 31 December 2015, other receivables due from the top five debtors of the Group are as follows:

	Closing balance	Percentage of other receivables	Nature	Aging	Closing balance of bad debts
Company A	149,749,614.80	11.45	Deposit	<1 year	—
Company B	106,437,500.82	8.14	Tax rebate	<1 year	—
Company C	85,666,917.34	6.55	Deposit	<1 year	—
Suzhou Sinochem International PU Co. Ltd.	66,000,000.00	5.04	Entrusted loans	2-3 years	66,000,000.00
Company D	60,815,197.02	4.65	Deposit	<1 year	—
	468,669,229.98	35.83			66,000,000.00

As at 31 December 2016, there were no government grants receivable (2015: Nil).

9. Inventories

	2016			2015		
	Book balance	Provision	Carrying value	Book balance	Provision	Carrying value
Raw materials	1,324,527,612.15	16,249,981.34	1,308,277,630.81	862,132,900.61	9,049,458.61	853,083,442.00
Work in progress	417,000,003.67	6,145,628.25	410,854,375.42	211,044,906.81	6,522,542.18	204,522,364.63
Finished Goods	3,025,326,567.77	111,519,705.50	2,913,806,862.27	2,589,594,872.91	70,769,667.29	2,518,825,205.62
Revolving materials	36,035,823.17	5,489,371.78	30,546,451.39	29,521,769.58	5,097,749.15	24,424,020.43
Material in transit	14,895,535.93	—	14,895,535.93	234,750,684.21	—	234,750,684.21
Low-value consumables	154,979,723.58	18,308,448.43	136,671,275.15	82,870,940.62	6,825,342.72	76,045,597.90
Consigned processing materials	116,816,216.90	—	116,816,216.90	32,864,651.19	—	32,864,651.19
	5,089,581,483.17	157,713,135.30	4,931,868,347.87	4,042,780,725.93	98,264,759.95	3,944,515,965.98

Movements in inventory provision are as follows:

2016

	Opening balance	Accrual	Reversal	Write-off	Change in exchange rate	Closing balance
Raw materials	9,049,458.61	11,592,208.52	—	4,363,256.43	(28,429.36)	16,249,981.34
Work in progress	6,522,542.18	225,611.58	—	608,544.79	6,019.28	6,145,628.25
Finished goods	70,769,667.29	306,840,138.02	—	266,415,470.03	325,370.22	111,519,705.50
Revolving materials	5,097,749.15	426,870.36	—	35,247.73	—	5,489,371.78
Low-value consumables	6,825,342.72	16,150,757.81	—	4,927,103.58	259,451.48	18,308,448.43
	98,264,759.95	335,235,586.29	—	276,349,622.56	562,411.62	157,713,135.30

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Inventories (continued)

2015

	Opening balance	Accrual	Reversal	Write-off	Change in exchange rate	Closing balance
Raw materials	4,611,382.53	5,007,764.93	—	569,688.85	—	9,049,458.61
Work in progress	6,316,250.17	206,292.01	—	—	—	6,522,542.18
Finished goods	99,479,388.06	522,367,135.76	—	548,518,113.77	(2,558,742.76)	70,769,667.29
Revolving materials	—	5,097,749.15	—	—	—	5,097,749.15
Low-value consumables	4,253,463.72	4,643,090.17	—	1,945,438.97	(125,772.20)	6,825,342.72
	114,660,484.48	537,322,032.02	—	551,033,241.59	(2,684,514.96)	98,264,759.95

If the cost is higher than the net realizable value, provision for the inventories is made through profit or loss. If factors that result in the provision for the inventories disappear, the amount of the write-down is reversed to the extent of the amount of the provision for the inventories.

10. Assets classified as held-for-sale

In 2015, the subsidiary of the Company, Sinochem International Logistics Co., Ltd. decided to dispose of two ships, namely Chang Chun Teng and Wan Nian Qing, and to sign an irrevocable assignment with the transferee on 31 December 2015 according to the approval of the board of Sinochem International Logistics Co., Ltd. The disposal would be completed within 1 year. The Group has classified these two ships into held-for-sale assets.

	Original Value	Accumulated depreciation	Impairment provision	Carrying value
Chang Chun Teng & Wan Nian Qing	122,711,777.92	(40,496,530.61)	(22,000,000.00)	60,215,247.31

As at 31 December 2016, the fair value of assets classified as held-for-sale was nil.

Movements in assets classified as held-for-sale are as follows:

	Opening Balance	Addition	Decrease		Change in exchange rate	Closing balance
			Reversal	Write-off		
2016	22,000,000.00	—	—	(22,000,000.00)	—	—

11. Other current assets

	2016	2015
Available-for-sale financial assets	1,712,520,000.00	621,243,000.04
Pre-paid income tax	27,712,320.45	36,582,758.14
Deductible VAT	186,832,894.83	379,473,770.19
Pending certification VAT	78,106,590.26	—
	2,005,171,805.54	1,037,299,528.37

12. Non-current assets maturing within one year

	2016	2015
Long-term prepayments maturing within one year	4,454,232.88	—

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Available-for-sale financial assets

	2016			2015		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Available-for-sale debt Instruments	1,000,000,000.00	—	1,000,000,000.00	—	—	—
Available-for-sale equity measured at fair value	323,690,034.93	19,865,845.47	303,824,189.46	204,129,052.13	—	204,129,052.13
Measured at Cost	62,941,679.50	125,600.00	62,816,079.50	71,640,307.42	125,600.00	71,514,707.42
	1,386,631,714.43	19,991,445.47	1,366,640,268.96	275,769,359.55	125,600.00	275,643,759.55

Available-for-sale financial assets measured at fair value:

	2016			2015		
	Available-for-sale equity instruments	Available-for-sale debt instruments	Total	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Equity instrument costs /debt instrument amortised costs	299,128,040.52	1,000,000,000.00	1,299,128,040.52	311,585,645.17	—	311,585,645.17
Fair value	303,824,189.46	1,000,000,000.00	1,303,824,189.46	204,129,052.13	—	204,129,052.13
Accumulated fair value changes recorded in other comprehensive income	24,561,994.41	—	24,561,994.41	(107,456,593.04)	—	(107,456,593.04)
Accrued impairment	(19,865,845.47)	—	(19,865,845.47)	—	—	—

Available-for-sale financial assets measured at cost:

2016

	Book balance				Impairment				Shareholding ratio(%)	Current year cash dividend
	Opening balance	Addition	Decrease	Closing balance	Opening balance	Addition	Decrease	Closing balance		
Jiangsu Surun High Carbon Materials Co., Ltd.	22,500,000.00	—	—	22,500,000.00	—	—	—	—	6.25%	—
Yunnan Natural Rubber Industry Co., Ltd.	20,000,000.00	—	—	20,000,000.00	—	—	—	—	1.59%	—
Bank of Jiangsu Co., Ltd 8,160,000.00		—	(8,160,000.00)	—	—	—	—	—	— %	—
Shanghai Comprehensive Information Service Center	7,384,865.37	—	—	7,384,865.37	—	—	—	—	— %	6,500.00
Beijing Iron Ore trading Center Co.,Ltd.	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%	2,852,200.00
Shanghai Bao Ding Investment Co., Ltd.	1,928,640.00	—	—	1,928,640.00	—	—	—	—	0.48%	310,543.20
Qingdao Port Logistics Co., Ltd.	1,500,000.00	—	—	1,500,000.00	—	—	—	—	15.00%	469,648.46
Y.T. Rubber1	899,608.75	69,892.08	—	969,500.83	—	—	—	—	5.00%	—
Shanghai Suhua International Trade Co.,Ltd.	608,520.00	—	608,520.00	—	—	—	—	—	— %	—
Futures membership investment	500,000.00	—	—	500,000.00	—	—	—	—	— %	—
Huajin Transportation Construction (Yangzhou) Co.,Ltd.	125,600.00	—	—	125,600.00	125,600.00	—	—	125,600.00	— %	—
	71,640,307.42	69,892.08	8,768,520.00	62,941,679.50	125,600.00	—	—	125,600.00		3,638,891.66

Note1: Increase in the current year was due to movements in exchange rates.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Available-for-sale financial assets (continued)

2015

	Book balance				Impairment					
	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease	Closing balance	Shareholding ratio(%)	Current year cash dividend
Jiangsu Surun High Carbon Materials Co., Ltd.	22,500,000.00	—	—	22,500,000.00	—	—	—	—	6.25%	—
Yunnan Natural Rubber Industry Co., Ltd.	20,000,000.00	—	—	20,000,000.00	—	—	—	—	1.59%	—
Bank of Jiangsu Co., Ltd 8,160,000.00		—	—	8,160,000.00	—	—	—	—	— %	—
Shanghai Comprehensive Information Service Center	7,384,865.37	—	—	7,384,865.37	—	—	—	—	— %	—
Tianjin Beihai Industry Co., Ltd.	5,084,415.00	—	5,084,415.00	—	—	—	—	—	—	—
Beijing Iron Ore trading Center Co.,Ltd.	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%	—
Shanghai Bao Ding Investment Co., Ltd.	1,928,640.00	—	—	1,928,640.00	—	—	—	—	0.48%	—
Qingdao Port Logistics Co., Ltd.	1,500,000.00	—	—	1,500,000.00	—	—	—	—	15.00%	—
Y.T. Rubber	943,462.66	—	43,853.91	899,608.75	—	—	—	—	5.00%	—
Shanghai Suhua International Trade Co.,Ltd.	608,520.00	—	—	608,520.00	—	—	—	—	10.00%	—
Futures membership investment	500,000.00	—	—	500,000.00	—	—	—	—	— %	—
Huajin Transportation Construction (Yangzhou) Co.,Ltd.	125,600.00	—	—	125,600.00	125,600.00	—	—	125,600.00	— %	—
	76,768,576.33	—	5,128,268.91	71,640,307.42	125,600.00	—	—	125,600.00		

Movements in available-for-sale financial assets are as follows:

	2016			2015		
	Available-for-sale Equity instrument	Available-for-sale Debt instrument	Total	Available-for-sale Equity instrument	Available-for-sale Debt instrument	Total
Impairment provision at the beginning of the year	125,600.00	—	125,600.00	125,600.00	—	125,600.00
Accrual	19,865,845.47	—	19,865,845.47	—	—	—
Incl.: Transfer from other comprehensive income	19,865,845.47	—	19,865,845.47	—	—	—
Decrease	—	—	—	—	—	—
Incl.: Reversal due to increase of fair value after balance sheet date	—	—	—	—	—	—
Impairment provision at the end of the year	19,991,445.47	—	19,991,445.47	125,600.00	—	125,600.00

14. Long-term receivables

	2016			2015		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Long-term loans	22,278,306.90	—	22,278,306.90	21,634,650.00	—	21,634,650.00

Note: The currency of long-term loans of this year is Central African CFA franc (XAF), and the applicable discount rate is 0.0111 (2015:0.0108).

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Long-term receivables (continued)

The aging analysis of long-term receivables is as follows:

	2016	2015
Within 1 year	—	—
1 to 2 years	—	—
2 to 3 years	—	10,817,325.00
Over 3 years	22,278,306.90	10,817,325.00
	22,278,306.90	21,634,650.00
Less: Provision for long-term receivables	—	—
	22,278,306.90	21,634,650.00

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term equity investments

2016

	Opening balance	Additions	Investment decrease	Investment Income under equity method	Other comprehensive income	Movements of special reserve	Declaration of cash dividend	Provision of impairment	Carrying value	Ending impairment
Joint ventures SIAT NV	1,377,128,707.48	—	(18,664,952.17)	(46,305,291.88)	(14,221,351.63)	—	—	—	1,297,937,111.80	—
Nantong Jiangshan Agrochemical Co., Ltd.	685,129,215.67	—	—	13,900,846.96	—	—	(1,733,682.54)	—	697,296,380.09	—
Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd.	687,693,018.88	—	—	73,271,264.12	—	465,667.82	(82,277,903.03)	—	679,152,047.79	—
NewPort Two LLC	286,847,037.06	—	—	(9,089,143.77)	(1,178,888.26)	—	—	—	276,579,005.03	—
Jiangsu Yangnong Chemical Jinghu Co.,Ltd.	131,873,522.78	—	—	(21,559,700.72)	—	—	—	—	110,313,822.06	—
Shanxi Yaxin Coking Co., Ltd.	97,614,229.94	—	—	206,427.98	—	—	—	—	97,820,657.92	—
Sinochem Zhenjiang Pyrogenation Co., Ltd.	35,012,389.39	—	(296,248.33)	(29,312,796.24)	—	—	—	—	5,403,344.82	—
Lianyungang Port International Petrochemical Co., Ltd.	47,956,489.13	—	—	(1,040,058.85)	—	—	—	—	46,916,430.28	—
Ruizhu Properties (Ningxia) Co., Ltd.	18,416,560.64	—	—	7,065.40	—	—	—	—	18,423,626.04	—
Feltex Co Ltd.	10,120,678.88	—	—	(2,562,957.74)	181,754.31	—	—	—	7,739,475.45	—
PT Sarana Sumsel Ventura	—	15,663.81	—	—	—	—	—	—	15,663.81	—
	3,377,791,849.85	15,663.81	(18,961,200.50)	(22,484,344.74)	(15,218,485.58)	465,667.82	(84,011,585.57)	—	3,237,597,565.09	—

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. Long-term equity investments (continued)

2015

	Opening balance	Additions	Investment decrease	Investment Income under equity method	Other comprehensive income	Movements of special reserve	Declaration of cash dividend	Provision of impairment	Carrying value	Ending impairment
Joint ventures SIAT NV	1,406,231,672.58	—	—	16,514,397.39	(45,617,362.49)	—	—	—	1,377,128,707.48	—
Nantong Jiangshan Agrochemical Co., Ltd	701,982,510.71	—	—	1,479,717.64	—	(418,293.10)	17,914,719.58	—	685,129,215.67	—
Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd	664,236,774.44	—	—	91,807,520.63	—	(51,554.15)	68,299,722.04	—	687,693,018.88	—
NewPort Two LLC	279,924,314.16	—	—	(2,663,517.44)	9,586,240.34	—	—	—	286,847,037.06	—
Jiangsu Yangnong Chemical Jinghu Co.,Ltd	125,973,223.98	—	—	5,900,298.80	—	—	—	—	131,873,522.78	—
Shanxi Yaxin Coking Co., Ltd	97,516,829.94	—	—	97,400.00	—	—	—	—	97,614,229.94	—
Jiangsu Huayuan Coking Co., Ltd.	60,761,764.39	—	—	(25,749,375.00)	—	—	—	—	35,012,389.39	—
Lianyungang Port International Petrochemical Co., Ltd.	48,353,389.13	—	—	(396,900.00)	—	—	—	—	47,956,489.13	—
Ruizhu Properties (Ningxia) Co., Ltd.	18,571,648.00	—	—	(155,087.36)	—	—	—	—	18,416,560.64	—
Feltex Co Ltd.	10,567,427.99	—	—	45,305.39	(492,054.50)	—	—	—	10,120,678.88	—
Jiangyin Sangyang Spandex Co., Ltd1	3,719,025.00	—	(3,719,025.00)	—	—	—	—	—	—	—
	3,417,838,580.32	—	(3,719,025.00)	86,879,760.05	(36,523,176.65)	(469,847.25)	86,214,441.62	—	3,377,791,849.85	—

Note 1: Jiangyin Sangyang Spandex Co., Ltd. underwent bankruptcy liquidation in 2015. The company has written off the long-term equity investment in Jiangyin Sangyang Spandex Co., Ltd.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. Investment properties

Subsequent measurement by cost model:

2016

	Buildings
Original value	
Opening balance before adjustment	134,715,912.68
Business combination not under common control	159,629,690.44
Disposal and scrap	(14,610,923.08)
Effects of changes in exchange rate	8,365,447.82
Closing balance	288,100,127.86
Accumulated depreciation and amortization	
Opening balance before adjustment	58,687,608.22
Provision	1,914,001.80
Disposal and scrap	(13,571,924.59)
Effects of changes in exchange rate	4,105,562.28
Closing balance	51,135,247.71
Carrying value	
At the end of year	236,964,880.15
At the beginning of year	76,028,304.46

2015

	Buildings
Original value	
Opening balance	146,024,763.58
Disposal and scrap	(4,848,582.96)
Effects of changes in exchange rate	(6,460,267.94)
Closing balance	134,715,912.68
Accumulated depreciation	
Opening balance	62,963,846.60
Addition	954,651.76
Disposal and scrap	—
Effects of changes in exchange rate	(5,230,890.14)
Closing balance	58,687,608.22
Carrying value	
At the end of year	76,028,304.46
At the beginning of year	83,060,916.98

As at 31 December 2016, the amount of investment property without a property license is as follows:

	Outstanding Book Value	Reason
Tianyi Grand of Hainan Sinochem Rubber Co., Ltd.	5,894,405.40	Developers operating reasons

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Fixed assets

2016

	Buildings	Machinery	Transportation	Storage and other facilities	Total
Original value:					
Opening balance before adjustment	2,195,757,421.95	3,819,642,758.76	4,220,828,323.43	2,390,977,730.50	12,627,206,234.64
Addition due to business combination under common control	—	9,536,725.75	—	2,346,187.59	11,882,913.34
Opening balance after adjustment	2,195,757,421.95	3,829,179,484.51	4,220,828,323.43	2,393,323,918.09	12,639,089,147.98
Purchase	67,523,318.45	53,623,433.96	7,928,614.90	304,212,697.72	433,288,065.03
Transferred from construction in progress	711,078,277.48	251,553,042.26	319,054.65	70,769,646.46	1,033,720,020.85
Business combination not under common control	246,879,796.46	182,373,333.87	12,502,017.70	6,707,779.77	448,462,927.80
Effects of changes in exchange rate	14,913,806.93	34,639,697.36	157,927,145.51	111,178,664.22	318,659,314.02
Disposals or scrap	(12,058,948.20)	(132,352,783.56)	(111,011,841.19)	(119,211,069.30)	(374,634,642.25)
Other decreases	(28,421,094.33)	(118,920,938.18)	—	(1,685,158.72)	(149,027,191.23)
Closing balance	3,195,672,578.74	4,100,095,270.22	4,288,493,315.00	2,765,296,478.24	14,349,557,642.20
Accumulated depreciation:					
Opening balance before adjustment	428,021,450.71	962,711,940.33	1,350,246,533.66	468,251,502.11	3,209,231,426.81
Addition due to business combination under common control	—	710,126.07	—	165,459.71	875,585.78
Opening balance after adjustment	428,021,450.71	963,422,066.40	1,350,246,533.66	468,416,961.82	3,210,107,012.59
Provision	135,327,887.36	337,969,818.30	183,297,690.50	344,066,325.15	1,000,661,721.31
Effects of changes in exchange rate	(10,463,104.87)	(1,985,998.20)	68,265,121.08	19,663,768.11	75,479,786.12
Disposals or scrap	(6,585,533.51)	(84,245,176.17)	(63,686,886.20)	(88,092,747.70)	(242,610,343.58)
Other decreases[1]	(6,223,296.27)	(26,341,153.36)	—	(435,602.50)	(33,000,052.13)
Closing balance	540,077,403.42	1,188,819,556.97	1,538,122,459.04	743,618,704.88	4,010,638,124.31
Net carrying value:					
At the beginning of year	1,767,735,971.24	2,865,757,418.11	2,870,581,789.77	1,924,906,956.27	9,428,982,135.39
At the end of year	2,655,595,175.32	2,911,275,713.25	2,750,370,855.96	2,021,677,773.36	10,338,919,517.89
Impairment:					
Opening balance	—	118,910.72	19,162,740.85	—	19,281,651.57
Provision	—	—	—	—	—
Effects of changes in exchange rate	—	—	175,111.40	—	175,111.40
Disposals or scrap	—	—	(19,337,852.25)	—	(19,337,852.25)
Closing balance	—	118,910.72	—	—	118,910.72
Net carrying value:					
At the beginning of year	1,767,735,971.24	2,865,638,507.39	2,851,419,048.92	1,924,906,956.27	9,409,700,483.82
At the end of year	2,655,595,175.32	2,911,156,802.53	2,750,370,855.96	2,021,677,773.36	10,338,800,607.17

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Fixed assets (continued)

2015

	Buildings	Machinery	Transportation	Storage and other facilities	Total
Original value:					
Opening balance before adjustment	969,180,045.19	1,166,422,889.93	3,979,766,091.72	1,853,020,852.53	7,968,389,879.37
Addition due to business combination under common control	1,235,615,731.88	2,409,134,881.20	9,018,554.47	88,376,616.95	3,742,145,784.50
Opening balance after adjustment	2,204,795,777.07	3,575,557,771.13	3,988,784,646.19	1,941,397,469.48	11,710,535,663.87
Purchase	38,890,337.56	155,687,080.44	110,071,417.09	444,967,989.71	749,616,824.80
Transferred from construction in progress	193,960,793.37	519,277,658.49	214,359,544.47	71,299,793.94	998,897,790.27
Effects of changes in exchange rate	(20,575,710.40)	(22,479,828.04)	119,612,134.68	61,393,087.64	137,949,683.88
Disposals or scrap	(24,323,201.20)	(158,403,102.51)	(211,999,419.00)	(125,734,422.68)	(520,460,145.39)
Other decreases	(196,990,574.45)	(240,460,095.00)	—	—	(437,450,669.45)
Closing balance	2,195,757,421.95	3,829,179,484.51	4,220,828,323.43	2,393,323,918.09	12,639,089,147.98
Accumulated depreciation:					
Opening balance before adjustment	289,011,673.10	470,059,470.14	1,152,430,327.44	355,252,237.87	2,266,753,708.55
Addition due to business combination under common control	61,446,906.96	226,047,837.30	1,912,296.83	54,927,575.79	344,334,616.88
Opening balance after adjustment	350,458,580.06	696,107,307.44	1,154,342,624.27	410,179,813.66	2,611,088,325.43
Provision	119,464,601.39	430,096,360.07	288,347,921.92	105,711,990.98	943,620,874.36
Effects of changes in exchange rate	(12,981,102.38)	(13,016,495.16)	27,964,850.37	4,349,976.79	6,317,229.62
Disposals or scrap	(5,487,615.90)	(90,187,170.25)	(120,408,862.90)	(51,824,819.61)	(267,908,468.66)
Other decreases1	(23,433,012.46)	(59,577,935.70)	—	—	(83,010,948.16)
Closing balance	428,021,450.71	963,422,066.40	1,350,246,533.66	468,416,961.82	3,210,107,012.59
Net carrying value:					
At the beginning of year	1,854,337,197.01	2,879,450,463.69	2,834,442,021.92	1,531,217,655.82	9,099,447,338.44
At the end of year	1,767,735,971.24	2,865,757,418.11	2,870,581,789.77	1,924,906,956.27	9,428,982,135.39
Impairment:					
Opening balance	—	118,910.72	17,500,000.00	—	17,618,910.72
Provision	—	—	23,384,079.60	—	23,384,079.60
Effects of changes in exchange rate	—	—	278,661.25	—	278,661.25
Disposals or scrap	—	—	(22,000,000.00)	—	(22,000,000.00)
Closing balance	—	118,910.72	19,162,740.85	—	19,281,651.57
Net carrying value:					
At the beginning of year	1,854,337,197.01	2,879,331,552.97	2,816,942,021.92	1,531,217,655.82	9,081,828,427.72
At the end of year	1,767,735,971.24	2,865,638,507.39	2,851,419,048.92	1,924,906,956.27	9,409,700,483.82

Note 1: Other decreases of 2016 were due to the transfers from fixed assets to construction in progress for renewal by the Group's subsidiaries, Jiangsu Ruixiang Chemical Co., Ltd., Jiangsu Yangnong Chemical Group Co., Ltd. and Shandong Sinochem Technology Co., Ltd. The total original value of fixed assets transferred was RMB 149,027,191.23 with total accumulated depreciation RMB 33,000,052.13.

Fixed assets acquired under finance leases are as follows:

2016

	Original value	Accumulated depreciation	Impairment provision	Carrying value
Office equipment	314,830.47	311,765.18	—	3,065.29
Transportation equipment	6,141,992.14	5,189,329.79	—	952,662.35

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Fixed assets (continued)

2015

	Original value	Accumulated depreciation	Impairment provision	Carrying value
Office equipment	1,314,121.42	1,129,090.77	—	185,030.65
Transportation equipment	5,736,214.33	4,412,104.34	—	1,324,109.99

The carrying value of fixed assets under operating leases is as follows:

	2016	2015
Storage tanks	1,842,582,977.69	1,001,677,122.45

As at 31 December 2016, fixed assets pending for title certificates are as follows:

	Carrying value	Reasons
Sinochem International Plaza of Shanghai Completion record Dehuan Real Estate Co., Ltd.	659,167,094.56	completion acceptance in progress
Employee dormitories of Xishuangbanna Sinochem Rubber Co. Ltd.	2,954,893.70	certification in progress

18. Construction in progress

	2016			2015		
	Book balance	Impairment provision	Carrying value	Book balance	Impairment provision	Carrying value
Purchase of ships	460,386,574.77	—	460,386,574.77	1,286,597,480.76	—	1,286,597,480.76
Sinochem World Expo B03C-02 Block Commercial Bd. Project	180,000.00	—	180,000.00	564,081,742.86	—	564,081,742.86
Storage Tank Project in Lianyungang	449,621,561.34	—	449,621,561.34	246,666,086.63	—	246,666,086.63
Ruitai Project I&II	102,238,080.38	—	102,238,080.38	165,933,603.19	—	165,933,603.19
Three Tenor's Insoluble Sulfur Project	110,045,409.43	—	110,045,409.43	129,943,503.13	—	129,943,503.13
Electric boiler reconstruction	—	—	—	42,936,795.30	—	42,936,795.30
Polycrystalline silicon	41,928,790.04	—	41,928,790.04	41,928,790.04	—	41,928,790.04
SUD-Cameroon Plantation expansion	12,538,624.73	—	12,538,624.73	25,747,831.01	—	25,747,831.01
TBH Industry expansion	5,789,235.36	—	5,789,235.36	4,126,467.58	—	4,126,467.58
Hevecam SA Plantation expansion	449,279.33	—	449,279.33	2,587,380.48	—	2,587,380.48
Youjia Project II	700,799,659.63	—	700,799,659.63	345,739.15	—	345,739.15
Youjia Garden Project	123,880,543.00	—	123,880,543.00	2,774,064.72	—	2,774,064.72
Factory expansion of PT.hok tong PLB	29,456,779.68	—	29,456,779.68	28,356,129.12	—	28,356,129.12
Aramid project	26,727,625.23	—	26,727,625.23	—	—	—
Waste water comprehensive treatment device	16,472,281.51	—	16,472,281.51	—	—	—
Construction project of Research and development center	14,234,346.90	—	14,234,346.90	—	—	—
Comprehensive utilization project of resources recycling	11,511,882.28	—	11,511,882.28	—	—	—
The chlorination transformation of dichlorobenzene	5,555,786.30	—	5,555,786.30	—	—	—
Tank equipment	4,544,233.49	—	4,544,233.49	—	—	—
Others	67,047,304.50	(151,354.56)	66,895,949.94	30,405,420.91	—	30,405,420.91
	2,183,407,997.90	(151,354.56)	2,183,256,643.34	2,572,431,034.88	—	2,572,431,034.88

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Construction in progress (continued)

Movements of important construction in progress in 2016 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Capital source	Percentage of budget (%)
Youjia Project II	2,788,000,000.00	345,739.15	700,453,920.48	—	—	700,799,659.63	self-financing	25.14%
New ship building project	2,900,000,000.00	1,286,597,480.76	640,617,349.38	—	1,466,828,255.37	460,386,574.77	self-financing	69.93%
Storage Tank Project I in Lianyungang	581,000,000.00	246,666,086.63	202,955,474.71	—	—	449,621,561.34	self-financing	77.39%
Youjia Garden Project	179,800,000.00	2,774,064.72	121,106,478.28	—	—	123,880,543.00	self-financing	68.90%
Three Tenor's Insoluble Sulfur Project	180,035,570.53	129,943,503.13	100,726,989.46	120,625,083.16	—	110,045,409.43	self-financing	61.12%
Ruitai Project I & II	550,000,000.00	165,933,603.19	5,214,998.91	68,910,521.72	—	102,238,080.38	self-financing	92.51%
Polycrystalline silicon	143,000,000.00	41,928,790.04	—	—	—	41,928,790.04	self-financing	29.32%
PT.hok tong PLB Industry expansion	29,456,779.68	28,356,129.12	11,295,819.58	4,836,452.89	5,358,716.13	29,456,779.68	self-financing	100%
Aramid project	201,000,000.00	—	26,727,625.23	—	—	26,727,625.23	self-financing	13.30%
Waste water comprehensive treatment device	18,516,000.00	—	16,472,281.51	—	—	16,472,281.51	self-financing	88.96%
Zhangjiang decoration project	35,000,000.00	—	14,234,346.90	—	—	14,234,346.90	self-financing	40.67%
SUD-Cameron Plantation expansion	175,002,799.55	25,747,831.01	—	7,393,767.13	5,815,439.15	12,538,624.73	self-financing	7.16%
TBH Industry expansion	19,096,629.01	4,126,467.58	14,160,605.71	—	12,497,837.93	5,789,235.36	self-financing	30.32%
Sinochem World Expo B03C-02 Block Commercial Bd. Project	687,917,300.00	564,081,742.86	103,643,527.02	667,545,269.88	—	180,000.00	loan	97.06%
Hevecam SA plantation expansion	112,264,244.39	2,587,380.48	—	—	2,138,101.15	449,279.33	self-financing	0.40%

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Construction in progress (continued)

Movements of important construction in progress in 2015 are as follows:

	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Capital source	Percentage of budget (%)
New ship building project	2,505,198,260.00	527,805,149.14	894,320,805.02	135,528,473.40	—	1,286,597,480.76	self-financing	56.77%
Sinochem World Expo B03C-02 Block Commercial Bd. Project	687,917,300.00	140,103,421.00	423,978,321.86	—	—	564,081,742.86	loan	82%
Three Tenor's Insoluble Sulfur Project	130,328,570.53	112,213,225.47	23,254,852.99	5,524,575.33	—	129,943,503.13	self-financing	98%
Storage Tank Project I in Lianyungang	165,260,000.00	85,541,611.08	161,846,173.66	—	721,698.11	246,666,086.63	self-financing	NA
Tank Purchase	306,650,182.30	37,527,023.49	20,438,812.34	57,965,835.83	—	—	self-financing	NA
Plant II reconstruction project	153,100,678.93	27,481,561.75	12,935,170.52	40,416,732.27	—	—	self-financing	26.4%
Hevecam SA Plantation expansion	106,445,198.86	11,872,272.75	—	8,598,095.12	686,797.15	2,587,380.48	self-financing	11.15%
SUD-Cameroon Plantation expansion	165,931,796.89	11,560,614.48	14,521,139.57	—	333,923.04	25,747,831.01	self-financing	15.72%
Ruitai Project I & II	550,000,000.00	66,461,012.74	437,120,101.89	337,647,511.44	—	165,933,603.19	self-financing	91.56%
Electric boiler Reconstruction	80,000,000.00	—	42,936,795.30	—	—	42,936,795.30	self-financing	53.67%
Polycrystalline silicon	143,000,000.00	41,928,790.04	—	—	—	41,928,790.04	self-financing	29.32%

Movements of important construction in progress in 2016 are as follows:

	Project progress	Accumulated amount of interest capitalization	Incl.: interest capitalization this year	Interest capitalization rate this year
Sinochem World Expo B03C-02 Block Commercial Bd. Project	97.06%	35,245,029.88	15,293,289.37	4.28%
Storage Tank Project I In Lianyungang	77.39%	9,043,235.74	8,178,016.57	3.13%
		44,288,265.62	23,471,305.94	

Movements of important construction in progress in 2015 are as follows:

	Project progress	Accumulated amount of interest capitalization	Incl.: interest capitalization this year	Interest capitalization rate this year
Sinochem World Expo B03C-02 Block Commercial Bd. Project	82%	10,486,553.73	6,539,984.03	5.40%

Impairment for construction in progress is as follows:

2016

	Opening balance	Accrued	Decrease			Ending balance
			Reversal	Write-off	Changes in exchange rate	
Nitrogen station of North Water Pump	—	151,354.56	—	—	—	151,354.56

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. Construction in progress (continued)

There was no impairment occurred for construction in progress in 2015.

19. Construction materials

	2016	2015
Construction materials	48,563,414.67	51,398,978.41

20. Bearer biological assets

	2016			2015		
	Book balance	Reserve for depreciation	Carrying value	Carrying balance	Reserve for depreciation	Carrying value
Overseas rubber plantations	1,038,518,392.49	(263,895.69)	1,038,254,496.80	799,913,636.85	(252,239.10)	799,661,397.75
Overseas palm groves	26,362,670.94	(25,379,880.45)	982,790.49	24,087,928.40	(19,568,674.97)	4,519,253.43
	1,064,881,063.43	(25,643,776.14)	1,039,237,287.29	824,001,565.25	(19,820,914.07)	804,180,651.18

Movements in impairment provision of biological assets are as follows:

	Opening balance	Accrued	Decrease		Changes in Exchange rate	Closing balance
			Reversal	Write-off		
2015	19,820,914.07	5,555,833.35	—	—	267,028.72	25,643,776.14
2015	20,438,300.97	—	—	—	(617,386.90)	19,820,914.07

The overseas rubber plantations owned by GMG Global Ltd. are located in Cameroon and Ivory Coast, covering 20,763 hectares. The rubber plantations are available for production after 11-20 years. As at 31 December 2016, the net carrying value of rubber plantation overseas unavailable for production is RMB 757,058,550.65 (2015: RMB 571,884,369.76).The market value and fair value of the rest of the rubber plantations for the intended use cannot be reliably measured. Therefore, the carrying value of the overseas rubber plantations was recognized based on historical cost. The mature rubber plantations were amortized at 4.0% per year.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Intangible asset

2016

	Land use right[Note1]	Proprietary technology	Commodity use right and product registration certificates[Note2]	Nonpatented technology[Note3]	Customer Relationships	Software and other	Total
Original value Opening balance before adjustment	2,060,313,936.06	1,106,972,891.83	187,482,088.97	—	—	113,366,923.29	3,468,135,840.15
Addition due to business combination under common control	—	94,399,430.63	—	—	—	1,319,829.07	95,719,259.70
Opening balance after adjustment	2,060,313,936.06	1,201,372,322.46	187,482,088.97	—	—	114,686,752.36	3,563,855,099.85
Purchase	10,838,706.30	—	1,055,109.41	—	—	9,810,277.52	21,704,093.23
Addition due to business combination not under common control	512,772,237.00	—	—	76,944,200.00	24,086,880.00	6,813,086.20	620,616,403.20
Disposal and scrap	—	—	—	—	—	(2,112,491.51)	(2,112,491.51)
Effects of changes in exchange rate	21,622,285.10	—	3,022,702.14	2,831,300.00	886,320.00	771,468.69	29,134,075.93
Closing balance	2,605,547,164.46	1,201,372,322.46	191,559,900.52	79,775,500.00	24,973,200.00	129,969,093.26	4,233,197,180.70
Accumulated amortization Opening balance before adjustment	144,719,758.76	189,387,242.02	60,101,561.19	—	—	68,420,612.66	462,629,174.63
Opening balance before adjustment	—	738,001.22	—	—	—	36,661.90	774,663.12
Opening balance after adjustment	144,719,758.76	190,125,243.24	60,101,561.19	—	—	68,457,274.56	463,403,837.75
Provision	34,896,714.31	73,824,545.00	14,679,731.33	—	416,220.00	12,657,087.65	136,474,298.29
Disposal or scrap	—	—	—	—	—	—	—
Effects of changes in exchange rate	539,717.73	—	(376,146.30)	—	—	(379,917.57)	(216,346.14)
Closing balance	180,156,190.80	263,949,788.24	74,405,146.22	—	416,220.00	80,734,444.64	599,661,789.90
Impairment:							
Opening balance before adjustment	—	—	—	—	—	—	—
Addition due to business combination under common control	—	—	—	—	—	—	—
Opening balance after adjustment	—	—	—	—	—	—	—
Provision	—	—	—	—	—	581,943.46	581,943.46
Disposal or Scrap	—	—	—	—	—	—	—
Effects of changes in exchange rate	—	—	—	—	—	(40,990.68)	(40,990.68)
Closing balance	—	—	—	—	—	540,952.78	540,952.78
Carrying value at the end of year	2,425,390,973.66	937,422,534.22	117,154,754.30	79,775,500.00	24,556,980.00	48,693,695.84	3,632,994,438.02
At the beginning of year	1,915,594,177.30	1,011,247,079.22	127,380,527.78	—	—	46,229,477.80	3,100,451,262.10

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. Intangible asset (continued)

2015

	Land use right-Note1	Proprietary technology	Commodity use right and product registration certificates-Note2	Software and other	Total
Original value Opening balance before adjustment	1,588,573,223.58	730,122,971.09	172,846,810.91	104,289,823.09	2,595,832,828.67
Addition due to business combination under common control	420,757,164.33	370,933,600.00	11,686,000.00	887,941.48	804,264,705.81
Opening balance after adjustment	2,009,330,387.91	1,101,056,571.09	184,532,810.91	105,177,764.57	3,400,097,534.48
Purchase	60,138,759.25	100,315,751.37	395,592.40	9,364,927.24	170,215,030.26
Effects of changes in exchange rate	(9,155,211.10)	—	2,553,685.66	144,060.55	(6,457,464.89)
Disposal and scrap	—	190,125,243.24	—	—	—
Closing balance	2,060,313,936.06	1,201,372,322.46	187,482,088.97	114,686,752.36	3,563,855,099.85
Accumulated amortization Opening balance before adjustment	74,497,391.67	99,691,780.87	39,897,018.31	57,192,672.66	271,278,863.51
Addition due to business combination under common control	40,457,858.08	22,668,164.44	6,029,100.00	186,611.84	69,341,734.36
Opening balance after adjustment	114,955,249.75	122,359,945.31	45,926,118.31	57,379,284.50	340,620,597.87
Provision	30,050,741.63	67,765,297.93	13,855,311.87	10,235,213.74	121,906,565.17
Effects of changes in exchange rate	(286,232.62)	—	320,131.01	842,776.32	876,674.71
Disposal or scrap	—	—	—	—	—
Closing balance	144,719,758.76	190,125,243.24	60,101,561.19	68,457,274.56	463,403,837.75
Carrying value at the end of year	1,915,594,177.30	1,011,247,079.22	127,380,527.78	46,229,477.80	3,100,451,262.10
at the beginning of year	1,894,375,138.16	978,696,625.78	138,606,692.60	47,798,480.07	3,059,476,936.61

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: The Group's franchise rights refer to the trademark licensing rights, including trademark franchise rights without a definite life agreed in the franchise right contract, reaching RMB 4,687,505.77, which are not amortized by the Company but tested for impairment at the end of each year. For the trademark franchise rights, no impairment was made for this year.

Note 3: The Group's non-patent technologies are rubber production process technologies held by the subsidiary Halcyon Agri Corporation Limited. The life span of the technologies depends on the market demand for the rubber products, which is expected to be unlikely to terminate. Therefore the useful life of the technologies is determined to be permanent. The non-patent technologies are not amortized but tested for impairment at the end of each year. No impairment was made for this year.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. Development expenditure

2016

		Addition	Reduction		
	Opening balance	In-house	Recognized intangible asset	Recorded into profit and loss	Closing balance
R&D	1,382,265.00	—	—	—	1,382,265.00

2015

		Addition	Reduction		
	Opening balance	In-house	Recognized intangible asset	Recorded into profit and loss	Closing balance
R&D	1,382,265.00			—	1,382,265.00

23. Goodwill

2016

		Increase		
	Opening balance	Business combination not under common control	Changes in exchange rate	Closing balance
GMG Global Ltd.	588,337,666.94	—	42,826,587.22	631,164,254.16
Euroma Rubber Industries Sendirian Berhad	3,149,914.54	—	—	3,149,914.54
ITCA	7,211,160.06	—	214,539.94	7,425,700.00
Inobonto Group	11,925,845.54	—	428,505.42	12,354,350.96
Dorval Ship Management K.K.	58,805.39	—	6,218.75	65,024.14
Anhui Sinochem Technology Co., Ltd.	658,581.05	—	—	658,581.05
Jiangsu Sinochem Technology Co., Ltd.	1,324,963,618.17	—	—	1,324,963,618.17
Teck Bee Hang Co., Ltd.	34,546,707.61	—	2,683,991.25	37,230,698.86
Jiangsu Yangnong ChemicalGroup Co., Ltd.	624,477,727.67	—	—	624,477,727.67
Halycon	—	1,770,870,750.52	46,749,955.37	1,817,620,705.89
	2,595,330,026.97	1,770,870,750.52	92,909,797.95	4,459,110,575.44

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. Goodwill (continued)

2015

	Opening balance	Increase Business combination not under common control	Changes in exchange rate	Closing balance
GMG Global Ltd.	554,397,897.01	—	33,939,769.93	588,337,666.94
Euroma Rubber Industries Sendirian Berhad	3,149,914.54	—	—	3,149,914.54
ITCA	7,577,603.50	—	(366,443.44)	7,211,160.06
Inobonto Group	12,031,152.77	—	(105,307.23)	11,925,845.54
Dorval Ship Management K.K.	55,641.46	—	3,163.93	58,805.39
Anhui sinochem Technology Co., Ltd.	658,581.05	—	—	658,581.05
Jiangsu sinochem Technology Co., Ltd.	1,324,963,618.17	—	—	1,324,963,618.17
Teck Bee Hang Co., Ltd.	36,230,782.24	—	(1,684,074.63)	34,546,707.61
Jiangsu Yangnong Chemical Group Co., Ltd.	624,477,727.67	—	—	624,477,727.67
	2,563,542,918.41	—	31,787,108.56	2,595,330,026.97

Movements of impairment of goodwill are as follows:

2016

	Opening balance	Increase Provision	Decrease Disposition	Closing balance
Inobonto Group	—	12,354,350.96	—	12,354,350.96

24. Long-term deferred expenses

2016

	Opening balance	Increase	Amortization	Changes in exchange rate	Closing balance
Site rental fee	492,344.04	—	(52,462.15)	—	439,881.89
Building decoration fee	678,361.72	—	(391,705.75)	29,593.26	316,249.23
Operating lease improvement	17,348,789.47	—	(623,468.91)	—	16,725,320.56
Long-term rental deposits	49,254,644.73	69,569,852.34	(2,845,893.93)	16,210,126.62	132,188,729.76
Lonic membrane replacement	5,749,429.22	14,827,738.65	(10,527,556.76)	—	10,049,611.11
Others	67,734.20	1,158,626.70	(849,168.55)	27,326.59	404,518.94
	73,591,303.38	85,556,217.69	(15,290,256.05)	16,267,046.47	160,124,311.49

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. Long-term deferred expenses (continued)

2015

	Opening balance	Increase	Amortization	Changes in exchange rate	Closing balance
Site rental fee	488,056.27	118,000.00	(113,712.23)	—	492,344.04
Building decoration fee	999,499.73	—	(367,401.12)	46,263.11	678,361.72
Operating lease improvement	17,980,668.67	—	(631,879.20)	—	17,348,789.47
Long-term rental deposits	28,860,978.00	32,547,756.58	(14,501,129.35)	2,347,039.50	49,254,644.73
Lonic membrane replacement	4,763,519.95	5,173,271.16	(4,187,361.89)	—	5,749,429.22
Others	940,296.97	—	(826,987.13)	(45,575.64)	67,734.20
	54,033,019.59	37,839,027.74	(20,628,470.92)	2,347,726.97	73,591,303.38

25. Deferred tax assets/liabilities

Deferred tax assets and deferred tax liabilities without offset:

	2016		2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for asset impairment	321,560,879.70	69,984,657.14	391,211,592.99	84,988,257.41
Deductible loss	1,503,853,152.58	351,066,474.14	731,960,755.71	242,809,168.42
Evaluation of trading financial instrument	42,553,534.89	10,346,534.89	13,151,561.30	2,964,057.06
Accrued expenses	195,584,021.50	50,519,422.11	223,581,917.42	56,529,520.06
Internal long-term assets transfer of unrealized gains	4,583,245.84	1,145,811.46	4,633,998.48	1,158,499.62
Deferred income	35,163,129.36	6,530,626.05	18,048,013.79	2,873,868.73
Depreciation	69,231,504.49	16,060,952.87	54,071,913.60	13,517,978.40
Internal unrealized gains	57,732,026.72	11,960,814.96	71,790,159.59	16,671,888.19
Adjusted income and initial investment cost according to the equity method	—	—	18,454,138.82	4,613,534.70
Accrued costs	196,287,588.31	29,443,138.25	185,730,937.55	28,699,584.37
Unpaid compensation for employees	155,809,654.46	29,286,316.20	—	—
Safety production expenses	—	—	1,321,353.33	198,203.00
Others	51,964,420.14	9,034,373.28	6,682,139.63	883,333.63
	2,634,323,157.99	585,379,121.35	1,720,638,482.21	455,907,893.59

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. Deferred tax assets/liabilities (continued)

	2016		2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Evaluation of trading financial instrument	2,607,132.68	651,783.17	68,942,104.68	17,171,187.68
Changes in fair value of available-for-sale recognized as financial instruments in other comprehensive income	129,694,041.49	23,275,438.93	38,252,047.08	9,580,417.15
Undistributed profit from subsidies with different tax rate	1,735,669,955.14	229,928,607.33	4,115,612,910.99	476,331,204.92
Interim notes underwriting fees	—	—	805,458.61	201,364.65
Long term assets evaluation	2,296,764,651.26	519,554,127.15	2,326,962,202.01	412,670,121.97
Amortization	7,725,286.41	1,313,298.69	8,327,239.82	1,415,630.77
Tax credit of foreign dividends	47,666,110.47	8,103,238.78	47,666,110.47	8,103,238.78
Others	78,652,100.74	13,512,264.70	48,390,276.06	8,389,441.23
	4,298,779,278.19	796,338,758.75	6,654,958,349.72	933,862,607.15

	2016		2015	
	Offset amount	Balance after offset	Offset amount	Balance after offset
Deferred tax assets	16,324,373.54	569,054,747.81	66,346,336.35	389,561,557.24
Deferred tax liabilities	16,324,373.54	780,014,385.21	66,346,336.35	867,516,270.80

Deductible temporary differences and tax losses for which no deferred tax assets were recognized are as follows:

	2016	2015
Deductible tax losses from domestic subsidiaries	135,412,480.95	121,980,024.32
Deductible tax losses from overseas subsidiaries	454,845,209.13	306,486,751.94
Deductible temporary differences	15,416,601.41	47,076,797.80
	605,674,291.49	475,543,574.06

Deductible tax losses from domestic subsidiaries for which no deferred tax assets were recognized will be due in years as follows:

	2016	2015
2017	20,031,471.05	20,031,471.05
2018	21,256,982.88	21,256,982.88
2019	29,539,582.41	29,539,582.41
2020	51,151,987.98	51,151,987.98
2021	13,432,456.63	—
	135,412,480.95	121,980,024.32

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. Other non-current assets

	2016	2015
Trust products	—	1,000,000,000.00
Shipping deposits	662,255,750.73	391,966,369.08
Prepaid long-term assets	5,131,984.30	—
Others	1,137,322.06	1,137,322.06
	668,525,057.09	1,393,103,691.14

27. Impairment of assets

2016

	Opening balance	Accrual	Decrease		Changes in exchange rate	Others	Closing balance
			Reversal	Write-off			
Bad debt provision	326,965,283.07	111,892,891.92	668,579.82	77,765,583.97	997,549.03	—	361,421,560.23
Inventory provision	98,264,759.95	335,235,586.29	—	276,349,622.56	562,411.62	—	157,713,135.30
Impairment of available-for-sale financial assets	125,600.00	19,865,845.47	—	—	—	—	19,991,445.47
Reserve for held-to-maturity investment impairment	185,000.00	—	—	—	—	—	185,000.00
Fixed asset impairment Note 1	19,281,651.57	—	—	19,337,852.25	175,111.40	—	118,910.72
Construction in progress impairment	—	151,354.56	—	—	—	—	151,354.56
Intangible assets impairment	—	581,943.46	—	—	(40,990.68)	—	540,952.78
Project material impairment	701,839.62	—	—	—	—	—	701,839.62
Goodwill impairment	—	9,728,892.25	—	—	2,625,458.71	—	12,354,350.96
Biological asset impairment	19,820,914.07	5,555,833.35	—	—	267,028.72	—	25,643,776.14
	465,345,048.28	483,012,347.30	668,579.82	373,453,058.78	4,586,568.80	—	578,822,325.78

Note1: In 2015, the Group made impairment provision based on the recoverable amount of four ships age of which was long and maintenance costs were high. This year, the impairment provision was fully written off after the sale and hand over of the four ships.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2015

	Opening balance	Accrual	Decrease		Changes in exchange rate	Others Note 2	Closing balance
			Reversal	Write-off			
Bad debt provision	118,680,424.08	134,204,680.95	570,649.26	887,794.84	(646,133.00)	76,184,755.14	326,965,283.07
Inventory provision	114,660,484.48	537,322,032.02	—	551,033,241.59	(2,684,514.96)	—	98,264,759.95
Impairment of available-for-sale financial assets	125,600.00	—	—	—	—	—	125,600.00
Reserve for held-to-maturity investment impairment	185,000.00	—	—	—	—	—	185,000.00
Impairment of long-term equity investment	3,719,025.00	—	—	3,719,025.00	—	—	—
Fixed asset impairment Note 1	17,618,910.72	23,384,079.60	—	22,000,000.00	278,661.25	—	19,281,651.57
Project material impairment	—	701,839.62	—	—	—	—	701,839.62
Biological asset impairment	20,438,300.97	—	—	—	(617,386.90)	—	19,820,914.07
	275,427,745.25	695,612,632.19	570,649.26	577,640,061.43	(3,669,373.61)	76,184,755.14	465,345,048.28

Note 1: The Group has accrued fixed asset impairment provision of RMB 23,384,079.60 because the aging of ships is long and the maintenance cost is high. The recoverable amount is based on the present value of the estimated future cash flows.

Note 2: Suzhou Sinochem underwent bankruptcy this year, so the bad-debt provision for other receivables has increased at the consolidated level due to the decrease of subsidiary.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. Short-term borrowings

	2016	2015
Borrowings in credit	8,138,772,289.42	4,049,308,101.34
Mortgage Loan	832,439,999.58	—
	8,971,212,289.00	4,049,308,101.34

As at 31 December 2016, the Group had no unpaid and due short-term borrowings (2015: Nil).

As at 31 December 2016, the annual interest rate of the above-mentioned loans was 1.00%-8.00% (2015: 0.88%-8.50%).

29. Derivative financial liabilities

	2016	2015
Rubber futures	142,569,328.10	11,308,819.36
Forward exchange transactions	4,210,681.88	9,672,043.65
	146,780,009.98	20,980,863.01

The Group's derivative financial liabilities mainly include rubber futures, chemical product futures and forward exchange transactions, among which the fair value of the rubber futures and chemical product futures at the yearend refers to the settlement price on the last trading day of the year. The fair value of the forwards exchange transactions at the yearend refers to the forward exchange quotation of the related institutions as at the balance sheet date.

30. Notes payable

	2016	2015
Bank acceptance notes	1,651,420,943.49	2,137,626,462.44

As at 31 December 2016, the Group did not have note payables due but not paid (2015: Nil).

31. Accounts payable

Accounts payable bear no interest, and will be paid usually within one year.

	2016	2015
Commodities procurement payment	3,826,157,804.13	2,674,001,749.05
Logistics servicing fee	169,140,397.27	119,316,140.16
Engineering project payment	559,474,197.78	333,034,765.25
	4,554,772,399.18	3,126,352,654.46

As at 31 December 2016, account payables with aging over 1 year:

Company name	Payable balance	Outstanding reason
Shanghai Construction Group (Project payment)	104,676,891.03	The supplier has not yet settled the billing

(31 December 2015: Nil)

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. Advances from customers

	2016	2015
Advances of goods from customers	564,047,636.78	300,763,744.45
Advances of services from customers	76,840,412.83	41,519,323.51
	640,888,049.61	342,283,067.96

As of 31 December 2016, the Group had no significant advances from customers with aging over 1 year (31 December 2015: Nil).

33. Payroll payable

2016

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	157,871,702.43	1,745,018,562.77	1,691,546,266.86	211,343,998.34
Defined contribution plan	56,081,307.38	187,889,122.64	203,466,581.26	40,503,848.76
	213,953,009.81	1,932,907,685.41	1,895,012,848.12	251,847,847.10

2015

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	246,544,233.91	1,361,259,038.17	1,449,931,569.65	157,808,785.22
Defined contribution plan	53,194,304.56	188,334,586.88	185,945,214.76	56,081,307.38
	299,738,538.47	1,550,091,255.75	1,635,876,784.41	213,953,009.81

Short-term employee benefits are as follows:

2016

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	109,293,806.43	1,372,590,189.11	1,334,154,788.62	147,729,206.92
Staff welfare	18,631,557.45	122,486,149.06	130,598,866.72	10,518,839.79
Social security contributions	11,396,652.08	66,708,009.39	66,763,257.96	11,341,403.51
Including:				
Medical insurance	10,883,238.57	56,697,474.93	56,675,612.03	10,905,101.47
Injury insurance	210,046.77	6,332,637.44	6,351,510.97	191,173.24
Maternity insurance	303,366.74	3,677,897.02	3,736,134.96	245,128.80
Housing funds	1,426,093.63	82,981,674.21	83,560,272.61	847,495.23
Other short-term benefits	17,123,592.84	100,252,541.00	76,469,080.95	40,907,052.89
	157,871,702.43	1,745,018,562.77	1,691,546,266.86	211,343,998.34

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. Payroll payable (continued)

2015

	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	201,600,410.72	1,035,041,319.29	1,129,824,442.80	109,293,806.43
Staff welfare	16,061,147.32	82,392,574.70	79,822,164.57	18,631,557.45
Social security contributions	8,297,756.19	77,737,334.29	74,638,438.40	11,396,652.08
Including:				
Medical insurance	7,965,011.67	67,588,989.45	64,670,762.55	10,883,238.57
Injury insurance	156,505.42	5,955,363.99	5,901,822.64	210,046.77
Maternity insurance	176,239.10	4,192,980.85	4,065,853.21	303,366.74
Housing funds	(1,148,013.00)	78,901,278.49	76,327,171.86	1,426,093.63
Other short-term benefits	21,732,932.68	84,710,012.18	89,319,352.02	17,123,592.84
	246,544,233.91	1,361,259,038.17	1,449,931,569.65	157,871,702.43

Defined contribution plan is as follows:

2016

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	16,107,409.72	131,313,833.10	135,513,183.71	11,908,059.11
Unemployment insurance	384,511.82	7,436,180.00	7,497,908.74	322,783.08
Annuity contribution	39,589,385.84	49,139,109.54	60,455,488.81	28,273,006.57
	56,081,307.38	187,889,122.64	203,466,581.26	40,503,848.76

2015

	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	10,359,925.54	143,289,501.43	137,542,017.25	16,107,409.72
Unemployment insurance	276,346.10	8,573,378.55	8,465,212.83	384,511.82
Annuity contribution	42,558,032.92	36,969,337.60	39,937,984.68	39,589,385.84
	53,194,304.56	188,832,217.58	185,945,214.76	56,081,307.38

34. Tax payable

	2016	2015
Value-added tax	55,946,619.58	36,618,279.53
Business tax and sales tax	364,273.97	12,493,784.08
Corporate income tax	313,608,753.68	148,674,717.96
Individual income tax	7,440,078.16	6,245,354.12
City maintenance and construction tax	1,270,266.42	2,413,680.77
Educational surcharge	970,440.49	1,865,051.54
Others	32,243,247.26	19,955,253.80
	411,843,679.56	228,266,121.80

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. Interest payable

	2016	2015
Interest of mid-term notes	95,140,000.05	99,506,666.77
Interest of long-term loan with installment payments and principal repayment at maturity	22,464,143.17	4,254,888.03
Debenture interest	16,872,825.70	—
Interest of short-term loan	4,621,186.46	9,774,794.89
	139,098,155.38	113,536,349.69

As of 31 December 2016, there was no due interest payable (2015: Nil).

36. Dividends payable

	2016	2015
Individual shareholders of subsidiaries	2,837,114.10	2,377,152.14
Others	—	1,916,864.88
	2,837,114.10	4,294,017.02

As of December 31 2016, there is no dividend payables aging over 1 year (2015: Nil).

37. Other payables

	2016	2015
Collection and payments of deposits on behalf of others and port construction expenses	471,273.43	1,045,075.73
Freight and sundry fees payable	184,371,883.09	250,368,079.22
Pledge and deposits	31,079,744.44	28,081,818.51
Payments for construction materials	21,287,163.03	21,498,689.18
Price difference in settlement on pesticide products payable	57,535,015.21	51,947,321.84
Accrued expense	270,150,474.13	206,336,863.64
Associates' current accounts	—	110,776.18
Construction in progress payments on behalf	73,948,420.00	255,612,440.97
Others	139,395,487.25	207,212,667.81
	778,239,460.58	1,022,213,733.08

As at 31 December 2016, the Group had no other significant payables with aging over 1 year (2015: Nil).

38. Other current liabilities

	2016	2015
Short-term financing bonds	—	1,000,000,000.00
Deferred income	3,316,675.37	2,619,245.01
	3,316,675.37	1,002,619,245.01

As of 31 December 2016, the balance of short-term financing bonds was as follows:

	Face value	Issue date	Bond period	Issued value	Beginning balance	Amortization of this year Accrued interests	Amortization of this year premium / discounts	Refund this year	Year-end balance
15Yangnong SCP001	1,000,000,000.00	14/10/2015	270 days	1,000,000,000.00	1,000,000,000.00	—	—	1,000,000,000.00	—

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

38. Other current liabilities (continued)

As of 31 December 2015, the balance of short-term financing bonds was as follows:

	Face value	Issue date	Bond period	Issued value	Beginning balance	Accrued interests	Amortization of this year premium / discounts	Refund this year	Year-end balance
14Yangnong CP001	1,000,000,000.00	17/07/2014	365 days	1,000,000,000.00	998,154,192.81	—	—	998,154,192.81	—
15Yangnong SCP001	1,000,000,000.00	14/10/2015	270 days	1,000,000,000.00	—	—	—	—	1,000,000,000.00

39. Non-current liabilities due within one year

	2016	2015
Long-term loans due within 1 year	2,276,939,753.98	782,809,094.98
Medium-term loans due within 1 year	3,228,868.27	—
Bonds payable due within 1 year	—	1,398,856,013.46
	2,280,168,622.25	2,181,665,108.44

40. Long-term borrowings

	2016	2015
Collateral loans	1,195,027,615.57	997,958,411.78
Guaranteed loans	29,900,000.00	—
Credit Loans	3,440,090,302.48	3,224,525,076.30
	4,665,017,918.05	4,222,483,488.08

As of 31 December 2016, the annual interest rates for the loans above were 1.35%-8.25% (2015: 1.35%-8.25%).

As of 31 December 2016, the Group had no due long-term loans (2015: Nil).

41. Bonds payable

	2016	2015
11 SINO INT'L 02	1,195,694,392.11	1,195,694,392.11
16 SINO INT'L 01	2,494,244,355.44	—
Multicurrency Debt Issuance Programme	594,758,817.66	—
	4,284,697,565.21	1,195,694,392.11

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

41. Bonds payable (continued)

As at 31 December 2016, the balances of bond payables were as follows:

	Face value	Issue date	Bond maturity	Issue amount	Opening balance	Issue Amount this year	Business combinations not under common control	Interest accrued	Amortization of premium	Exchange rate effect during the year	Repayment	Closing balance
11SINO INT'L02	1,200,000,000.00	5/3/2012	5+2 years	1,200,000,000.00	1,195,694,392.11	—	—	59,880,000.00	—	—	59,880,000.00	1,195,694,392.11
16SINO INT'L01	2,500,000,000.00	5/3/2012	5 years	2,500,000,000.00	—	2,500,000,000.00	—	52,645,833.31	(5,755,644.56)	—	—	2,494,244,355.44
Multicurrency Debt Issuance Programme . . .	SGD125,000,000.00	5/3/2012	5 years	622,100,000.00	—	—	603,455,409.18	12,945,188.47	1,333,431.97	(10,030,023.49)	—	594,758,817.66

As at 31 December 2015, the balance of bond payables was as follows:

	Face value	Issue date	Bond maturity	Issue amount	Opening balance	Issue Amount this year	Business combinations not under common control	Interest accrued	Amortization of premium	Exchange rate effect during the year	Repayment	Closing balance
11SINO INT'L02	1,200,000,000.00	05/03/2012	5+2 years	1,200,000,000.00	1,194,506,869.28	—	—	59,880,000.00	1,187,522.83	—	59,880,000.00	1,195,694,392.11

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

42. Long-term payables

	2016	2015
Finance lease	5,566,563.20	1,851,513.44

43. Other non-current liabilities

	2016	2015
Stripping non-operational assets	16,834,870.48	16,834,870.48
Subsidies of employees' housing	8,654,186.92	8,674,412.62
Settlement fees	6,968,000.00	6,968,000.00
Custody assets of Chemical Bureau	3,035,813.19	3,035,813.19
Others	3,153,563.38	3,200,038.64
	38,646,433.97	38,713,134.93

44. Long-term payroll payable

	2016	2015
Net liabilities of defined benefit plan	83,532,364.15	—

The Group has a defined benefit plan for all qualified employees in Indonesia (unfunded). Under the plan, employees are entitled to the retirement benefits up to 15% of the final salary at their retirement age of 55.

The plan is subject to the interest rate risk and the risks of expected growth rate of employee compensation.

The actuarial valuation of the present value of the defined benefit plan obligations was performed by the Indonesian actuary, BIRO PUSAT AKTUARIA, on 31 December 2016 using projected unit credit method.

The principal assumptions used at balance sheet date are as follows:

	2016
Discount rate	8.38%
Expected growth rate of employee compensation	8.25%-10%

Other actuarial assumptions such as mortality, average life expectancy and estimated growth rates of future pension costs are insignificant due to their immaterial impact on the net value of the benefits plan.

A sensitivity analysis of the significant assumptions is, as show below:

2016

	Increase%	liabilities of defined benefits plan Decrease/ (decrease)	Decrease%	liabilities of defined benefit plan Increase/ (decrease)
Discount rate	1%	(7,284,925.50)	1%	8,575,588.10
Expected growth rate of employee compensation	1%	8,382,654.00	1%	(7,271,619.70)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The amount recognized in profit and loss are as follows:

	2016
Current service costs	(59,313.68)
Past service costs	—
Clearing gains	1,364,777.00
Net interest	6,559,181.08
Net amount of post employment benefits	7,864,644.40

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

44. Long-term payroll payable (continued)

The amount expected to be contributed to the defined benefits plan is as follows:

	2016
Within 1 year	14,554,341.00
1 to 2 years	2,278,985.50
2 to 5 years	18,178,640.50
Over 5 years	1,050,074,572.50
Total amount expected to contribute	1,085,086,539.50

The averaged period of the defined benefits plan at balance sheet date was 14.2 years.

Changes of present value of the defined benefit plan obligation are as follows:

2016

	Present value of the defined benefit plan obligation	Fair value of assets under the plan	Net liabilities/ (assets) of the defined benefit plan
Opening balance	—	—	—
Increase in business combinations not under common control	79,590,973.43	—	79,590,973.43
Included in profit or loss	7,864,644.40	—	7,864,644.40
Current service costs	(59,313.68)	—	(59,313.68)
Clearing gains	1,364,777.00	—	1,364,777.00
Net interest	6,559,181.08	—	6,559,181.08
Included in other comprehensive income	5,025,767.43	—	5,025,767.43
Actuarial gains	5,025,767.43	—	5,025,767.43
Other changes	(8,949,021.11)	—	(8,949,021.11)
Paid benefits	(11,591,897.18)	—	(11,591,897.18)
Exchange rate translation difference	2,970,167.03	—	2,970,167.03
Others	(327,290.96)	—	(327,290.96)
Closing balance	83,532,364.15	—	83,532,364.15

45. Specific payable

2016

	Opening balance	Increase	Decrease	Closing balance
Relocation compensation	—	340,000,000.00	135,789,385.18	204,210,614.82

Specific payable represented RMB 340 million received this year by Yangnong Group as relocation compensation according to local policy, which would be recognized as non-operating income according to the progress of relocation (2015: Nil).

46. Deferred income

2016

	Opening balance	Increase	Decrease	Other fluctuation	Closing balance
Government grants	41,505,164.89	20,801,350.00	8,041,151.56	(3,316,675.37)	50,948,687.96

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Deferred income (continued)

2015

	Opening balance	Increase	Decrease	Other fluctuation	Closing balance
Government grants	41,175,844.18	13,180,000.00	8,901,507.07	(3,949,172.22)	41,505,164.89

Note: Decrease in deferred income was recognized in non-operating income under a straight-line method.

As of 31 December 2016, liabilities related to government grants were as follows:

	Opening balance	Increase	Recognised in non-operating income	Other fluctuations	Closing balance	Related to assets/ revenues
Information construction	262,857.15	—	262,857.15	—	—	Assets
New type of seed engineering industrialization	402,071.80	—	402,071.80	—	—	Assets
New type of environmental protection pesticides industrialization	261,499.54	—	261,499.54	—	—	Assets
High-efficiency environmental pesticides industrialization	1,013,928.42	—	715,714.31	—	298,214.11	Assets
Low emissions of pesticide engineering projects	1,074,285.62	—	537,142.88	—	537,142.74	Assets
New pesticide and related construction projects	102,857.07	—	102,857.07	—	—	Assets
Government budget to build infrastructure for new pesticides	1,502,857.15	—	375,714.28	—	1,127,142.87	Assets
New industry development subsidies	730,000.00	—	519,000.00	—	211,000.00	Assets
Shenyang international experts	500,000.00	—	—	—	500,000.00	Assets
Subsidies of Shenyang HR & Social Bureau	500,000.00	—	—	—	500,000.00	Assets
Financial interest (Imidacloprid)	2,332,588.63	—	258,586.00	—	2,074,002.63	Assets
Financial interest (Permethrin base)	1,079,906.32	—	755,137.00	—	324,769.32	Assets
Financial allocations bond discount (Chlorfluazuron)	2,603,867.05	—	386,148.00	—	2,217,719.05	Assets
Fund of CTC consumer obsolescence	1,762,102.14	—	—	1,762,102.14	—	Assets
Imp. laboratory of clean production	2,000,000.00	1,000,000.00	428,571.45	428,570.55	2,142,858.00	Assets
Key tech research of clean production of green pesticide	6,000,000.00	1,000,000.00	—	—	7,000,000.00	Assets
Project of recycling glyphosate thermal oxidation liquors	4,000,000.00	—	142,857.14	571,429.37	3,285,713.49	Assets
Clean production and circular economy of 600t annual piperidinamine production	700,000.00	—	100,000.00	100,000.00	500,000.00	Assets
Compensation for plant relocation	5,471,237.38	—	191,774.28	—	5,279,463.10	Assets
Grants for industry transformation and upgrade	8,218,440.00	—	661,560.00	—	7,556,880.00	Assets
Specific environmental funds	986,666.62	—	200,000.00	—	786,666.62	Assets
Study on screening of new highly active pesticide compounds	—	3,627,800.00	—	—	3,627,800.00	Revenues
Study on new varieties of green pesticides	—	3,850,000.00	—	—	3,850,000.00	Revenues
National grants for pesticide enhancement of fruit trees	—	193,000.00	—	—	193,000.00	Revenues
Construction of chemical reaction risk and engineering technology research center	—	1,000,000.00	249,999.99	—	750,000.01	Assets
Industrialization of herbicide composition patent	—	200,000.00	49,999.98	—	150,000.02	Assets
Compensation for application for patent	—	6,900.00	6,900.00	—	—	Revenues
Support development funds of export credit insurance in 2013	—	137,900.00	137,900.00	—	—	Revenues
Process development grants of high quality herbicide imidazole nicotinic acid	—	500,000.00	500,000.00	—	—	Revenues
Clearer production and circular economy of bifenthrin	—	800,000.00	114,285.71	114,286.29	571,428.00	Assets
Phase one of land acquisition Awards of Rudong Coastal Economic Development Zone	—	6,805,750.00	680,575.00	340,287.00	5,784,888.00	Assets
Patent industrialization project funds of efficient bactericide Lilac Ester	—	200,000.00	—	—	200,000.00	Assets
Research and development project funds of structure optimization of lead compounds and candidate pesticide varieties	—	1,480,000.00	—	—	1,480,000.00	Assets
	41,505,164.89	20,801,350.00	8,041,151.58	3,316,675.35	50,948,687.96	

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

46. Deferred income (continued)

As of 31 December 2015, liabilities related to government grants were as follows:

	Opening balance	Increase	Recognised in non-operating income	Other fluctuations	Closing balance	Related to assets/ revenues
Information construction	525,714.31	—	262,857.16	—	262,857.15	Assets
New type of seed engineering industrialization	594,928.96	—	192,857.16	—	402,071.80	Assets
New type of environmental protection pesticides industrialization	684,285.68	—	422,786.14	—	261,499.54	Assets
High-efficiency environmental pesticides industrialization	1,729,642.74	—	715,714.32	—	1,013,928.42	Assets
Low emissions of pesticide engineering projects	1,611,428.50	—	537,142.88	—	1,074,285.62	Assets
New pesticide removal of environmental improvement projects	47,928.11	—	47,928.11	—	—	Assets
New pesticide and related construction projects	205,714.23	—	102,857.16	—	102,857.07	Assets
Government budget to build Infrastructure for new pesticides	1,878,571.43	—	375,714.28	—	1,502,857.15	Assets
New industry development subsidies	1,730,000.00	—	1,000,000.00	—	730,000.00	Assets
Shenyang international experts	1,500,000.00	—	1,000,000.00	—	500,000.00	Assets
Electricity demand management project	1,000,000.00	—	1,000,000.00	—	—	Assets
Subsidies of Shenyang HR & Social Bureau	—	500,000.00	—	—	500,000.00	Assets
China Patents XVI Awards	—	200,000.00	200,000.00	—	—	Revenues
Financial interest (Imidacloprid)	2,809,024.35	—	241,890.79	234,544.93	2,332,588.63	Assets
Financial interest (Permethrin base)	2,548,952.62	—	736,364.00	732,682.30	1,079,906.32	Assets
Financial allocations bond discount (Chlorfluazuron)	3,332,931.03	—	366,364.00	362,699.98	2,603,867.05	Assets
Fund of domestic demands	857,142.85	—	—	857,142.85	—	Assets
Fund of CTC consumer obsolescence	3,524,204.30	—	—	1,762,102.16	1,762,102.14	Assets
Imp. laboratory of clean production	2,000,000.00	—	—	—	2,000,000.00	Assets
Key tech research of clean production of green pesticide	—	6,000,000.00	—	—	6,000,000.00	Assets
Project of recycling glyphosate thermal oxidation liquors	—	4,000,000.00	—	—	4,000,000.00	Assets
Clean production and circular economy of 600t annual piperidinamine production	—	700,000.00	—	—	700,000.00	Assets
Compensation for plant relocation	6,308,708.45	—	837,471.07	—	5,471,237.38	Assets
Grants for industry transformation and upgrade	7,100,000.00	1,780,000.00	661,560.00	—	8,218,440.00	Assets
Specific environmental funds	1,186,666.62	—	200,000.00	—	986,666.62	Assets
	41,175,844.18	13,180,000.00	8,901,507.07	3,949,172.22	41,505,164.89	

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

47. Share capital

2016

	Opening balance	Changes					Closing balance
		New issued shares	Bonus issue	Conversion from reserves	Lifted restricts	Subtotal	
Non-restricted shares							
RMB ordinary shares	1,723,124,671.00	—	—	—	359,888,000.00	—	2,083,012,671.00
Restricted shares							
RMB ordinary shares	359,888,000.00	—	—	—	(359,888,000.00)	—	—
	2,083,012,671.00	—	—	—	—	—	2,083,012,671.00

2015

	Opening balance	Changes					Closing balance
		New issued shares	Bonus issue	Conversion from reserves	Lifted restricts	Subtotal	
Non-restricted shares							
RMB ordinary shares	1,723,124,671.00	—	—	—	—	—	1,723,124,671.00
Restricted shares							
RMB ordinary shares	359,888,000.00	—	—	—	—	—	359,888,000.00
	2,083,012,671.00	—	—	—	—	—	2,083,012,671.00

48. Capital reserves

2016

	Opening balance	Increase	Decrease	Closing balance
Share premium Including:	4,405,371,213.65	—	59,934,300.00	4,345,436,913.65
Capital invested by investors	4,434,784,461.93	—	—	4,434,784,461.93
Differences of combination under common control	(29,413,248.28)	—	59,934,300.00	(89,347,548.28)
Others	82,545,593.17	51,672,184.55	—	134,217,777.72
Including: Capital reserves in old accounting system	58,351,014.26	—	—	58,351,014.26
Others	24,194,578.91	51,672,184.55	—	75,866,763.46
	4,487,916,806.82	51,672,184.55	59,934,300.00	4,479,654,691.37

2015

	Opening balance	Increase	Decrease	Closing balance
Share premium Including:	4,405,371,213.65	—	—	4,405,371,213.65
Capital invested by investors	4,434,784,461.93	—	—	4,434,784,461.93
Differences of combination under common control	(29,413,248.28)	—	—	(29,413,248.28)
Others	62,550,890.17	19,994,703.00	—	82,545,593.17
Including: Capital reserves in old accounting system	58,351,014.26	—	—	58,351,014.26
Others	4,199,875.91	19,994,703.00	—	24,194,578.91
	4,467,922,103.82	19,994,703.00	—	4,487,916,806.82

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Other comprehensive income

Accumulated balance attributable to the parent company in the balance sheet:

	2015 1/1	Movement	2015 12/31	Movement	2016 12/31
Shares of other comprehensive income of the invested company which will be reclassified into incomes under equity method	(29,869,198.46)	2,939,904.69	(26,929,293.77)	(1,178,888.26)	(28,108,182.03)
Changes of fair value of financial assets available for sale	(33,655,057.17)	42,408,379.80	8,753,322.63	72,063,116.56	80,816,439.19
Translation difference of foreign currency statements	(366,883,116.08)	(154,059,271.31)	(520,942,387.39)	(40,216,902.24)	(561,159,289.63)
Remeasurement of changes of net debt or net asset for defined benefit scheme	—	—	—	(2,763,669.51)	(2,763,669.51)
Others	11,819,300.00	(11,819,300.00)	—	106,094.46	106,094.46
	(418,588,071.71)	(120,530,286.82)	(539,118,358.53)	28,009,751.01	(511,108,607.52)

Current occurrence amount in the income statement attributable to other comprehensive income of the parent company:

2016

	Pre-tax amount	Less: Previously recognized in other comprehensive income and transferred to income this year	Less: Income tax	Attributable to parent company	Attributable to minority interests
Shares of other comprehensive income of the invested company which will be reclassified into incomes under equity method	(1,178,888.26)	—	—	(1,178,888.26)	—
Changes of fair value of financial assets available for sale	132,018,587.45	—	13,712,427.16	72,063,116.56	46,243,043.73
Translation difference of foreign currency statements	(268,945,085.71)	—	—	(40,216,902.24)	(228,728,183.47)
Recalculate changes of net debt or net asset for defined benefit scheme	(6,055,141.48)	—	(1,029,374.05)	(2,763,669.51)	(2,262,097.92)
Others	192,934.10	—	—	106,094.46	86,839.64
	(143,967,593.90)	—	12,683,053.11	28,009,751.01	(184,660,398.02)

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

49. Other comprehensive income (continued)

2015

	Pre-tax amount	Less: Previously recognized in other comprehensive income and transferred to income this year	Less: Income tax	Attributable to parent company	Attributable to minority interests
Shares of other comprehensive income of the invested company which will be reclassified into incomes under equity method	(36,523,176.00)	—	—	2,939,904.69	(39,463,080.69)
Changes of fair value of financial assets available for sale	56,544,506.40	—	14,136,126.60	42,408,379.80	—
Translation difference in the financial statement of foreign currency	(179,517,582.49)	—	—	(154,059,271.31)	(25,458,311.18)
Others	(11,819,300.00)	—	—	11,819,300.00	—
	(171,315,552.09)	—	14,136,126.60	(120,530,286.82)	(64,921,391.87)

50. Special reserves

2016

	Opening balance	Increase	Decrease	Closing balance
Safety production expenses	65,487,012.34	31,488,096.85	(33,490,204.79)	63,484,904.40

2015

	Opening balance	Increase	Decrease	Closing balance
Safety production expenses	56,129,435.21	35,225,305.82	(25,867,728.69)	65,487,012.34

In this year, the Group accrued special reserves of RMB 31,488,096.85 (2015: RMB 35,225,305.81), and used RMB 33,490,204.79 (2015: RMB 25,867,728.69).

51. Surplus reserves

2016

	Opening balance	Increases	Decrease	Closing balance
Statutory surplus reserves	668,902,870.10	2,742,256.34	—	671,645,126.44

2015

	Opening balance	Increases	Decrease	Closing balance
Statutory surplus reserves	619,463,051.48	49,439,818.62	—	668,902,870.10

The Company makes statutory surplus reserves at 10% of the net profits in accordance with the Company Law and the provisions of the articles of association of the Company. Allocation to the Company's statutory surplus reserves may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

51. Surplus reserves (continued)

After allocation to the statutory surplus reserves has been made, allocation may be made to the discretionary surplus reserves by the Company. After approval, discretionary surplus reserves can be used to cover the accumulated losses or increase equity.

52. Retained earnings

	2016	2015
Retained earnings at the end of prior year before adjustment	4,567,348,779.55	4,110,689,867.19
Add: Business combination under common control	(7,457,680.46)	296,390,618.39
Retained earnings at the beginning of the year after adjustment	4,559,891,099.09	4,407,080,485.58
Net profit attributable to owners of the parent	57,246,527.82	473,042,079.36
Less: Allocation to statutory surplus reserves	(2,742,256.34)	(49,439,818.62)
Cash dividend payables of ordinary shares	(229,131,393.81)	(270,791,647.23)
Retained earnings at the end of the year	4,385,263,976.76	4,559,891,099.09

According to the 2015 Annual Profit Distribution Plan approved by the 2016 Annual General Meeting, the Company declared cash dividends of RMB1.1 (subject to tax) per 10 shares, RMB 229,131,393.81 in total based on the total capital of 2,083,012,671 shares.

53. Revenue and operating costs

	2016		2015	
	Revenue	Operating costs	Revenue	Operating costs
Principal operations	40,062,888,001.67	35,564,227,754.67	43,435,554,815.96	38,982,179,307.47
Other operations	593,858,010.09	479,204,425.23	311,249,822.99	220,573,870.74
	40,656,746,011.76	36,043,432,179.90	43,746,804,638.95	39,202,753,178.21

Revenue is stated as follows:

	2016	2015
Sales of goods	36,489,879,812.16	39,806,345,579.23
Rendering of services	3,807,027,439.85	3,688,279,219.17
Rental income	320,228,710.52	223,357,903.67
Others	39,610,049.23	28,821,936.88
	40,656,746,011.76	43,746,804,638.95

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

54. Taxes and surcharges

	2016	2015
City maintenance and construction tax	20,086,511.05	23,692,073.11
Education surcharge	15,684,365.48	18,334,271.36
Business tax	4,602,238.06	24,392,544.88
Consumption tax	7,083.30	—
Rubber plantation development cost in Thailand-Note	40,252,812.43	38,585,549.39
House property tax	13,559,177.83	—
Vehicle and vessel tax	58,274.68	—
Stamp duty	5,718,783.60	—
Land use tax	11,829,255.37	—
Others	2,066,262.33	309,480.86
	113,864,764.13	105,313,919.60

Note: This item refers to rubber plantation exploitation cost collected by the Thailand government towards domestic companies engaging in natural rubber exports based on the export volume.

55. Selling expenses

	2016	2015
Freight and packing expenses	385,021,378.73	474,334,547.28
Wages and salaries	226,047,551.04	189,502,093.12
Monsanto royalties	2,925,649.25	3,333,187.00
Business expenditure	90,074,416.67	69,991,652.40
Storage charges	74,197,930.06	90,272,597.64
Lump sum charges	55,616,897.90	45,462,819.80
Advertisement exhibition sample fee	21,203,584.81	22,744,705.06
Insurance expenses	21,261,651.67	22,880,444.49
Sales commissions	16,803,924.57	24,143,088.36
Commodity wastage	5,008,960.40	7,207,797.12
Others	94,432,085.79	57,469,720.43
	992,594,030.89	1,007,342,652.70

56. General and administrative expenses

	2016	2015
Wages and salaries	759,797,973.18	597,790,195.15
Rental expenses	83,002,494.91	81,260,944.25
Amortization of intangible assets	118,287,906.10	108,765,593.41
Travelling expenses	44,660,558.49	37,490,688.80
Depreciation expenses	77,642,669.62	61,937,405.95
Hospitality business	18,810,262.61	15,581,050.01
Tax	37,477,366.14	56,408,262.41
Consulting fees	108,049,538.62	69,123,407.52
R&D expenses	318,191,728.22	283,226,147.32
Agent commissions	31,042,008.22	27,477,116.87
Repair costs	22,895,723.98	29,534,565.98
Insurance expenses	14,976,654.11	10,553,529.11
Administrative expenses	21,843,513.47	24,983,691.64
Labor union expenditure	7,816,364.54	8,003,481.58
Legal expenses	11,520,830.34	1,984,608.39
Others	265,010,541.87	211,061,419.31
	1,941,026,134.42	1,625,182,107.70

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

57. Financial expenses

	2016	2015
Interest expense	575,908,943.02	501,109,085.74
Less: Capitalized interest expense	23,471,752.94	8,115,678.50
Interest income	53,880,723.89	60,196,694.41
Exchange gains and losses	(109,664,272.78)	71,616,967.34
Others	35,266,914.90	35,433,631.82
	424,159,108.31	539,847,311.99

The total of RMB 23,471,752.94 in borrowing costs has been capitalized into construction in progress.

58. Impairment loss on assets

	2016	2015
Bad debt provision	111,224,312.10	133,634,031.69
Loss due to decline in value of inventories	335,235,586.29	537,322,032.02
Impairment loss on fixed assets	—	23,384,079.60
Impairment loss on construction in progress	151,354.56	—
Impairment loss on intangible assets	581,943.46	—
Impairment loss on project materials	—	701,839.62
Impairment loss on goodwill	9,728,892.25	—
Impairment loss on available-for-sale financial assets	19,865,845.47	—
Impairment loss on biological assets	5,555,833.35	—
	482,343,767.48	695,041,982.93

59. Gains or losses on the changes in fair value

	2016	2015
Derivative financial assets	2,677,525.43	(8,135,760.28)
Derivative financial liabilities	(122,888,448.93)	24,205,296.31
	(120,210,923.50)	16,069,536.03

60. Investment income

	2016	2015
Investment (loss)/income from long-term equity investments under the equity method	(22,484,344.74)	86,879,760.05
Investment income from disposal of Long-term equity investments	—	2,214,654.64
Investment (loss)/income from disposal of available-for-sale financial assets	79,500.00	48,666,138.04
Investment income during the holding period of available-for-sale financial assets	12,688,142.63	2,585,605.76
Investment income from disposal of derivative financial assets held for trading	(397,140,521.80)	236,580,921.94
Investment income from Financial products	303,635,715.11	330,098,617.93
	(103,221,508.80)	707,025,698.36

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

61. Non-operating income

	2016	2015	Non-recurring profit or loss in 2016
Gains on disposal of non-current assets	1,349,577.33	10,376,013.25	1,349,577.33
Including: Gains on disposal of fixed assets	1,349,577.33	10,376,013.25	1,349,577.33
Gains on debt restructuring	—	22,408.92	—
Government grants	288,827,836.74	69,494,860.59	154,328,135.53
Penalty	11,330,135.98	7,357,741.75	11,330,135.98
Others	24,028,301.81	27,815,092.01	24,028,301.81
	325,535,851.86	115,066,116.52	191,036,150.65

Government grants recognized in profit or loss are as follows:

	2016	2015	Related to assets/income
Financial rebates	48,795,596.25	35,544,274.62	Related to income
Financial incentives	4,000.00	—	Related to income
Financial subsidies	9,260,525.57	8,901,507.07	Related to assets
Financial rewards	94,556,349.47	23,995,651.71	Related to income
Relocation grants	135,789,385.18	—	Related to income
Others	421,980.27	1,053,427.19	Related to income
	288,827,836.74	69,494,860.59	

62. Non-operating expenses

	2016	2015	Non-recurring profit or loss in 2016
Loss from disposal of non-current assets	*28,256,226.21*	*5,377,462.94*	*28,256,226.21*
Including: Loss from disposal of fixed assets	*23,892,445.21*	*4,295,035.83*	*23,892,445.21*
Loss from disposal of intangible assets	*4,363,781.00*	—	*4,363,781.00*
Loss of debt restructuring	—	6,895,529.09	—
Loss from compensation	1,104,618.09	875,000.00	1,104,618.09
Donation	1,433,110.02	940,807.35	1,433,110.02
Penalty	2,020,864.28	7,072,833.90	2,020,864.28
Relocation expenses	135,789,385.18	—	—
Others	768,431.96	9,323,061.72	768,431.96
	169,372,635.74	30,484,695.00	35,628,234.53

63. Classification of expenses by nature

The supplementary information on the Group's cost of sales, selling expenses and general and administrative expenses by nature is as follows:

	2016	2015
Consumption of raw materials	34,125,166,185.44	38,493,664,291.57
Decrease of finished goods and products in progress	656,452,088.05	339,117,796.30
Employee benefits	1,926,760,740.40	1,550,091,255.75
Depreciation and amortization	1,176,207,816.24	1,082,449,853.84
Rental expense	84,396,862.60	88,629,176.43
Others	1,008,068,652.48	281,325,564.72
	38,977,052,345.21	41,835,277,938.61

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

64. Income tax expense

	2016	2015
Current tax expenses	361,109,490.11	491,241,716.43
Deferred tax expenses	(209,861,045.16)	(134,876,356.68)
	151,248,444.95	356,365,359.75

The relationship between income tax expenses and the total profits is stated as follows:

	2016	2015
Total profits	592,056,810.45	1,379,000,141.73
Income tax expenses at the statutory or applicable rate (Note 1)	148,014,202.61	344,750,035.43
Effect of different tax rates applicable to certain subsidiaries	(85,706,054.59)	(5,326,121.56)
Adjustments to current income tax of previous years	32,486,966.47	9,727,937.62
Profits and losses attributable to joint ventures and associates	(23,700,069.99)	(25,525,558.79)
Income not subject to tax	(10,183,424.32)	(17,828,362.76)
Expenses not deductible for tax	57,880,551.53	24,104,869.08
Effect of change in tax rate on deferred income tax balance at the beginning of the period	966,329.58	—
Deductible tax losses utilized in previous years	(4,246,172.16)	(29,356,748.81)
Effect of unrecognized deductible temporary differences and deductible tax losses	35,736,115.82	55,819,309.54
Tax calculated at the Group's effective income tax rate	151,248,444.95	356,365,359.75

Note1: The provision of income tax of the Group is based on the estimated amount of taxable income obtained in Mainland China and the applicable tax rate. Taxes arising from the taxable income in other regions are calculated at applicable tax rate in accordance with the existing laws, interpretations and practices of the countries in which the Group operates.

65. Earnings per share ("EPS")

The basic EPS is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average of outstanding ordinary shares.

The calculation of the basic EPS and diluted EPS is as follows:

	2016	2015
Earnings		
Going concern of the net profits of the year attributable to ordinary shareholders of the Company	57,246,527.82	473,042,079.36
Net profits for the year attributable to ordinary shareholders of the Company after adjustment	57,246,527.82	473,042,079.36
Attributable to:		
Going concern	57,246,527.82	473,042,079.36
Shares		
Weighted average of outstanding ordinary shares of the Company	2,083,012,671	2,083,012,671
Weighted average of outstanding ordinary shares of the Company after adjustment	2,083,012,671	2,083,012,671

The Company has no diluted potential EPS.

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

66. Notes to items in the statement of cash flows

	2016	2015
Cash received relating to other operating activities:		
Interest income received	15,964,535.36	60,196,694.41
Compensation received	11,330,135.98	7,357,741.75
Others	188,396,889.35	411,058,944.08
	215,691,560.69	478,613,380.24

	2016	2015
Cash paid relating to other operating activities:		
Operating cost and management expense paid	1,722,652,643.71	1,653,788,302.15
Bank charges and others	101,100,354.67	35,433,631.82
Non-operating expenses	141,116,409.53	25,107,232.06
Increase of restricted cash	5,831,060.04	—
	1,970,700,467.95	1,714,329,166.03
Cash received relating to other investment activities:		
Receipts of transfer on constructing ships	1,278,687,652.28	33,425,928.57
Government compensation for relocation	340,000,000.00	—
Security deposit of ships	1,618,687,652.28	33,425,928.57
Cash paid relating to other investment activities:		
Security deposit of ships	243,524,892.29	177,169,959.98
Cash received relating to other financing activities:		
Loan deposit	21,527,190.16	29,608,361.31
Cash paid relating to other financing activities		
Cash paid for business combination under common control	59,934,300.00	15,403,399.98

67. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

Cash flows from operating activities are calculated by adjusting the net profit:

	2016	2015
Net profit	440,808,365.50	1,022,634,781.98
Add: Impairment loss of assets	482,343,767.48	695,041,982.93
Depreciation of fixed assets	1,000,661,721.31	942,488,923.79
Amortization of intangible assets	136,474,298.29	110,590,261.11
Amortization of long-term deferred expenses	15,290,256.05	17,618,892.16
Amortization of biological assets	25,150,059.03	11,571,788.15
Amortization of investment properties	1,914,001.80	954,651.76
Losses/(Gains) from disposal of fixed assets, intangible assets and other long-term assets	26,906,648.88	(4,998,550.31)
Losses/(Gains) on changes in fair value	120,210,923.50	(16,069,536.03)
Financial expenses	545,878,009.00	492,993,407.24
Investment income	103,221,508.80	(707,025,698.36)
Decrease in deferred tax assets	(154,790,756.97)	(220,769,732.77)
Increase/(decrease) in deferred tax liabilities	(233,507,844.52)	86,133,650.47
Increase in inventories	(722,376,547.89)	(284,117,204.58)
Decrease in special reserves	311,606.28	30,028,661.22
Increase in operating Receivables	(602,751,198.03)	(14,365,042.16)
Increase in operating payables	733,165,416.29	183,618,200.04
Net cash flows from operating activities	1,918,910,234.80	2,346,329,436.64

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

67. Supplementary information to the statement of cash flows (continued)

	2016	2015
Net change in cash and cash equivalents:		
Closing cash balances	7,221,536,692.19	4,658,200,300.52
Less: Opening cash balances	4,658,200,300.52	5,189,664,089.88
Net increase in cash and cash equivalents	2,563,336,391.67	(531,463,789.36)

(2) Cash and cash equivalents

	2016	2015
Cash	7,221,536,692.19	4,658,200,300.52
Including: Cash on hand	3,682,128.46	4,234,500.96
Bank deposits that can be readily used	7,217,854,563.73	4,653,965,799.56
Cash and cash equivalents at year-end	7,221,536,692.19	4,658,200,300.52

68. Assets with limited ownership or right of use

		2016	2015
Cash and bank balances	Note 1	97,967,508.64	113,663,638.76
Notes receivables	Note 2	—	321,934,590.77
Accounts receivables	Note 3	131,941,740.00	49,559,524.06
Other receivables	Note 4	—	153,394,824.29
Inventories	Note 5	27,789,622.00	108,845,567.29
Fixed assets	Note 6	1,550,004,913.71	1,565,815,228.51
Bearer biological assets	Note 7	—	550,542,943.68
Intangible assets	Note 8	503,179,860.27	540,000,000.00
Construction in progress	Note 9	449,621,561.34	—
		2,760,505,205.96	3,403,756,317.36

Note 1: As at 31 December 2016, cash and bank balance of RMB 97,967,508.64 were pledged, of which RMB 97,967,508.64, RMB 27,127,619.80 was held by GMG for bank loan deposits (2015: RMB 5,600,429.64); and RMB 70,839,888.84 was held as a deposit by Sinochem Crop Protection Products Co., Ltd., Jiangsu Sinorgchem Technology Co.,Ltd. and Jiangsu Yangnong Chemical Group Co., Ltd. for issuing bank acceptance (2015: RMB 51,650,429.64). As at 31 December 2016, no cash and bank balance was held as a loan deposit by Jiangsu Yangnong Chemical Group Co., Ltd. (2015: RMB 56,412,266.08).

Note 2: As at 31 December 2016, no notes receivable were pledged for a bank loan guarantee (2015: RMB 321,934,590.77 held by Jiangsu Yangnong Chemical Group Co., Ltd. were pledged).

Note 3: As at 31 December 2016, accounts receivable RMB 131,941,740.00 held by Halcyon and GMG was pledged for long-term borrowings from the local finance institutions (2015: RMB 49,559,524.05 held by Hevecam SA).

Note 4: As at 31 December 2016, no other receivables were pledged for long-term borrowings from local financial institutions (2015: RMB 153,394,824.29 held by Hevecam SA were pledged).

Note 5: As at 31 December 2016, inventories of RMB 27,789,622.00 held by Halcyon and GMG were pledged for long-term borrowings from local financial institutions (2015: RMB 108,210,450.74).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

68. Assets with limited ownership or right of use (continued)

Note 6: As at 31 December 2016, fixed assets of RMB 213,409,868.00 held by Halcyon and GMG were pledged for long-term borrowings from local financial institutes (2015: fixed assets of RMB 120,824,726.52 held by Hevecam SA, Tropical Rubber Cote d'lvoire and ITCA). As at 31 December 2016, ships and tank containers of RMB 1,336,595,045.71 were pledged for long-term borrowings (2015: RMB 1,444,990,501.99).

Note 7: As at 31 December 2016, no bearer biological assets were pledged for long-term borrowings from the local finance institutions (2015: RMB 550,542,943.68 held by Hevecam SA and Tropical Rubber Cote d'lvoire were pledged).

Note 8: As at 31 December 2016, land use rights of RMB 503,179,860.27 held by Shanghai Dehuan were pledged for long-term borrowings (2015: RMB 540,000,000.00).

Note 9: As at 31 December 2016, storage tank projects of RMB 449,621,561.34 were pledged for long-term borrowings (2015: Nil).

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

69. Foreign currency monetary items

	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash						
US dollar	232,848,734.61	6.9370	1,615,271,671.99	163,785,170.11	6.4936	1,063,555,380.63
Indian rupee	356,313,733.00	0.1023	36,450,894.89	295,389,006.65	0.0978	28,889,044.85
Singapore dollar	6,294,310.90	4.7995	30,209,545.16	2,721,979.03	4.5875	12,487,078.80
PHP	132,703,507.08	0.1404	18,631,572.39	165,688,668.60	0.1383	22,914,742.87
Malaysian ringgit	10,833,263.53	1.5527	16,820,808.28	5,271,484.11	1.5140	7,981,026.94
XOF	1,425,063,940.54	0.0111	15,818,209.74	1,901,284,150.00	0.0108	20,533,868.82
XAF	6,123,063,097.30	0.0111	67,966,000.38	1,108,864,078.70	0.0108	11,975,732.05
Euro	13,442,540.08	7.3068	98,221,951.86	6,337,411.74	7.0952	44,965,203.78
Thai baht	479,192,189.28	0.1940	92,963,284.72	448,139,636.69	0.1799	80,620,320.64
IDR	173,695,384,440.00	0.0005	86,847,692.22	36,914,920,120.00	0.0005	18,457,460.06
JPY	263,122,131.92	0.0596	15,682,079.06	511,423,634.88	0.0539	27,565,733.92
AED	10,593,849.59	1.8890	20,011,781.88	3,787,591.57	1.7689	6,699,870.73
AUD	1,118,808.18	5.0157	5,611,606.19	1,091,901.38	4.7276	5,162,072.96
ARS	1,557,236.74	0.4355	678,176.60	1,826,614.16	0.5015	916,047.00
Congo franc	420,644.07	0.0059	2,481.80	15,694,410.00	0.0070	109,860.87
KRW	1,815,155,634.31	0.0058	10,527,902.68	574,019,489.09	0.0055	3,157,107.19
HKD	956,985.02	0.8945	856,023.10	966,103.09	0.8378	809,401.17
Account receivables						
US dollar	443,218,223.02	6.9370	3,074,604,813.09	226,288,212.99	6.4936	1,469,425,139.87
Indian rupee	208,164,742.91	0.1023	21,295,253.20	301,218,247.24	0.0978	29,459,144.58
PHP	501,215,112.59	0.1404	70,370,601.81	434,388,265.22	0.1383	60,075,897.08
XOF	1,602,154,722.00	0.0111	17,783,917.41	399,842,861.11	0.0108	4,318,302.90
ARS	1,541,385.08	0.4355	671,273.20	—	0.5015	—
IDR	5,769,112,521.00	0.0005	2,884,556.26	—	0.0005	—
Euro	20,035,171.30	7.3068	146,392,989.65	20,973,904.38	7.0952	148,814,046.36
Thai baht	101,964,565.84	0.1940	19,781,125.77	64,500,221.85	0.1799	11,603,589.91
JPY	—	0.0596	—	3,955,600.00	0.0539	213,206.84
AED	28,240.38	1.8890	53,346.08	—	1.7689	—
AUD	33,535,829.20	5.0157	168,205,658.52	23,103,514.06	4.7276	109,224,173.07
Congo franc	—	0.0059	—	199,587,035.71	0.0070	1,397,109.25
NZD	698,039.78	4.8308	3,372,090.57	771,536.59	4.4426	3,427,628.45
Malaysian ringgit	3,992,681.41	1.5527	6,199,436.43	—	1.5140	—
Other receivables						
US dollar	—	6.9370	—	35,923,051.30	6.4936	233,269,925.92
Indian rupee	—	0.1023	—	15,002,805.62	0.0978	1,467,274.39
Singapore dollar	6,721,928.67	4.7995	32,261,896.65	6,566,399.14	4.5875	30,123,356.05
PHP	—	0.1404	—	59,711,626.75	0.1383	8,258,117.98
Malaysian ringgit	6,513,466.66	1.5527	10,113,459.68	—	1.5140	—
XOF	2,867,087,090.00	0.0111	31,824,666.70	2,961,686,621.30	0.0108	31,986,215.51
XAF	13,897,030,516.00	0.0111	154,257,038.73	18,233,081,092.67	0.0108	196,917,275.80
Euro	23,876,244.16	7.3068	174,458,940.83	3,000.00	7.0952	21,285.60
GBP	10,288.73	8.5094	87,550.92	—	9.6159	—
Thai baht	75,957,422.09	0.1940	14,735,739.89	64,723,388.72	0.1799	11,643,737.63
IDR	101,883,655,196.89	0.0005	50,941,827.60	28,034,759,340.00	0.0005	14,017,379.67
JPY	4,345,526.68	0.0596	258,993.39	650,000.00	0.0539	35,035.00
AED	330,577.97	1.8890	624,461.79	226,771.61	1.7689	401,136.30
AUD	789,341.69	5.0157	3,959,101.11	1,604,034.84	4.7276	7,583,235.11
Congo franc	453,567,284.00	0.0059	2,676,046.98	566,651,887.14	0.0070	3,966,563.21
KRW	324,575,705.00	0.0058	1,882,539.09	90,024,994.55	0.0055	495,137.47
Short-term loans						
Euro	65,900,000.00	7.3068	481,518,120.00	—	7.0952	—
IDR	5,390,000,000.00	0.0005	2,695,000.00	—	0.0005	—
Malaysian ringgit	48,217,155.30	1.5527	74,866,777.03	—	1.5140	—
Thai baht	218,806,000.00	0.1939	42,426,483.40	—	0.1799	—
Congo franc	—	0.0059	—	46,000,000.00	0.0070	322,000.00
Singapore dollar	6,930,720.00	4.7995	33,263,990.64	5,420,000.00	4.5875	24,864,250.00
AUD	80,289,755.98	5.0157	402,709,329.07	83,025,965.91	4.7276	392,513,556.44
US dollar	895,239,162.66	6.9370	6,210,274,071.37	417,850,458.84	6.4936	2,713,353,739.52
XOF	4,649,200,784.00	0.0111	51,606,128.70	11,384,559,582.41	0.0108	122,953,243.49

(Expressed in Renminbi Yuan)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

69. Foreign currency monetary items (continued)

	31 December 2016			31 December 2015		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Account payables						
US dollar	203,079,924.67	6.9370	1,408,765,437.44	246,752,755.98	6.4936	1,602,313,696.23
Indian rupee	575,032,744.40	0.1023	58,825,849.75	587,564,137.01	0.0978	57,463,772.60
Singapore dollar	43,903.00	4.7995	210,712.45	10,030,217.00	4.5875	46,013,620.49
PHP	155,320,652.30	0.1404	21,807,019.58	150,140,272.89	0.1383	20,764,399.74
Malaysian ringgit	29,282,603.28	1.5527	45,467,098.11	—	1.5140	—
XOF	2,796,529,784.00	0.0111	31,041,480.60	2,026,146,862.04	0.0108	21,882,386.11
XAF	2,497,961,512.00	0.0111	27,727,372.78	4,869,042,907.41	0.0108	52,585,663.40
Euro	13,411,723.13	7.3068	97,996,778.57	1,010,818.64	7.0952	7,171,960.41
IDR	10,014,700,234.00	0.0005	5,007,350.12	1,716,723,260.00	0.0005	858,361.63
GBP	210,882.19	8.5094	1,794,480.91	—	9.6159	—
Thai baht	6,024,247.04	0.1940	1,168,703.93	1,148,000.11	0.1799	206,525.22
AED	5,961,153.09	1.8890	11,260,618.19	—	1.7689	—
JPY	55,369,902.00	0.0596	3,300,046.16	131,652,085.90	0.0539	7,096,047.43
Singapore dollar	—	5.0157	—	2,995,355.82	4.7276	14,160,844.17
CHF	—	6.7989	—	(15,960.00)	6.4018	(102,172.73)
HKD	867,114.24	0.8945	775,633.69	865.00	0.8378	724.70
ARS	186,840,774.10	0.4355	81,369,157.12	—	0.5015	—
Other payables						
US dollar	17,623,165.87	6.9370	122,251,901.64	35,923,051.30	6.4936	233,269,925.92
JPY	—	0.0596	—	650,000.00	0.0539	35,035.00
KRW	7,408,137.00	0.0058	42,967.19	90,024,994.55	0.0055	495,137.47
Indian rupee	259,311,077.00	0.1023	26,527,523.18	15,002,805.62	0.0978	1,467,274.39
Singapore dollar	9,955,641.97	4.7609	47,397,815.85	6,566,399.14	4.5875	30,123,356.05
PHP	428,463,218.55	0.1404	60,156,235.88	59,711,626.75	0.1383	8,258,117.98
Malaysian ringgit	7,218,206.50	1.5527	11,207,709.23	—	1.5140	—
XOF	—	0.0111	—	2,961,686,621.30	0.0108	31,986,215.51
XAF	2,667,488,585.00	0.0111	29,609,123.29	18,233,081,091.67	0.0108	196,917,275.79
Euro	897,583.37	7.3068	6,558,462.17	3,000.00	7.0952	21,285.60
IDR	33,732,060,358.65	0.0005	16,866,030.18	28,034,759,340.00	0.0005	14,017,379.67
GBP	—	8.5094	—	—	9.6159	—
Thai baht	166,386,716.54	0.1940	32,279,023.01	64,723,388.72	0.1799	11,643,737.63
AED	—	1.8890	—	226,771.61	1.7689	401,136.30
AUD	5,120,451.16	5.0157	25,682,646.88	1,604,034.84	4.7276	7,583,235.11
Congo franc	—	0.0059	—	566,651,887.14	0.0070	3,966,563.21
ARS	425,533.02	0.4355	185,319.63	—	0.5015	—
Long-term loans						
US dollar	563,192,580.59	6.9370	3,906,866,931.55	116,181,702.93	6.4936	754,437,506.15
XAF	55,971,096,644.00	0.0111	621,279,172.75	854,393,600.93	0.0108	9,227,450.89
IDR	13,078,215,808.00	0.0005	6,539,107.90	—	0.0005	—
Non-current liabilities due within 1 years						
US dollar	26,398,150.42	6.9370	183,123,969.46	67,580,201.75	6.4936	438,838,798.08
XAF	323,698,881.00	0.0111	3,593,057.58	—	0.0108	—

VI. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combination not under common control

In 2016, Sinochem International (Singapore) Co., Ltd., a subsidiary of the Group, acquired 66.66% equity in Halcyon Agri Corporation Limited with cash of RMB 1,456,154,338.48, 100% equity in the subsidiary Sinochem Singapore Natural Rubber Investment Co., Ltd. and 51.12% equity in GMG Global Ltd. (with total equity value of minus RMB 215,998,068.50). Sinochem International (Singapore) Co., Ltd. began to control Halcyon Agri Corporation Limited on 23 August 2016, and the consolidation date was determined to be 23 August 2016.

(Expressed in Renminbi Yuan)

VI. CHANGES IN THE SCOPE OF CONSOLIDATION (continued)

1. Business combination not under common control (continued)

The fair value and book value of the identifiable assets and liabilities of Halcyon Agri Corporation Limited on consolidation date are as follows:

	23 August 2016 Fair value	23 August 2016 Book value
Cash and bank balances	322,752,643.68	322,752,643.68
Derivative financial assets	17,267,797.29	17,267,797.29
Accounts receivable	375,568,728.28	375,568,728.28
Prepayments	33,173,033.24	33,173,033.24
Other receivables	98,730,984.22	98,730,984.22
Inventories	592,889,560.71	589,687,214.76
Long-term equity investments	15,000.77	15,000.77
Investment properties	159,208,143.75	147,752,073.29
Fixed assets	448,462,927.81	420,075,592.71
Construction in progress	41,498,116.60	41,498,116.60
Bearer biological assets	64,503,572.64	40,840,964.36
Intangible assets	620,616,403.20	539,221,229.86
Deferred tax assets	24,702,433.60	24,702,433.60
Short-term borrowings	1,012,386,848.19	1,012,386,848.19
Derivative financial liabilities	14,004,058.51	14,004,058.51
Accounts payable	43,241,108.21	43,241,108.21
Payroll payable	6,146,945.01	6,146,945.01
Taxes payable	27,225,962.49	27,225,962.49
Interest payable	12,487,689.05	12,487,689.05
Other payables	71,573,113.46	71,573,113.46
Non-current liabilities due within one year	229,861,905.43	229,861,905.43
Long-term borrowings	1,111,201,607.38	1,111,201,607.38
Bonds payable	603,455,409.18	603,455,409.18
Long-term payables	4,945,197.04	4,945,197.04
Long-term payroll payable	79,590,973.43	79,590,973.43
Deferred tax liabilities	148,840,244.31	115,176,689.07
	(565,571,715.90)	(680,011,693.79)

	August 23, 2016 Fair value	August 23, 2016 Book value
Minority equity	75,919,616.49	168,955,205.11
	(489,652,099.41)	(511,056,488.68)
Goodwill from purchase	1,729,808,369.39	
	1,240,156,269.98 Note	

Note: Included in the RMB1,240,156,269.98 were RMB 1,456,154,338.48, RMB 230,042,800.24 and minus RMB 446,040,868.74, which were payment in cash, fair value of the diluted equity in Sinochem Singapore Natural Rubber Investment Company Limited, and the carrying amount of the anti-dilution equity in GMG Global Ltd., respectively.

(Expressed in Renminbi Yuan)

VI. CHANGES IN THE SCOPE OF CONSOLIDATION (continued)

1. Business combination not under common control (continued)

The operating results and cash flows of Halcyon Agri Corporation Limited from the consolidation date to the balance sheet date are as follows:

	From 23 August 2016 to 31 December 2016
Revenue	2,311,229,151.68
Net profit	(188,697,058.09)
Net cash flows	(134,765,155.76)

2. Business combination under common control

On 3 November 2016, the Company acquired 100% equity of Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd. at a consideration of RMB 59,934,300.00 in cash. Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd. was formerly controlled by the Company's ultimate holding company Sinochem Group. This acquisition was a combination under common control because Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd. was controlled by Sinochem Group before and after this acquisition and Sinochem Group's control was not temporary. On 3 November 2016, the Company paid the transaction consideration and began to control Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd., therefore consolidation date was determined to be 3 November 2016.

	From 1 January 2016 to 3 November 2016	2015
Revenue	294,528.31	1,294,716.93
Net profit	(40,692,288.56)	(7,457,680.46)
Net cash flows	(7,319,389.93)	8,445,862.07

The carrying amounts of the assets and liabilities as at the consolidation date and the balance sheet date of the previous accounting period of the Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd. are as follows:

	3 November 2016	31 December 2015
Monitory funds	1,126,472.14	8,445,862.07
Accounts receivable	32,000.00	—
Prepayments	552,436.27	30,000.00
Other receivables	328,599.80	—
Other current assets	6,859,217.57	6,486,612.75
Fixed assets	8,125,416.54	11,007,327.56
Intangible assets	87,478,592.33	94,944,596.58
Deferred tax assets	10,173,072.14	—
Short-term borrowings	22,000,000.00	—
Accounts payable	100,063,396.38	100,261,158.00
Advance from customers	64,000.00	—
Payroll payable	221,241.67	62,917.21
Taxes payable	32,893.45	65,152.71
Interest payable	133,400.00	—
Other payables	640,904.17	165,983.50
Deferred income	1,680,000.00	—
	(10,160,028.88)	20,359,187.54

	3 November 2016
Combination difference (in equity)	59,934,300.00
Combination consideration	59,934,300.00

(Expressed in Renminbi Yuan)

VI. CHANGES IN THE SCOPE OF CONSOLIDATION (continued)

3. Other changes in the scope of consolidation

In 2016, the Group set up five companies, Sinochem International Natural Rubber Investment (Overseas) PTE. Ltd., TechnoPort B.V., Aoxing Ship Management PTE. Ltd., Marina Noble Shipping Co., Ltd. and Marina Pioneer Shipping Co., Ltd. which were consolidated this year.

On 11 March 2016, the Group decided to dissolve the subsidiary Yangzhou Jasmine Travel Agency Limited, whose statutory cancellation procedures related to such as industry and commerce, taxation, bank accounts were completed by 30 November 2016. The Group has ceased to consolidate Yangzhou Jasmine Travel Agency Limited in the financial statements since December 2016.

GMG Services PTE. Ltd., a subsidiary of the Group, was cancelled on 4 February 2016. The Group ceased to consolidate GMG Services PTE. Ltd. since its cancellation.

VII. INTERESTS IN OTHER ENTITIES

1. Interest in subsidiaries

Material subsidiaries of the Company are as follows:

	Primary Place of business	Place of Registration	Business Nature	Registered Capital	Shareholding Proportion(%)	
					Directly	Indirectly
Material subsidiaries acquired through establishment or investment and other methods						
Sinochem International (Overseas) Pte., Ltd.	Singapore	Singapore	Import and export trade	USD211.00 million	100	
SC Petrochemical FZE	United Arab Emirates	United Arab Emirates	Trade of chemical rubber products	USD817,400.00		100
Sinochem International Logistics Co., Ltd.	Shanghai, China	Shanghai, China	International and domestic cargo transportation, oil, etc.	RMB1.91 billion	100	
Shanghai Sinochem Shipping Co., Ltd.	Shanghai, China	Shanghai, China	International and domestic cargo transportation, oil, etc.	RMB1.79 billion		100
Sinochem International FZE	United Arab Emirates	United Arab Emirates	International and domestic cargo transportation, oil, etc.	USD20.82 million		100
Shanghai Stoltchem Ship Management Ltd.	Shanghai, China	Shanghai, China	International and domestic cargo transportation, oil, etc.	USD60.00 million		51
Shanghai SAFE-Transport Chemical Logistics Co., Ltd.	Shanghai, China	Shanghai, China	Road transportation of goods, Freight Forwarder	RMB507.00 million		100

(Expressed in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interest in subsidiaries (continued)

	Primary Place of business	Place of Registration	Business Nature	Registered Capital	Shareholding Proportion(%)	
					Directly	Indirectly
Newport China Tank Containers Co.,Ltd.	Shanghai, China	Shanghai, China	Import and export cargo transportation Agent, tank leasing	RMB30.00 million		100
Sinochem International Disbursement of Logistics Co.,Ltd	Beijing, China	Beijing, China	Import, export cargo, transport agency by air, sea, land	RMB23.50 million		100
Lianyungang Port International Petrochemical Storage Co., Ltd.	Jiangsu, China	Jiangsu, China	Import, export cargo, transport agency by air, sea, land	RMB50.00 million		51
Sinochem Crop Protection Products Co.,Ltd.	Shanghai, China	Shanghai, China	Agricultural materials and chemical raw materials, product trade	RMB800.00 million	100	
Hainan Sinochem Rubber Co.,Ltd.	Hainan, China	Hainan, China	Natural rubber processing	RMB100.00 million		97.37
Subsidiaries acquired through business combination under common control						
Xishuangbanna Sinochem. Rubber Co.,Ltd.	Hainan, China	Hainan, China	Natural rubber processing	RMB90.00 million		96.67
GMG Investment Congo SPRL Republic of The Congo	The democratic Republic of The Congo	The democratic	Natural rubber processing	SGD2.70 million		100
GMG Cote d'Ivoire SA.	Côte d'Ivoire	Côte d'Ivoire	Natural rubber processing	SGD606,000.00		100
Jiangsu Yangnong Chemical Group Co., Ltd.	Yangzhou, China	Yangzhou, China	Chemical production	RMB168.99 million	40.53	
Sinochem agrochemical. (Hong Kong)Co., Ltd.	Hong Kong, China	Hong Kong, China	Chemical trade	RMB13.58 million		100
Shenyang Sinochem pesticide. Chemical research and development Co., Ltd.	Shenyang, China	Shenyang, China	Chemical research	RMB27.82 million		100
Material subsidiaries acquired through business combination not under common control						
Euroma Rubber Industries Sendirian Berhad	Malaysia	Malaysia	Natural rubber processing	RMB20.00 million		97.5
GMG Global Ltd.	Singapore	Singapore	Natural rubber cultivation, processing and sales	SGD267.08 million		51

(Expressed in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interest in subsidiaries (continued)

	Primary Place of business	Place of Registration	Business Nature	Registered Capital	Shareholding Proportion(%) Directly	Shareholding Proportion(%) Indirectly
Teck Bee Hang Co., Ltd.	Thailand	Thailand	Natural rubber processing	THB1.65 billion		28.05
Hevecam SA	Cameroon	Cameroon	Natural rubber processing	CFA15.75billion		45.90
Tropical Rubber Cote d'Ivoire	Côte d'Ivoire	Côte d'Ivoire	Natural rubber processing	FCFA20.00billion**		26.11
Jiangsu Sinochem Technology Co., Ltd.	Jiangsu, China	Jiangsu, China	Rubber antioxidant production	RMB585.00million		60.98
Tai'an Sheng'ao Chemical Co., Ltd.	Shandong, China	Shandong, China	Rubber antioxidant production	RMB100.00million		60.98
Shandong Sinochem Technology Co., Ltd.	Shandong, China	Shandong, China	Rubber antioxidant production	RMB100.00million		60.98
Dorval Ship Management K.K.	Japan	Japan	Professional technical consulting services in ship management and ships	JPY1.00million		51
Inobonto Holdings Pte. Ltd.	Indonesia	Indonesia	Natural rubber processing	SGD10,090.00		48.17
Ivoirienne De Traitement De Caoutchouc	Côte d'Ivoire	Côte d'Ivoire	Natural rubber processing	CFA1.54billion*		30.60
Halcyon Agri Corporation Limited	Singapore	Singapore	Natural rubber cultivation, processing and sales	SGD2.59billion		54.99

* CFA: Central-Africa financial cooperation francs
** FCFA: African CFA francs

Subsidiaries with material minority interests are as follows:

2016

	The proportion of minority shareholder	Minority shareholder's interest	Dividends paid to minority shareholder	Cumulative minority interests at year end
Shanghai Stoltchem Ship Management Ltd.	49%	10,653,226.92	53,900,000.00	249,301,795.96
Hevecam S.A.(Cameroon)	10%	(5,398,188.12)	—	124,030,301.57
Jiangsu Sinochem Technology Co., Ltd.	39.024%	159,825,948.61	—	1,454,843,455.14
Lianyungang Port International Petrochemical Storage Company	49%	19,561.63	—	93,090,974.81
Jiangsu Yangnong Chemical Group Co., Ltd.	59.47%	491,263,582.82	107,840,840.96	3,602,365,747.61

(Expressed in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (continued)

1. Interest in subsidiaries (continued)

Subsidiaries with material minority interests are as follows:

2015

	The proportion of minority shareholder	Minority shareholder's interest	Dividends paid to minority shareholder	Cumulative minority interests at year end
Shanghai Stoltchem Ship Management Ltd.	49%	6,494,136.42	—	292,548,569.04
GMG Global Ltd.	49%	(57,211,530.04)	—	1,847,039,748.66
Hevecam	10%	—	—	129,428,489.69
Jiangsu Sinochem Technology Co., Ltd.	39.024%	134,191,502.80	—	1,295,017,506.53
Lianyungang Port International Petrochemical Storage Company	49%	38,007.68	—	93,071,413.18
Jiangsu Yangnong Chemical Group Co., Ltd.	59.47%	428,401,133.73	98,177,740.59	3,218,943,005.75

2. Interests in joint ventures and associates

	Primary place of business	Place of registration	Business nature	Registered capital	Shareholding proportion Directly Indirectly	Accounting method
Associates						
Nantong Jiangshan Agrochemical Co., Ltd	Jiangsu China	Jiangsu China	Production	RMB198,000,000.00	29.19%	Equity method
Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd	Zhejiang China	Zhejiang China	Logistics	USD32,564,000.00	44.80%	Equity method
Lianyungang Port International Petrochemical Warehousing Company	Jiangsu China	Jiangsu China	Logistics	RMB100,000,000.00	49%	Equity method
Jiangsu Huayuan Jiaohua Co., Ltd. (previously known as Sinochem Zhenjiang Pyrogenation Co., Ltd.)	Jiangsu China	Jiangsu China	Production	RMB165,000,000.00	25%	Equity method
Shanxi Yaxin Coking Co., Ltd	Shanxi China	Shanxi China	Production	RMB315,000,000.00	25%	Equity method
FeltexCo.,Ltd.	Thailand	Thailand	Production	THB43,781,821.06	45%	Equity method
SiatNV	Belgium	Belgium	Production	EUR24,000,000.00	35%	Equity method
NewportTwoLLC	United States	United States	Logistics	USD44,820,000.00	40%	Equity method
Jiangsu Yangnong Jinhu Chemical Co., Ltd	Jiangsu China	Jiangsu China	Production	RMB300,000,000.00	50.00%	Equity method

(Expressed in Renminbi Yuan)

VII. INTERESTS IN OTHER ENTITIES (continued)

2. Interests in joint ventures and associates (continued)

The table below shows a summary of immaterial financial information of the Group's joint ventures and associates:

	2016	2015
Joint ventures		
Total carrying value of the investment	3,237,597,565.09	3,377,791,849.85
The total number of the following proportionate share calculation		
Net profit	(22,484,344.89)	86,879,760.05
Other comprehensive income	(1,178,888.26)	(36,523,176.65)
Total comprehensive income	(23,663,233.15)	50,356,583.40

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

The carrying values of the financial instruments at the balance sheet date are as follows:

2016

Financial assets

	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Cash and bank balances	—	—	7,319,504,200.83	—	7,319,504,200.83
Financial assets at fair value through profit or loss	7,211,520.00	—	—	—	7,211,520.00
Derivative financial assets	76,971,028.36	—	—	—	76,971,028.36
Notes receivable	—	—	1,779,604,128.70	—	1,779,604,128.70
Accounts receivable	—	—	4,491,429,639.19	—	4,491,429,639.19
Interest receivable	—	—	43,056,725.98	—	43,056,725.98
Other receivables	—	—	834,066,158.51	—	834,066,158.51
Other current assets	—	—	2,005,171,805.54	—	2,005,171,805.54
Available-for-sale financial assets	—	—		1,366,640,268.96	1,366,640,268.96
Other non-current assets	—	—	668,525,057.09	—	668,525,057.09
	84,182,548.36	—	17,141,357,715.84	1,366,640,268.96	18,592,180,533.16

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

The carrying values of the financial instruments at the balance sheet date are as follows (continued):

2016 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings	—	8,971,212,289.00	8,971,212,289.00
Financial liabilities at fair value through profit or loss	7,211,520.00	—	7,211,520.00
Derivative financial liabilities	146,780,009.98	—	146,780,009.98
Notes payable	—	1,651,420,943.49	1,651,420,943.49
Accounts payable	—	4,554,772,399.18	4,554,772,399.18
Interest payable	—	139,098,155.38	139,098,155.38
Dividends payable	—	2,837,114.10	2,837,114.10
Other payables	—	778,239,460.58	778,239,460.58
Other current liabilities	—	3,316,675.37	3,316,675.37
Non-current liabilities due within one year	—	962,138,622.25	962,138,622.25
Long-term borrowings	—	5,983,047,918.05	5,983,047,918.05
Bonds payable	—	4,284,697,565.21	4,284,697,565.21
Long-term payables	—	5,566,563.20	5,566,563.20
	153,991,529.98	27,336,347,705.81	27,490,339,235.79

2015

Financial assets

	Financial assets at fair value through profit or loss	Held-to-maturity investments	Loans and receivables	Available-for-sale financial assets	Total
Cash and bank balances		—	4,771,863,939.28	—	4,771,863,939.28
Financial assets at fair value through profit or loss	1,272,318.44	—	—	—	1,272,318.44
Derivative financial assets	69,849,620.82	—	—	—	69,849,620.82
Notes receivable	—	—	1,718,211,130.10	—	1,718,211,130.10
Accounts receivable	—	—	3,037,900,340.25	—	3,037,900,340.25
Interest receivable	—	—	1,003,550.37	—	1,003,550.37
Other receivables	—	—	1,115,320,994.39	—	1,115,320,994.39
Other current assets	—	—	1,037,299,528.37	—	1,037,299,528.37
Available-for-sale financial assets	—	—	—	275,643,759.55	275,643,759.55
Other non-current assets	—	—	1,393,103,691.14	—	1,393,103,691.14
	71,121,939.26	—	13,074,703,173.90	275,643,759.55	13,421,468,872.71

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

1. Classification of financial instruments (continued)

The carrying values of the financial instruments at the balance sheet date are as follows (continued):

2015 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss	Other financial liabilities	Total
Short-term borrowings	—	4,049,308,101.34	4,049,308,101.34
Financial liabilities at fair value through profit or loss	1,272,318.44	—	1,272,318.44
Derivative financial Liabilities	20,980,863.01	—	20,980,863.01
Notes payable	—	2,137,626,462.44	2,137,626,462.44
Accounts payable	—	3,126,352,654.46	3,126,352,654.46
Interest payable	—	113,536,349.69	113,536,349.69
Dividends payable	—	4,294,017.02	4,294,017.02
Other payables	—	1,022,213,733.08	1,022,213,733.08
Other current liabilities	—	1,002,619,245.01	1,002,619,245.01
Non-current liabilities due within one year	—	2,181,665,108.44	2,181,665,108.44
Long-term borrowings	—	4,222,483,488.08	4,222,483,488.08
Bonds payable	—	1,195,694,392.11	1,195,694,392.11
Long-term payables	—	1,851,513.44	1,851,513.44
	22,253,181.45	19,057,645,065.11	19,079,898,246.56

2. Transfer of financial assets

Financial assets transferred but not derecognized in their entirety

At 31 December 2016, the carrying value of bank acceptances that the Group has endorsed to the suppliers for the settlement of accounts payable was RMB 353,093,665.49 (31 December 2015: RMB 267,035,052.40). The Group believes that the Group has retained almost all of its risks and rewards, including its relevant default risks. Therefore, the Group continued to recognize the carrying value of the bank acceptances and corresponding settled accounts payable. After the endorsement, the Group stopped retaining the right to use the bank acceptances, including the right to sell, transfer and pledge them to third parties. At 31 December 2016, the Group's carrying value of accounts payable settled with the bank acceptances was RMB 353,093,665.49 (31 December 2015: RMB 267,035,052.40).

Transferred financial assets derecognized in their entirety but with continuing involvement

At 31 December 2016, the carrying value of bank acceptances that the Group has endorsed to the suppliers for the settlement of accounts payable was RMB 750,844,938.44 (31 December 2015: RMB 689,156,304.18). At 31 December 2016, the maturity date of the bank acceptances was within 1-12 months. According to the relevant provisions in Bill Law, if an acceptance bank refuses to pay, the holder has a right of resource against the Group (the "continuing involvement"). The Group believes that the Group has transferred almost all of its risks and rewards and hence it derecognized the risks and rewards and the related carrying value of accounts payable that have been settled. The amount of the continuing involvement, the maximum loss of repurchase and the undiscounted cash flows were equal to the carrying value.

In 2016, the Group did not recognize any gains or losses on the transfer date. The Group did not have income or expense recognized during the year or accumulated income or expense for the derecognition of financial assets.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Risk of financial instruments

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.

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 Note V. 5 and 8.

At 31 December 2016, 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 31 December 2016, accounts receivable that have been overdue but not impaired are relevant to a plenty of independent customers with good transaction records. According to previous 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.

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 projected cash flows from operations of the Group.

The Group's objective is to maintain a balance between continuity and flexibility of funding through bank loans, bonds payable and other interest-bearing loans. According to the carrying value presented in the financial statements, no more than 59.99% of borrowings should fall due within 12 months. At 31 December 2016, 62.62% (31 December 2015: 70.01%) of the Group's interest-bearing debts would fall due within one year.

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Risk of financial instruments (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at each balance sheet date, based on the contractual undiscounted payments, is as follows:

2016

	Less than 1 year	1 to 5 years	Total
Short-term borrowings	8,971,212,289.00	—	8,971,212,289.00
Financial assets at fair value through profit or loss	7,211,520.00	—	7,211,520.00
Derivative financial liabilities	146,780,009.98	—	146,780,009.98
Notes payable	1,651,420,943.49	—	1,651,420,943.49
Accounts payable	4,554,772,399.18	—	4,554,772,399.18
Interest payable	139,098,155.38	—	139,098,155.38
Other payables	778,239,460.58	—	778,239,460.58
Non-current liabilities due within one year	962,138,622.25	—	962,138,622.25
Long-term borrowings	—	5,983,047,918.05	5,983,047,918.05
Bonds payable	—	4,284,697,565.21	4,284,697,565.21
Long-term payables	—	5,566,563.20	5,566,563.20
	17,210,873,399.86	10,273,312,046.46	27,484,185,446.32

2015

	Less than 1 year	1 to 5 years	Total
Short-term borrowings	4,049,308,101.34	—	4,049,308,101.34
Financial assets at fair value through profit or loss	1,272,318.44	—	1,272,318.44
Derivative financial liabilities	20,980,863.01	—	20,980,863.01
Notes payable	2,137,626,462.44	—	2,137,626,462.44
Accounts payable	3,126,352,654.46	—	3,126,352,654.46
Interest payable	113,536,349.69	—	113,536,349.69
Other payables	1,022,213,733.08	—	1,022,213,733.08
Non-current liabilities due within one year	2,181,665,108.44	—	2,181,665,108.44
Long-term borrowings		4,222,483,488.08	4,222,483,488.08
Bonds payable	—	1,195,694,392.11	1,195,694,392.11
Long-term payables	—	1,851,513.44	1,851,513.44
	12,652,955,590.90	5,420,029,393.63	18,072,984,984.53

Market risk

Interest rate risk

The Group is exposed to the interest rate risk that relates primarily to long-term liabilities with a floating rate interest.

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Risk of financial instruments (continued)

Market risk (continued)

Interest rate risk (continued)

The following table shows the sensitivity analysis of interest rates, which reflects the impact of potential reasonable changes in interest rates on net profit (through the impact on borrowings with a floating interest rate) and shareholders' equity under the assumption that the other variables are unchanged.

	Exchange rate Increase/(decrease)	Net profit or loss Increase/(decrease)	Net other comprehensive income after tax Increase/(decrease)	Total equity Increase/(decrease)*
2016				
All currencies	10%	(4,236,015.21)	—	—
All currencies	(10%)	4,236,015.21	—	—
2015				
All currencies	10%	(3,782,437.38)	—	—
All currencies	(10%)	3,782,437.38	—	—

* Excluding retained earnings

Foreign exchange risk

The Group is exposed to transactional foreign exchange risks. Such risks are mainly due to the sale or purchase of operating units in currencies other than the functional currency.

The Group's policy is to pair the term of the hedging derivatives with the term of the hedged items through negotiation, which is the most effective hedging.

The following table shows the sensitivity analysis of foreign exchange risk, which reflects the impact of potential reasonable changes in the exchange rates of major foreign currencies on net profit (due to changes in the fair values of monetary assets, monetary liabilities and forward foreign exchange contracts) and shareholders' equity under the assumption that the other variables are unchanged.

	Basis point Increase/ (decrease)	Net profit or loss Increase/(decrease)	Net other comprehensive after tax Increase/(decrease)	Total equity Increase/ (decrease)*
2016				
RMB weakens against USD	10%	(714,140,582.59)	—	—
RMB strengthens against USD	(10%)	714,140,582.59	—	—
RMB weakens against SGD	10%	(928,651.65)	—	—
RMB strengthens against SGD	(10%)	928,651.65	—	—
RMB weakens against EUR	10%	(26,522,143.03)	—	—
RMB strengthens against EUR	(10%)	26,522,143.03	—	—

	Basis point Increase/ (decrease)	Net profit or loss Increase/(decrease)	Net other comprehensive after tax Increase/(decrease)	Total equity Increase/ (decrease)*
2015				
RMB weakens against USD	10%	(310,903,791.41)	—	—
RMB strengthens against USD	(10%)	310,903,791.41	—	—
RMB weakens against SGD	10%	(1,244,283.08)	—	—
RMB strengthens against SGD	(10%)	1,244,283.08	—	—
RMB weakens against EUR	10%	18,660,728.97	—	—
RMB strengthens against EUR	(10%)	(18,660,728.97)	—	—

* Excluding retained earnings

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

3. Risk of financial instruments (continued)

Market risk (continued)

Equity investment price risk

Equity investment price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of share indices and the value of individual securities. At 31 December 2016, the Group was exposed to equity investment price risk arising from individual equity investments classified as equity investment held for trading and available-for-sale equity investments. The Group's listed investments are listed on the Shanghai and Hong Kong stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year are as follows:

	31 December 2016	Highest/Lowest 2016	31 December 2015	Highest/Lowest 2015
Shanghai – A Share Index	3,104	3,539/2,638	3,539	5,166/2,927
Hong Kong – H Share Index	9,395	10,210/7,499	9,661	14,802/9,170

The following table demonstrates the sensitivity to every 10% change (based on the carrying value at the balance sheet date) in the fair values of the equity investments on the Group's net profit and shareholders' equity, with all other variables held constant. For the purpose of this analysis, for the available-for-sale investments, the effect is deemed to be on the changes in fair values of available-for-sale equity investments and no account is given for factors such as impairment which might impact the profit or loss.

	Carrying amount of equity investments	Net profit or loss Increase/ (Decrease)	Net of tax From other comprehensive income Increase/ (Decrease)	Total equity Increase/ (Decrease)
2016				
Equity investments				
Shanghai				
– Investments in equity instruments held for trading . . .	139,096,394.41	—	10,432,229.58	10,432,229.58
Hong Kong				
– Investments in equity instruments held for trading . . .	164,727,795.05	—	13,672,406.99	13,672,406.99

	Carrying amount of equity investments	Net profit or loss Increase/ (Decrease)	Net of tax From other comprehensive income Increase/ (Decrease)	Total equity Increase/ (Decrease)
2015				
Equity investments				
Shanghai				
– Investments in equity instruments held for trading . . .	39,494,400.00	—	2,962,080.00	2,962,080.00
Hong Kong				
– Investments in equity instruments held for trading . . .	164,634,652.13	—	12,347,598.91	12,347,598.91

(Expressed in Renminbi Yuan)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

4. Capital management

The main purpose of the Group's capital management is to ensure the ability to continue as a going concern and maintain healthy capital ratios, in order to support business development and maximize shareholder value.

The Group manages capital structure by making adjustments based on changes in economic conditions and the risk characteristics of the underlying assets. The Group can adjust the distributions of profits to shareholders, return capital back to shareholders or issue new shares to maintain or adjust the capital structure. The Group is not bound by any externally imposed capital requirements. In 2016 and 2015, the capital management objectives, policies or procedures have not been changed.

The Group monitors its capital with an asset-liability ratio, which is calculated by dividing total liability with total assets. At 31 December 2016 and 31 December 2015, the asset-liability ratio is as follows:

	2016	2015
Total liabilities	29,952,271,298.17	20,812,135,016.75
Total assets	50,010,834,179.87	40,458,731,705.78
Asset-liability ratio	59.89%	51.44%

IX. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities at fair value

Assets at fair value:

2016

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
Continuous fair value measurement				
Financial assets at fair value through profit or loss				
Hedging instruments	—	7,211,520.00	—	7,211,520.00
Derivative financial assets	65,807,576.85	11,163,451.51	—	76,971,028.36
Available-for-sale financial assets				
Debt instrument	1,000,000,000.00	—	—	1,000,000,000.00
Debt instrument	303,824,189.46	—	—	303,824,189.46
	1,369,631,766.31	18,374,971.51	—	1,388,006,737.82

2015

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
Continuous fair value measurement				
Financial assets at fair value through profit or loss				
Hedging instruments	—	1,272,318.44	—	1,272,318.44
Derivative financial assets	67,774,632.95	2,074,987.87	—	69,849,620.82
Available-for-sale financial assets				
Equity instruments	204,129,052.13	—	—	204,129,052.13
	271,903,685.08	3,347,306.31	—	275,250,991.39

(Expressed in Renminbi Yuan)

IX. DISCLOSURE OF FAIR VALUE (continued)

1. Assets and liabilities at fair value (continued)

Liabilities at fair value:

2016

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
Continuous fair value measurement				
Financial liabilities at fair value through profit or loss				
Hedging instruments	—	7,211,520.00	—	7,211,520.00
Derivative financial liabilities	142,569,328.10	4,210,681.88	—	146,780,009.98
	142,569,328.10	11,422,201.88	—	153,991,529.98

2015

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
Continuous fair value measurement				
Financial liabilities at fair value through profit or loss				
Hedging instruments	—	1,272,318.44	—	1,272,318.44
Derivative financial liabilities	11,308,819.36	9,672,043.65	—	20,980,863.01
	11,308,819.36	10,944,362.09	—	22,253,181.45

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent company

	Place of registration	Business nature	Registered capital	Percentage of Shareholding in the Company (%)	Percentage of voting rights in the Company(%)
Sinochem Corporation	Beijing, China	Oil, fertilizer, seeds, Plastic, finance, hotel, real estate development,etc.	RMB 39.8 billion	55.35	55.35

The Company's ultimate holding company is Sinochem Group.

2. Subsidiaries

The details of subsidiaries are set out in Note VII "Interests in other entities".

3. Joint ventures and associates

The details of the joint ventures and associates are set out in Note VII. 2.

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties

	Related party relationships
Sinochem Fertilizer Company Limited	Under common control of Sinochem Group
Jin Mao (Group) China Co., Ltd.	Under common control of Sinochem Group
Sinochem International Tendering Co., Ltd.	Under common control of Sinochem Group
China Foreign Economy and Trading Trust Co., Ltd.	Under common control of Sinochem Group
Zhoushan Zhongwei Oil Logistics Co. Ltd.	Under common control of Sinochem Group
Zhoushan Port Haitong Tug & Barge Co., Ltd.	Under common control of Sinochem Group
Sinochem Modern Environmental Protection Chemicals (XI'AN) CO.,Ltd.	Under common control of Sinochem Group
Taicang Sinochem Polymer Materials Research and Development Co., Ltd.	Under common control of Sinochem Group
Sinochem International Taicang Xingguo Industrial Co., Ltd.	Under common control of Sinochem Group
Sinochem International Taicang Xingnuo Industrial Co., Ltd.	Under common control of Sinochem Group
Sinochem International (Suzhou) New Material Development Co., Ltd.	Under common control of Sinochem Group
Sinochem Trading (Singapore) PTE LTD.	Under common control of Sinochem Group
SINOCHEM JAPAN CO.,LTD.	Under common control of Sinochem Group
Sinochem Jiangsu Co., Ltd.	Under common control of Sinochem Group
Sinochem Tianjin Co. Ltd.	Under common control of Sinochem Group
Tianjin Port Sinochem Dangerous Goods Logistics Co., Ltd.	Under common control of Sinochem Group
Sinochem Hebei Co., Ltd.	Under common control of Sinochem Group
SINOCHEM (U.S.A.) INC.	Under common control of Sinochem Group
Sinochem (Qingdao) Industrial Co., Ltd.	Under common control of Sinochem Group
Taicang Sinochem Environmental Petrochemical Co., Ltd.	Under common control of Sinochem Group
Sinochem Oil Thailand Co., Ltd.	Under common control of Sinochem Group
Sinochem Plastics Co., Ltd.	Under common control of Sinochem Group
Sinochem Ningbo (Group) Co., Ltd.	Under common control of Sinochem Group
Sinochem Tianjin Petrochemical Warehousing Co., Ltd.	Under common control of Sinochem Group
Sinochem Tianjin Import and Export Shenzhen Co., Ltd.	Under common control of Sinochem Group
Sinochem Liaoning Co.	Under common control of Sinochem Group
Sinochem International Oil (Bahamas)Co., Ltd.	Under common control of Sinochem Group
Sinochem Pudong Trading Co.,Ltd.	Under common control of Sinochem Group
Sinochem Oil Jiangsu Co., Ltd.	Under common control of Sinochem Group
Guizhou Lantian Chemical Industry Co., Ltd.	Under common control of Sinochem Group
Hangzhou Fushite Co., Ltd.	Under common control of Sinochem Group
Sinochem Oil Liaoning Co., Ltd.	Under common control of Sinochem Group
Sinochem Oil Co. Ltd.	Under common control of Sinochem Group
Guangdong Sinochem Trading Co., Ltd.	Under common control of Sinochem Group
Sinochem Nantong Petrochemical & Logistics Co., Ltd.	Under common control of Sinochem Group
Sinochem Oil Zhejiang Co., Ltd.	Under common control of Sinochem Group
Sinochem (Zhoushan) Xinghai Construction Co., Ltd.	Under common control of Sinochem Group
Sinochem Finance Co., Ltd.	Under common control of Sinochem Group
Sinochem Industry Co. Ltd.	Under common control of Sinochem Group
Sinochem Geli Port Service Co., Ltd.	Under common control of Sinochem Group
Sinochem Singapore International Oil Co., Ltd.	Under common control of Sinochem Group
Sinochem International Oil (London) Co., Ltd.	Under common control of Sinochem Group
Sinochem International Oil (Bahamas) Co., Ltd.	Under common control of Sinochem Group
Sinochem (Qingdao) Industrial Co.Ltd.	Under common control of Sinochem Group
Jin Mao (Shanghai) Property Services Co., Ltd. (Ori. Shanghai Jinmao Yingtai Property Management)	Under common control of Sinochem Group

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

4. Other related parties (continued)

	Related party relationships
Sinochem International Property and Hotel Management Co., Ltd.	Under common control of Sinochem Group
Beijing Century Kaichen Property Managemental Co., Ltd. (Also known as Jin Mao Beijing)	Under common control of Sinochem Group
Shanghai Changhua Industrial Co., Ltd.	Under common control of Sinochem Group
Far East Horizon Chartering Co., Ltd.	Under common control of Sinochem Group
Sinochem Jin Mao Property Management (Beijing) Co., Ltd.	Under common control of Sinochem Group
Sinochem Guangdong Co., Ltd.	Under common control of Sinochem Group
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	Under common control of Sinochem Group
Medline Products Co., Ltd.	Under common control of Sinochem Group
Sinochem Xingzhong Oil Transport (Zhoushan) Co., Ltd.	Under common control of Sinochem Group
Sinochem Xingyuan Oil Storage (Zhoushan) Co., Ltd.	Under common control of Sinochem Group
Shenyang Research Institute of Chemical Industry Design Engineering Co. Ltd.	Under common control of Sinochem Group
Zhejiang Tianzheng Co.,Ltd.	Under common control of Sinochem Group
Zhejiang Tianzheng Complete Equipment Engineering Co., Ltd.	Under common control of Sinochem Group
Sinochem Beijing Insurance Brokers Co., Ltd.	Under common control of Sinochem Group
Shanghai Kaile Freight Co., Ltd.	Under common control of Sinochem Group
Zhejiang Lantian Environmental Fluorine Material Co.,Ltd.	Under common control of Sinochem Group
Zhejiang Chemical Institute Technology Co.,Ltd.	Under common control of Sinochem Group
Zhonghua Quanzhou Petroleum Co., Ltd.	Under common control of Sinochem Group
SINOCHEM EUROPE HOLDINGS PLC.	Under common control of Sinochem Group
Sinochem Oil (Shanghai) Co,. Ltd.	Under common control of Sinochem Group
Sinochem Lantian Honeywell New Material Co., Ltd.	Under common control of Sinochem Group
Shenyang Research Institute of Chemical Industry Co., Ltd.	Under common control of Sinochem Group
Hebei Sinochem Fuheng Holding Co., Ltd.	Under common control of Sinochem Group
Shanghai Zhenchen Storage Co., Ltd.	Under common control of Sinochem Group
Sinochem Assets (Shanghai) Co., Ltd.	Under common control of Sinochem Group
Zhejiang Provincial Chemical Institute Co., Ltd.	Under common control of Sinochem Group
Shenyang Sinochem Pesticide Chemical Research Co., Ltd.	Under common control of Sinochem Group
Sinochem Hongrun Petroleum Chemical Co., Ltd.	Under common control of Sinochem Group
Sinochem Lantian Group Trading Co., Ltd.	Under common control of Sinochem Group
Zhejiang Hetian Chemical Co., Ltd.	Under common control of Sinochem Group
Dalian f.t.z.tongliyuan Int'l Trading Co., Ltd.	Under common control of Sinochem Group
Shenyang Xinji Chemical Co., Ltd.	Under common control of Sinochem Group
Zhejiang Lantian Environmental Protection Chemical Co., Ltd.	Under common control of Sinochem Group
Sinochem Modern Agriculture Co., Ltd.	Under common control of Sinochem Group
Sinochem Hong Kong (Group) Co., Ltd.	Under common control of Sinochem Group
Sinochem Hong Kong Chemical International Co., Ltd.	Under common control of Sinochem Group
Sinochem Yangzhou Petrochemical Wharf Storage Co., Ltd.	Under common control of Sinochem Group
Sinochem Shandong Fertilizer Co. Ltd.	Under common control of Sinochem Group

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties

(1) Sales or purchases of goods and services between the Group and its related parties

	Notes	2016	2015
Purchases of goods and services from related parties			
Jiangshan Singapore Co., Ltd.	(1) a	386,432,799.97	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	(1) a	458,981,386.05	298,805,991.85
SIAT NV	(1) a	433,347,257.86	—
Shanxi Yaxin Coal Coking Co., Ltd.	(1) a	189,864,116.82	154,220,927.12
Sinochem Plastics Co., Ltd.	(1) a	180,262,554.66	34,863,641.91
Jiangsu Yangnong Jinhu Chemical Co. Ltd.	(1) a	64,621,161.58	—
Sinochem Quanzhou Petrochemical Co., Ltd.	(1) a	64,197,445.90	410,291,649.69
Dalian f.t.z.tongliyuan Int'l Trading Co., Ltd.	(1) a	30,206,996.98	—
Sinochem Lantian Group Trading Co., Ltd.	(1) a	10,454,615.38	10,181,982.89
Zhejiang Hetian Chemical Co., Ltd.	(1) a	9,233,539.85	3,254,336.29
Sinochem petroleum Shanghai Co., Ltd.	(1) a	9,147,694.72	14,191,377.89
Jiangsu Huayuan Coking Co., Ltd.	(1) a	6,160,971.03	32,283,665.87
Sinochem Yangzhou Petrochemical Wharf storage Co., Ltd.	(1) a	1,468,826.84	—
Shenyang Chemical Research Institute Co Ltd	(1) a	12,817.09	—
Yangzhou Fuyuan Chemical Technology Co., Ltd.	(1) a	—	7,440,000.00
Zhejiang Lantian environmental protection High-tech Limited by Share Ltd	(1) a	—	256.41
		1,844,392,184.73	965,533,829.92
Receipt of services from related parties			
Newport Europe B.V.	(1) b	95,476,360.01	69,381,221.88
Jiangsu Rui Jian Real Estate Co., Ltd.	(1) b	4,589,320.41	—
Shenyang Chemical Research Institute Co Ltd	(1) b	2,405,449.84	3,071,378.47
Sinochem (Zhoushan) Xinghai Construction Co. Ltd.	(1) b	2,171,171.17	—
Sinochem Nantong Petrochemical Storage & Transportation Co., Ltd.	(1) b	2,154,734.55	2,326,674.87
Shenyang Research Institute of Chemical Industry Design Engineering Co. Ltd.	(1) b	1,045,754.69	2,209,433.91
Sinochem International Tendering Co., Ltd.	(1) b	77,580.00	472,453.07
Shanghai Changhua Industrial Co., Ltd.	(1) b	—	142,278.27
Shenyang Sinochem pesticide chemical research and Development Co Ltd	(1) b	—	181,981.12
Tianjingang Sinochem dangerous goods logistics Co., Ltd.	(1) b	—	143,614.10
Zhejiang Chemical Research Institute Co Ltd	(1) b	—	1,133,634.77
Zhejiang Chemical Institute Science and Technology Co Ltd	(1) b	—	973,333.34
Sinochem Jinmao property management (Beijing) Co., Ltd.	(1) b	508,756.60	493,427.60
Jin Mao (Shanghai) Property Services Co., Ltd.	(1) b	1,753,142.89	1,153,956.51
		110,182,270.16	81,683,387.91

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties (continued)

(1) Sales or purchases of goods and services between the Group and its related parties (continued)

	Notes	2016	2015
Sales of goods to related parties			
Jiangsu Yangnong Jinhu Chemical Co., Ltd.	(1) c	405,026,116.84	288,203.42
Jiangsu Jiang Sheng International Trading Co., Ltd.	(1) c	18,853,779.98	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	(1) c	3,880,284.83	3,257,718.20
Sinochem Fertilizer Co., Ltd.	(1) c	3,059,059.28	2,348,259.27
Sinochem Modern Agriculture Co., Ltd.	(1) c	504,008.82	—
Shenyang Research Institute of Chemical Industry Co., Ltd.	(1) c	—	1,009,934.08
		431,323,249.75	6,904,114.97
Provision of services to related parties			
Newport Europe B.V.	(1) d	176,044,935.56	145,148,930.27
Sinochem Plastics Co., Ltd.	(1) d	8,861,881.18	491,834.42
Nantong Jiangshan Pesticide Chemical Industry Co., Ltd.	(1) d	4,685,224.58	11,485,664.63
Sinochem Trading (Singapore) PTE LTD. (Sinochem Trading (Singapore) limited company)	(1) d	2,418,517.94	4,402,754.03
Sinochem Hebei Co., Ltd	(1) d	1,370,688.07	210,121.34
Zhejiang Lantian Environmental Protection Fluorine Material Co., Ltd.	(1) d	1,168,408.44	—
Taicang Sinochem Environmental Petrochemical Co., Ltd.	(1) d	1,028,795.21	71,320.75
Lianyungang port international petrochemical Port Co., Ltd.	(1) d	693,396.21	—
Zhejiang Chemical Institute Technology Co.,Ltd.	(1) d	477,139.24	6,792.45
NewPort Tank Containers USA LLC	(1) d	399,692.93	674,262.96
Sinochem Petroleum Co.,Ltd.	(1) d	301,116.77	—
Shenyang Chemical Research Institute Co., Ltd.	(1) d	276,654.29	11,792.45
Sinochem Fertilizer Co., Ltd.	(1) d	243,713.00	283,548.00
Sinochem Lantian Group Trading Co., Ltd.	(1) d	198,634.84	—
Sinochem Oil (Shanghai) Co., Ltd.	(1) d	36,774.51	227,786.54
Sinochem Guangdong Co., Ltd.	(1) d	19,931.04	—
Shenyang Xinji Chemical Co., Ltd.	(1) d	2,830.19	—
Sinochem Modern Environmental Protection Chemical (Xi'an) Co., Ltd.	(1) d	—	5,075.47
Sinochem (Qingdao) Industrial Co., Ltd.	(1) d	—	273,053.70
Sinochem (Qingdao) Industrial Co.Ltd.	(1) d	—	245,419.38
Sinochem Lantian Honeywell New Material Co., Ltd.	(1) d	—	2,534,031.44
Hebei Sinochem Fuheng Holding Co., Ltd.	(1) d	—	192,924.53
Guizhou Lantian Chemical Industry Co.,Ltd.	(1) d	—	89,441.52
Sinochem Shandong Fertilizer Co. Ltd.	(1) d	—	132,075.47
Sinochem Hong Kong Chemical International Co., Ltd.	(1) d	—	6,286.55
		198,228,334.00	166,493,115.90

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties (continued)

(2) Lease between the Group and its related parties

	Notes	Type of lease	2015 Rental Income	2014 Rental Income
As lessor				
Taicang Sinochem Environmental Petrochemical Co., Ltd.	(2) a	Tank	16,698,194.18	10,070,034.40
Zhejiang Lantian Environmental Fluorine Material Co., Ltd.	(2) a	Tank	7,806,149.13	3,834,734.27
Sinochem Lantian Honeywell New Material Co., Ltd.	(2) a	Tank	5,959,043.13	—
Jiangsu Yangnong Jinhu Chemical Co. Ltd.	(2) a	Tank	5,230,682.62	—
Sinochem Modern Environmental Chemical (Xi'an) Co., Ltd.	(2) a	Tank	1,857,077.18	1,110,899.16
Sinochem Plastics Co., Ltd.	(2) a	Tank	1,630,597.62	15,893,946.05
Sinochem Petroleum Shanghai Co., Ltd.	(2) a	Office	1,182,058.76	—
Zhejiang Chemical Institute Technology Co., Ltd.	(2) a	Tank	1,071,807.14	931,910.98
Guizhou Lantian Chemical Industry Co., Ltd.	(2) a	Tank	286,493.23	39,819.82
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	(2) a	Tank	107,889.68	266,182.94
Zhejiang Lantian Environmental Protection Chemical Co., Ltd.	(2) a	Tank	62,315.61	—
Sinochem Hebei Co., Ltd	(2) a	Tank	—	117,733.24
			41,892,308.28	32,265,260.86
As lessee				
Shenyang Chemical Research Institute Co Ltd	(2) b	Buildings	9,958,867.80	—
Yangzhou Fuyuan Chemical Technology Co., Ltd.	(2) b	Buildings	7,440,000.01	—
Jin Mao (Group) China Co., Ltd.	(2) b	Buildings	25,253,895.29	36,823,258.03
Sinochem International Property and Hotel Management Co., Ltd.	(2) b	Buildings	3,533,878.32	3,019,160.34
Sinochem Guangdong Co., Ltd.	(2) b	Buildings	818,328.06	918,828.12
Shanghai Changhua Industrial Co., Ltd.	(2) b	Warehouse	144,000.00	—
Sinochem Assets (Shanghai) Co., Ltd.	(2) b	Buildings	—	2,686,288.00
			47,148,969.48	43,447,534.49

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties (continued)

(3) Guarantees between the Group and its related parties

Guarantee provided to a related party

2016

	Notes	Amount	Initial date of guarantee	Due date of guarantee	Guarantee fulfilled
Nantong Jiangshan Agrochemical Co., Ltd.	(3)a	200,000,000.00	August 2015	August 2018	Yes

2015

	Notes	Amount	Initial date of guarantee	Due date of guarantee	Guarantee fulfilled
Nantong Jiangshan Agrochemical Co., Ltd.	(3)a	200,000,000.00	August 2015	August 2018	No

(4) Loans between the Group and its related parties

Loans from related parties

2016

	Notes	Amount	Initial date	Due date
Sinochem Group	(4) a	300,000,000.00	2014-11-20	2017-11-20
Sinochem Group	(4) a	57,180,000.00	2014-1-23	2017-1-23
Sinochem Group	(4) a	300,000,000.00	2015-10-30	2018-10-30
Sinochem Hong Kong (Group) Co., Ltd.	(4) c	994,680,000.00	2016-4-6	2016-7-5
Sinochem Hong Kong (Group) Co., Ltd.	(4) c	331,560,000.00	2016-6-30	2016-9-29

2015

	Notes	Amount	Initial date	Due date
Sinochem Group	(4) a	300,000,000.00	2014-11-20	2017-11-20
Sinochem Group	(4) a	57,180,000.00	2014-1-23	2017-1-23
Sinochem Group	(4) a	300,000,000.00	2015-10-30	2018-10-30
Sinochem Finance Co., Ltd.	(4) b	6,000,000.00	2015-7-17	2025-7-7
Sinochem Finance Co., Ltd.	(4) b	10,400,000.00	2015-8-20	2025-7-7
Sinochem Finance Co., Ltd.	(4) b	32,400,000.00	2015-8-28	2025-7-7
Sinochem Finance Co., Ltd.	(4) b	5,300,000.00	2015-12-8	2025-7-7

(5) Disposal of equity in related parties

	Notes	Transaction	2016 Amount	2015 Amount
Shenyang Chemical Research Institute Co., Ltd.	(5) a	Purchase of equity	59,934,300.00	—
Sinochem Hong Kong (Group) Co., Ltd.	(5) a	Purchase of equity	—	15,584,300.00
Sinochem Jiangsu Co., Ltd.	(5) a	Disposal of equity	688,020.00	—

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties (continued)

(6) Other transactions between the Group and its related parties

	Notes	2016 Amount	2015 Amount
Key management personnel remuneration	(6) a	10,120,000.00	9,630,000.00
Assets transferred in	(6) b	93,067.52	94,712,722.24
Assets transferred out	(6) c	80,822,207.65	—
Interest incomes	(6) d	2,190,902.96	1,754,423.39
Interest expenses	(6) e	15,352,970.59	23,960,851.63
Gains or losses on investment in crude oil futures	(6) f	(1,221,206.32)	542,735.09
Commission expenses	(6) g	799,013.29	142,859.20
Purchase of financial products	(6) h	1,423,300,000.00	1,071,120,000.00

Notes:

(1) Transactions of goods and services between the Group and its related parties.

(a) During the year, the Group purchased goods from related parties at the contractual price in a total amount of RMB 1,844,392,184.73 (2015:RMB 965,533,829.92).

(b) The Group paid for the services offered by related parties at the contractual price for the year in a total amount of RMB 110,182,270.16 (2015:RMB 81,683,387.91).

(c) The Group sold goods to related parties at the contractual price for the year in a total amount of RMB 431,323,249.75 (2013: RMB 6,904,114.97).

(d) The Group offered freight forwarding services to related parties at the contractual price for the year in a total amount of RMB 198,228,334.00 (2015:RMB 166,493,115.90).

(2) Operating leases between the Group and its related parties

(a) In the current year, the Group leased tanks to its related parties at contractual prices, and received leasing fee of RMB 40,710,249.52 (2015: RMB 32,265,260.86); the Group rented office space to its related parties and receives lease income of RMB 1,182,058.76 (2015: Nil).

(b) In the current year, the Group leased office space from its related parties and pays leasing fee of RMB 47,148,969.48 (2013: RMB 43,447,534.49).

(3) Guarantees between the Group and its related parties

(a) During the year, the free guarantee the Company provided for Nantong Jiangshan Pesticide Chemical Co., Ltd. in 2015 has been fulfilled (2015: the Company provided free guarantee for Nantong Jiangshan Pesticide Chemical Co., Ltd. to obtain short-term financing bonds of an outstanding amount not exceeding 480 million in the period of registration. The actual guaranteed amount was RMB 200,000,000.00).

(4) Borrowings and lending between the Group and its related parties

(a) In the current year, the Group didn't borrow money from Sinochem Group (2015: RMB 300,000,000.00).

(b) In the current year, the Group didn't borrows money from Sinochem Finance Co., Ltd. (2015: RMB 54,100,000.00).

(c) In the current year, the Group borrowed RMB 1,326,240,000.00 from Sinochem Hong Kong (Group) Co., Ltd. (2015: Nil); In the current year, the Group paid back RMB 1,326,240,000.00 to Sinochem Hong Kong (Group) Co., Ltd. (2015: Nil).

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

5. Major transactions between the Group and its related parties (continued)

(5) Transfer of equity between related parties

(a) In the current year, the Group transferred RMB 688,020.00 of equity to Sinochem Jiangsu Co., Ltd.. In November 2016, the Group acquired 100% equity of Shenyang Sinochem Pesticide Chemical Research and Development Co., Ltd. formerly held by Shenyang Chemical Research Institute Co., Ltd. at RMB 53,934,300.00. (2015: the Group acquired 100% equity of Sinochem Agrochemical Hong Kong Co., Ltd. held by Sinochem Hong Kong (Group) Co., Ltd with RMB 15,403,400.00, and acquired 20% equity of Sinochem Agrochemical Brazil Co., Ltd. held by Sinochem Hong Kong (Group) Co., Ltd. at RMB 180,900.00. (The remaining 80% equity of Sinochem Agrochemical Brazil Co., Ltd. was held by Sinochem Hong Kong (Group) Co., Ltd.)

(6) Other main related party transactions

(a) In the current year, the total remuneration of key management of the Group was RMB 10,120,000.00 (in forms of currency, material objects or others).

(b) In the current year, the Group purchased fixed assets of RMB 93,067.52 from Shenyang Chemical Research Institute Co., Ltd. (2015: the Group purchased fixed assets of RMB 313,291.61 and intangible assets of RMB 33,387,514.15 from Shenyang Chemical Research Institute Co., Ltd., and intangible assets of RMB 61,011,916.48 from Sinochem Corporation).

(c) In the current year, the investment income from the pooled trust funds purchased from China Foreign Economic & Trade Trust Co., Ltd. was RMB 80,822,207.65. (2015: Nil).

(d) In the current year, the interest income from the deposits deposited in Sinochem Finance Co., Ltd. was RMB 2,190,902.96 (2015: RMB 1,754,423.39).

(e) In the current year, the Group paid Sinochem Finance Co., Ltd. the discount interest and loan interest of RMB 15,352,970.59 (2015: RMB 23,960,851.63).

(f) The investment loss of oil futures from Sinochem International Petroleum (Bahamas) Co., Ltd. was RMB 1,221,206.32 (2015: gains of RMB 542,735.09).

(g) The commission fee paid to Sinochem International Petroleum (Bahamas) Co., Ltd. was RMB 799,013.29 (2015: RMB 142,859.20).

(h) During the year, the Group purchased a one-year pooled trust funds with amount of RMB 423,300,000.00 from China Foreign Economy and Trading Trust Co., Ltd.. The outstanding balance at balance sheet date was RMB 1,423,300,000.00 (2015: purchased RMB 100,000,000.00, outstanding at balance sheet date RMB 1,071,120,000.00).

6. Commitments between group and the related parties

In the current year, there was no commitment between the Group and the related parties (2015: Nil).

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

7. Balances of amounts due from related parties

	2016		2015	
	Book balance	Provisions	Book balance	Provisions
Accounts receivable				
Jiangsu Yangnong Jinhu Chemical Co. Ltd.	157,137,838.44	—	2,275,513.65	—
Newport Europe B.V.	55,415,286.37	—	43,998,931.82	—
Jiangsu Jiangsheng International Trading Co., Ltd.	11,477,253.00	—	—	—
Taicang Sinochem Environmental Petrochemical Co., Ltd.	4,105,818.93	—	875,870.00	—
Sinochem Lantian Honeywell New Material Co., Ltd.	2,424,556.00	—	1,523,916.00	—
Zhejiang Lantian Environmental Fluorine Material Co., Ltd.	1,496,797.78	—	505,598.29	—
Shenyang Chemical Research Institute Co Ltd	754,463.60	—	—	—
Lianyungang port international Petrochemical Port Co., Ltd.	735,000.00	—	—	—
Zhejiang Chemical Institute Technology Co., Ltd.	258,237.50	—	117,398.00	—
Sinochem Hebei Co., Ltd.	57,577.10	—	—	—
SIAT NV	49,013.43	—	—	—
Sinochem Petroleum Co., Ltd.	31,924.38	—	—	—
Sinochem Modern Environmental Protection Chemicals (XI'AN) CO., Ltd.	—	—	184,500.00	—
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	—	—	23,026.00	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	—	—	7,588,240.30	—
Sinochem Plastics Co., Ltd.	—	—	160,656.85	—
Sinochem (Qingdao) Industrial Co., Ltd.	—	—	247,963.94	—
Newport Tank Containers USA LLC	—	—	243,191.07	—
Sinochem Trading (Singapore) PTE LTD.	—	—	24,894.00	—
	233,943,766.53	—	57,769,699.92	—

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

7. Balances of amounts due from related parties (continued)

	2016		2015	
	Book balance	Provisions	Book balance	Provisions
Prepayments				
Shanxi Yaxin Coal Coking Co., Ltd.	25,200,000.00	—	—	—
Sinochem Plastics Co., Ltd.	3,367,932.02	—	410,608.84	—
Newport Europe B.V.	490,524.98	—	—	—
Sinochem Lantian Group Trading Co., Ltd.	283,656.00	—	2,272.00	—
Sinochem Quanzhou Petroleum Co., Ltd.	—	—	27,904,374.08	—
Sinochem Liaoning Co, Ltd.	—	—	981,219.28	—
Sinochem Oil (Shanghai) Co., Ltd.	—	—	689,686.00	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	—	—	314,829.08	—
Shenyang Research Institute of Chemical Industry Co., Ltd	—	—	15,210.00	—
	29,342,113.00	—	30,318,199.28	—
Other receivables				
NewPort Tank Containers USA LLC	16,956,511.45	—	7,997,120.10	—
China Foreign Economic & Trade Trust Co., Ltd.	7,199,226.83	—	—	—
Newport Europe B.V.	3,933,351.91	—	834,814.76	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	1,915,120.30	—	—	—
Jin Mao (Group) China Co., Ltd.	716,225.48	—	12,411,832.16	—
Sinochem International Property and Hotel Management Co., Ltd.	835,417.32	—	701,656.69	—
Jinmao (Shanghai) Property Service Co., Ltd.	650,964.58	—	—	—
Sinochem Plastics Co., Ltd.	135,347.40	—	—	—
Sinochem Jinmao Property Management (Beijing) Co., Ltd.	117,213.90	—	103,580.49	—
Sinochem International Tendering Co., Ltd.	3,612.90	—	—	—
Sinochem Tianjin Co., Ltd.	3,236.40	—	—	—
Shenyang Research Institute of Chemical Industry Co., Ltd	—	—	1,044,745.60	—
Sinochem International Oil (Bahamas) Co., Ltd.	—	—	399,875.89	—
Sinochem Trading (Singapore) PTE LTD.	—	—	80,000.00	—
Jiangsu Yangnong Jinhu Chemical Co., Ltd.	—	—	15,400,866.08	—
Sinochem Assets (Shanghai) Co., Ltd.	—	—	1,033,833.37	—
	32,466,228.47		40,008,325.14	

(Expressed in Renminbi Yuan)

X. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

8. Balances due to related parties

	2016	2015
Accounts payable		
Sinochem Plastics Co., Ltd.	107,343,823.62	—
Nantong Jiangshan Pesticide Chemical Co., Ltd.	81,347,499.34	58,558,915.53
Jiangsu Yangnong Jinhu Chemical Co., Ltd.	11,317,167.00	—
Sinochem Corporation	6,491,704.55	64,672,631.50
Shenyang Chemical Research Institute Co Ltd	3,639,076.49	35,663,849.85
Shenyang Research Institute of Chemical Industry Design Engineering Co. Ltd	1,059,923.86	1,087,936.10
Yangzhou Fuyuan Chemical Technology Co., Ltd.	799,389.85	620,000.00
Jiangsu Ruizhu Real Estate Co., Ltd.	441,747.57	—
SIAT NV	271,156.44	—
Sinochem Oil (Shanghai) Co., Ltd.	—	413,600.00
Sinochem Trading (Singapore) PTE LTD.	—	1,015.76
Zhejiang Lantian Environmental Protection Hi-tech Co., Ltd.	—	7,200.00
	212,711,488.72	161,025,148.74
Prepayments		
Nantong Jiangshan Pesticide Chemical Co., Ltd.	9,731,530.00	1,000,000.00
Sinochem International (Suzhou) New Material Research & Development Co., Ltd.	43,724.40	—
Sinochem International Tendering Co., Ltd.	675.00	—
Sinochem Trading (Singapore) PTE LTD.	190.16	—
Newport Europe B.V.	—	1,170,620.75
Jiangsu Yangnong Jinhu Chemical Co., Ltd.	—	192,170.55
Zhejiang Chemical Institute Technology Co., Ltd.	—	50,940.00
	9,776,119.56	2,413,731.30
Other payables		
Sinochem International Oil (Bahamas) Co., Ltd.	2,106,489.42	—
Sinochem (Zhoushan) Xinghai Construction Co. Ltd.	1,300,000.00	—
Shenyang Research Institute of Chemical Industry Co., Ltd.	625,925.22	618,125.22
Jin Mao (Group) China Co., Ltd.	314,725.00	—
Shenyang Research Institute of Chemical Industry Design Engineering Co., Ltd.	229,500.00	—
Sinochem Fertilizer Co., Ltd.	146,752.00	—
Newport Tank Containers Singapore PTE LTD	—	4,660,713.49
Newport Europe B.V.	—	15,118,281.10
	4,723,391.64	20,397,119.81

Amounts due from/to related parties were interest-free and unsecured, with no fixed terms of repayment.

9. Monetary fund deposited at related parties

	2016	2015
Sinochem Finance Co., Ltd.	3,080,213,995.07	1,522,582,137.88

(Expressed in Renminbi Yuan)

XI. COMMITMENTS AND CONTINGENCIES

1. Important commitments

	2016	2015
Contracted but not provided for capital commitments	937,080,777.35	1,319,482,035.57

2. Contingencies

As at the balance sheet date, the Group had no contingent issues to be disclosed.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

On 25 December 2016, the Company's subsidiary, Halcyon Agri Corporation Limited, announced to sell all its shares in NV SIAT to FIMAVE SA NV at the price of EUR 192.56 million. A framework agreement has been signed and approved by Halcyon Agri Corporation Limited's board of directors.

According to the framework agreement, FIMAVE SA NV activated its purchase option by paying EUR 5 million on 28 February 2017. FIMAVE SA NV will hold all the equity of SIAT NV after exercising the option and paying the remaining consideration before 15 July 2017 (or any other date agreed by both parties).

At 27 April 2017, the seventh board of directors of the Company held the 4th meeting, at which an annual profit distribution plan of 2016 was approved, with a cash dividend distribution of RMB 187,471,140.39 (i.e. cash dividend of RMB 0.9 per share (tax-inclusive)).

XIII. OTHER IMPORTANT ITEMS

1. Segment reporting

Operating segment information

For management purposes, the Group is organized in business units based on products and services, and has six reporting operating segments:

(1) Natural Rubber Segment provides planting, processing and sales services;

(2) Rubber Chemicals Segment provides antioxidant processing and sales services;

(3) Chemical Logistics Segment provides logistic services such as shipping, leasing of tanks and freight and warehouse;

(4) Distribution and Trade Segment provides sales services covering coke, iron ore, coal and chemical products, and also deals with chemicals production;

(5) Agrochemical Segment provides production and sales services regarding pesticide;

(6) Chemical Intermediates and New Materials Segment deal with development of self-use real estate.

Management manages the performance of each operating segment separately for the purpose of resources allocation decision-making and performance assessment. Segment performance is evaluated based on each reporting segment's profit, which is a measure of adjusted total profit. The adjusted total profit is measured consistently with the Group's total profit, excluding interest income, financial expense, dividend income, income from changes in the fair values of financial instruments and expenses attributable to headquarters.

Segment assets and liabilities do not include deferred income tax assets and liabilities and other unallocated assets and liabilities attributable to headquarters as these assets and liabilities are managed by the Group.

Transfer pricing among different operating segments is established on the fair price adopted when trading with third parties.

(Expressed in Renminbi Yuan)

XIII. OTHER IMPORTANT ITEMS (continued)

1. Segment reporting (continued)

Operating segment information (continued)

2016

	Natural Rubber	Rubber Chemicals	Chemical Logistics	Distribution and Trade	Agrochemical	Chemical Intermediates and New Materials	Others	Adjustments and offsets	Total
Sales to external customers	11,898,784,743.05	2,272,913,851.51	4,034,898,468.04	14,131,210,176.73	2,837,107,879.90	5,468,502,889.96	13,328,002.57	—	40,656,746,011.76
Inter segment revenue	—	—	27,259,172.16	—	—	—	21,030,831.47	(48,290,003.63)	—
Gain on investment in joint ventures and associates	(48,868,249.62)	—	(10,129,202.62)	(29,106,368.26)	13,900,846.96	(21,552,635.32)	73,271,264.12	—	(22,484,344.74)
Asset impairment loss	378,119,810.31	—	(10,970.00)	33,114,077.78	48,957,660.27	22,163,189.12	—	—	482,343,767.48
Depreciation and amortization expenses	821,316,857.54	312,878,486.94	1,743,121,244.19	463,993.20	206,974,653.66	1,011,090,928.09	48,132,373.95	—	4,143,978,537.57
Total profit	(834,542,837.43)	547,004,540.34	573,404,548.55	79,117,602.70	(15,903,965.53)	656,282,718.62	(413,305,796.80)	—	592,056,810.45
Tax expense	(107,307,365.38)	137,446,451.45	137,902,752.37	19,779,400.68	17,728,737.05	107,760,465.46	(162,061,996.68)	—	151,248,444.95
Total assets	12,627,835,058.83	4,612,082,654.71	8,190,076,391.65	855,614,499.53	2,758,509,891.36	10,980,395,765.36	32,335,388,119.35	(22,349,068,200.92)	50,010,834,179.87
Total liabilities	6,463,635,297.22	870,000,904.39	5,123,835,095.91	1,168,462,970.83	2,041,059,066.85	4,502,793,802.51	17,896,787,392.30	(8,114,303,231.84)	29,952,271,298.17
Other disclosures									
Long term equity investment in joint ventures and associates	1,305,692,039.79	—	323,495,646.58	103,224,002.74	697,296,380.09	128,737,448.10	679,152,047.79	—	3,237,597,565.09

(Expressed in Renminbi Yuan)

XIII. OTHER IMPORTANT ITEMS (continued)

1. Segment reporting (continued)

Operating segment information (continued)

2015 (Restated)

	Natural Rubber	Rubber Chemicals	Chemical Logistics	Distribution and Trade	Agrochemical	Chemical Intermediates and New Materials	Others	Adjustments and offsets	Total
Sales to external customers	12,939,049,436.28	2,197,272,563.10	3,864,531,112.29	16,150,638,051.20	2,642,696,559.09	5,951,504,181.18	1,294,716.93	—	43,746,986,620.07
Inter-segment revenue	—	—	33,684,641.50	—	—	—	—	(33,684,641.50)	—
Gain on investment in joint ventures and associates	16,559,702.78	—	(3,060,417.44)	(25,651,975.00)	1,479,717.64	5,745,211.53	212,400,785.92	—	207,473,025.43
Asset impairment loss	454,580,486.41	47,118,517.23	23,416,874.60	12,680,567.18	6,953,665.18	50,767,203.76	99,524,668.57	—	695,041,982.93
Depreciation and amortization expenses	694,446,765.75	244,225,784.55	1,459,325,344.64	3,863,465.06	175,563,274.15	602,132,055.14	30,550,323.29	—	3,210,107,012.58
Total profit	(515,762,281.68)	486,266,853.57	512,108,924.28	34,991,711.16	32,889,024.76	680,728,838.86	147,777,070.78	—	1,379,000,141.73
Tax expense	49,802,951.72	142,397,688.95	116,343,971.70	8,747,927.79	18,624,856.59	158,353,272.53	(137,905,309.53)	—	356,365,359.75
Total assets	9,327,659,705.20	3,926,496,498.44	8,038,226,364.58	5,811,933,427.01	2,570,077,473.49	9,680,412,101.41	23,280,253,376.27	(22,176,327,240.62)	40,458,731,705.78
Total liabilities	2,523,025,630.64	595,846,147.63	5,287,019,916.74	2,863,504,621.49	1,853,871,261.31	3,710,508,117.16	16,185,004,770.35	(12,206,645,448.57)	20,812,135,016.75
Other disclosures									
Long term equity investment in joint ventures and associates	1,387,249,386.36	—	334,803,526.19	132,626,619.33	685,129,215.67	150,290,083.42	687,693,018.88	—	3,377,791,849.85

Information on products and services

Sales to external customers

	2016	2015
Natural Rubber	11,898,784,743.05	12,939,049,436.28
Rubber Chemicals	2,272,913,851.51	2,197,272,563.10
Chemical Logistics	4,034,898,468.04	3,864,531,112.29
Distribution and Trade	14,131,210,176.73	16,150,638,051.20
Chemical Intermediates and New Materials	5,468,502,889.96	5,951,504,181.18
Agrochemical	2,837,107,879.90	2,642,696,559.09
Others	13,328,002.57	1,294,716.93
	40,656,746,011.76	43,746,986,620.07

(Expressed in Renminbi Yuan)

XIII. OTHER IMPORTANT ITEMS (continued)

1. Segment reporting (continued)

Geographic information

As the Group's business has a global coverage, making a specific division between origins of income is impossible. Non-current assets for business within China (by registration place of companies) excluding financial assets, assets of independent accounts and deferred tax assets recorded RMB 10,394,920,563.33.

Non-current assets other than financial assets and deferred tax assets are attributable to the locations of the assets.

Major client information

Since the Group has a wide major business scope, covering rubber, logistics, marketing and agrochemical, there is no dependence on specific customers.

2. Leases

As lessor

For the fixed assets leased out under operating lease arrangements refer to Note V (17).

As lessee

Significant operating leases: according to lease agreements entered into between the Group and the lessors, the non-cancellable minimum lease payments are as follows:

	2016	2015
Within 1 year (1 year inclusive)	655,636,111.91	347,477,764.13
1 to 2 years (2 years inclusive)	629,243,790.65	303,627,984.02
2 to 3 years (3 years inclusive)	532,870,615.03	282,555,131.45
Over 3 years	2,240,584,323.55	983,927,588.86
	4,058,334,841.14	1,917,588,468.46

3. Comparative data

As mentioned in Note VI. (2), there was a business combination under common control during this year, and thus the related accounting treatments, presentation and amounts in the financial statements have been modified accordingly. Related data of previous years have also been reclassified and restated to meet this year's presentation and accounting requirements.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

Aging analysis of accounts receivable is as follows:

	2016	2015
Within 1 year	655,350,684.44	640,460,528.92
1 to 2 years	—	58,968.98
2 to 3 years	—	112,518.60
Over 3 years	540,392.06	427,873.46
	655,891,076.50	641,059,889.96
Less:Provision for bad debts	540,392.06	10,683,649.87
	655,350,684.44	630,376,240.09

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Accounts receivable (continued)

Movements in provision for bad debts are as follows:

	Opening balance	Increase	Less: Decrease		Closing balance
			Reversal	write-off	
2016	10,683,649.87	96,179.78	12,061.90	10,227,375.69	540,392.06
2015	439,164.72	10,244,485.15	—	—	10,683,649.87

	2016				2015			
	Closing balance		Bad-debt provision		Closing-balance		Bad-debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Individually significant and subject to separate provision	222,859,316.83	33.98	365,270.32	0.16	360,983,150.00	56.31	—	—
Provision based on combination of credit risk characteristics	175,121.74	0.02	175,121.74	100.00	586,076.74	0.09	442,989.38	75.59
Not individually significant but subject to separate provision	432,856,637.93	66.00	—	—	279,490,663.22	43.60	10,240,660.49	3.66
	655,891,076.50	100.00	540,392.06	0.08	641,059,889.96	100.00	10,683,649.87	1.67

Description of accounts receivable categories:

	2016			2015		
	Balance	Percentage (%)	Bad debt provision	Balance	Percentage (%)	Bad debt provision
Accounts receivable with insignificant individual amount but with higher risk from portfolio combined based on features of credit risk:						
1 to 2 years	—	10.00	—	58,968.98	10.00	5,896.90
2 to 3 years	—	20.00	—	112,519.10	20.00	22,503.82
Over 3 years	175,121.74	100.00	175,121.74	414,588.66	100.00	414,588.66
Total	175,121.74		175,121.74	586,076.74		442,989.38

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

1. Accounts receivable (continued)

In 2016, the bad debt provision for accounts receivable was RMB 96,179.78 (2015: RMB 10,244,485.15), and the reversal of bad debt provision was RMB 12,061.90 (2015: Nil).

In 2016, the Company had offset accounts receivable of RMB 10,227,375.69. (2015: Nil).

2. Other receivables

Aging analysis of other receivables is as follows:

	2015	2014
Within 1 year	236,276,325.35	454,430,496.11
1 to 2 years	27,878,395.00	247,648.50
2 to 3 years	608,958.40	59,211,122.00
Over 3 years	2,124,237.99	9,134,370.43
	266,887,916.74	523,023,637.04
Less: provision for bad debts	29,228,186.74	95,083,934.56
	237,659,730.00	427,939,702.48

Movements in provision for bad debts are as follows:

	Opening balance	Provision for bad debt	Less: Decrease		Ending balance
			Reversal	Write-off	
2016	95,083,934.56	148,631.98	4,380.00	66,000,000.00	29,228,186.74
2015	68,245,973.41	26,886,955.08	46,375.68	2,618.25	95,083,934.56

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

	2016				2015			
	Carrying amount		Bad-debt-provision		Carrying amount		Bad-debt-provision	
	Amount	Percentage (%)	Amount	Percentage of provision (%)	Amount	Percentage (%)	Amount	Percentage of provision (%)
Individually significant and separate provision	193,468,418.39	72.49	28,882,575.08	14.93	135,889,389.88	25.98	66,000,000.00	48.57
Provision based on combination of credit risk characteristics	1,729,016.31	0.65	345,611.66	19.99	593,140.93	0.11	201,359.68	33.95
Individually insignificant but subject to separate provision	71,690,482.04	26.86	—	—	386,541,106.23	73.91	28,882,575.08	7.47
	266,887,916.74	100.00	29,228,186.74	10.95	523,023,637.04	100.00	95,083,934.76	18.18

Description of categories of other receivables:

Other receivables under aging analysis for bad debt provisions as follows:

	2016			2015		
	Book value	Percentage (%)	Bad debt provision	Book value	Percentage (%)	Bad debt provision
Accounts receivable with insignificant individual amount but with higher risk from portfolio combined based on features of credit risk:						
1 to 2 years	995,819.92	10.00	99,581.99	247,648.50	10.00	24,764.85
2 to 3 years	608,958.40	20.00	121,791.68	211,122.00	20.00	42,224.40
Over 3 years	124,237.99	100.00	124,237.99	134,370.43	100.00	134,370.23
Total	1,729,016.31		345,611.66	593,140.93		201,359.48

In 2016, the Company had bad debt provision of RMB 148,631.98 (2015: RMB 26,886,955.08), and the recovery and reversal of bad debt provision was RMB 4,380.00 (2015: RMB46,375.68).

In 2016, the Company had actual write-offs of RMB 66,000,000.00 (2015: RMB 2,618.25).

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

2. Other receivables (continued)

Other receivables by nature are as follows:

	2016	2015
Futures margin	176,527,747.87	71,716,678.52
Receivable export tax rebate	6,185,664.53	26,208,145.39
Others	54,946,317.60	330,014,878.57
	237,659,730.00	427,939,702.48

At 31 December 2016, the top five other receivables are as follows:

	Ending balance	Percentage (%)	Nature	Aging	Bad debt provision ending balance
Company A	113,526,468.19	42.54	Future margin	Within 1 year	—
Company B	41,304,602.96	15.48	Future margin	Within 1 year	—
Company C	26,882,575.08	10.07	Claim settlement	1 to 2 years	26,882,575.08
Company D	9,754,772.16	3.66	Cash margin	Over 5 years	—
Company E	2,000,000.00	0.75	Purchases	Over 5 years	2,000,000.00
	193,468,418.39	72.50			28,882,575.08

At 31 December 2015, the top five other receivables are as follows:

	Ending balance	Percentage (%)	Nature	Aging	Bad debt provision ending balance
Company A	9,769,811.76	1.87	Leasing Deposits	Within 1 year	—
Company B	20,334,200.00	3.89	Future margin	Within 1 year	—
Company C	19,785,378.12	3.78	Future margin	Within 1 year	—
Company D	20,000,000.00	3.82	Future margin	Within 1 year	—
Suzhou Sinochem International Polyurethane-Co.,Ltd	66,000,000.00	12.62	Entrusted loans	3 to 4 years	66,000,000.00
	135,889,389.88	25.98			66,000,000.00

3. Other current assets

	2016	2015
Entrusted loans	1,049,480,457.84	3,866,364,590.74
VAT payable input	—	96,789,724.75
	1,049,480,457.84	3,963,154,315.49

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments

2016

	Opening balance	Increase	Decrease	Movement Investment profits or losses under equity method	Other comprehensive income	Other movement of equity	Cash dividend	Additions of impairment provision	Ending balance	Ending provision
Equity method:										
Nantong Jiangshan Agrochemical co., LTD	685,129,215.67	—	—	13,900,846.96	—	—	1,733,682.54	—	697,296,380.09	—
Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd	687,693,018.88	—	—	73,271,264.12	—	465,667.82	82,277,903.03	—	679,152,047.79	—
Cost method:										
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	—	—	—	—	—	—	—	2,225,546,458.65	—
Jiangsu Ruishengxin Mstar Technology Co.,Ltd	460,591,814.16	—	—	—	—	—	—	—	460,591,814.16	—
Shanghai Sinochem Technology Co., Ltd.	20,000,000.00	—	—	—	—	—	—	—	20,000,000.00	—
Xishuangbanna Sinochem Rubber Co. Ltd	87,000,000.00	—	87,000,000.00	—	—	—	—	—	—	—
Hainan Rubber Co. Ltd.	46,796,983.47	—	46,796,983.47	—	—	—	—	—	—	—
Shanghai Wen Chuang Trading Co. Ltd.	1,000,000.00	—	—	—	—	—	—	—	1,000,000.00	—
Sinochem International Logistics Co., Ltd.	1,369,635,032.57	—	—	—	—	—	—	—	1,369,635,032.57	—
Shang Cheng Petrochemical (Hong Kong) Co., Ltd	7,000,000.00	—	—	—	—	—	—	—	7,000,000.00	—
Sinochem Crop Protection Products Co., Ltd.	800,000,000.00	—	—	—	—	—	—	—	800,000,000.00	—
Shanghai Dehuan Property Co., Ltd.	542,614,043.32	—	—	—	—	—	—	—	542,614,043.32	—
	8,280,040,823.37	—	133,796,983.47	87,172,111.08	—	465,667.82	84,011,585.57	—	8,149,870,033.23	—

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

4. Long-term equity investments (continued)

2015

	Opening balance	Increase	Decrease	Movement Investment profits or losses under equity method	Other comprehensive income	Other movement of equity	Cash dividend	Additions of impairment provision	Ending balance	Ending provision
Equity method:										
Jiangyin Sangyang Spandex Co. Ltd	3,719,025.00	—	(3,719,025.00)	—	—	—	—	—	—	—
Nantong Jiangshan Agrochemical Co., Ltd	701,982,510.71	—	—	1,479,717.64	—	(418,293.10)	17,914,719.58	—	685,129,215.67	—
Sinochem Xinzhong Oil Staging (Zhoushan) Co., Ltd	664,236,774.44	—	—	91,807,520.63	—	(51,554.15)	68,299,722.04	—	687,693,018.88	—
Jiangsu Yangnong Chemical Group Co.,Ltd	1,969,691,546.76	—	(2,034,476,999.70)	84,111,172.45	—	14,920,017.15	34,245,736.66	—	—	—
Jiangsu Ruishengxin Mstar Technology Co.,Ltd.	440,443,625.17	—	(460,591,814.16)	20,148,188.99	—	—	—	—	—	—
Cost method:										
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	—	—	—	—	—	—	2,225,546,458.65	—
Jiangsu Ruishengxin Mstar Technology Co.,Ltd	—	460,591,814.16	—	—	—	—	—	—	460,591,814.16	—
Shanghai Sinochem Technology Co., Ltd.	—	20,000,000.00	—	—	—	—	—	—	20,000,000.00	—
Xishuangbanna Sinochem Rubber Co. Ltd	87,000,000.00	—	—	—	—	—	—	—	87,000,000.00	—
Hainan Rubber Co. Ltd.	46,796,983.47	—	—	—	—	—	—	—	46,796,983.47	—
Suzhou Sinochem International Pu Co. Ltd.	36,000,001.00	—	(36,000,001.00)	—	—	—	—	—	—	—
Shanghai Wen Chuang Trading Co. Ltd.	1,000,000.00	—	—	—	—	—	—	—	1,000,000.00	—
Sinochem International Logistics Co., Ltd.	2,689,635,032.57	—	(1,320,000,000.00)	—	—	—	—	—	1,369,635,032.57	—
Shang Cheng Petrochemical (Hong Kong) Co., Ltd	7,000,000.00	—	—	—	—	—	—	—	7,000,000.00	—
Sinochem Crop Protection Products Co., Ltd.	800,000,000.00	—	—	—	—	—	—	—	800,000,000.00	—
Shanghai Dehuan Property Co., Ltd.	542,614,043.32	—	—	—	—	—	—	—	542,614,043.32	—
	9,337,153,799.09	2,706,138,272.81	(3,854,787,839.86)	197,546,599.71	—	14,450,169.90	120,460,178.28	—	8,280,040,823.37	—

(Expressed in Renminbi Yuan)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (continued)

5. Revenue and operating costs

Revenue and operating costs are as follows:

	2016		2015	
	Revenue	Operating costs	Revenue	Operating costs
Principal Operations	9,261,886,153.36	8,697,378,080.48	12,661,637,087.29	12,066,239,997.00
Other operations	6,008,856.61	4,965,808.19	4,493,479.81	1,172,579.55
	9,267,895,009.97	8,702,343,888.67	12,666,130,567.10	12,067,412,576.55

6. Investment income

	2016	2015
Investment income from long-term equity investments under cost method	289,180,418.30	653,038,300.00
Investment income from long-term equity investments under equity method	87,172,111.08	197,546,599.71
Including:		
Gains on joint venture investment	*87,172,111.08*	*197,546,599.71*
Gains on disposal of long-term equity investments in subsidiaries	185,556,516.53	1,044,000.37
Investment income from available-for-sale financial assets during holding period	469,648.46	291,713.88
Investment income from disposal of financial assets held for trading at fair value through profit or loss	(310,444,961.51)	80,725,816.26
Investment income from entrusted loans	35,969,743.01	50,351,623.96
Investment income from wealth management products	117,949,835.93	147,511,368.40
	405,853,311.80	1,130,509,422.58

7. Supplementary information to the statement of cash flows

	2016	2015
Net profit	27,422,563.43	494,398,186.19
Add: Asset impairment provision	80,860,236.87	549,352,044.27
Depreciation of fixed assets	8,085,236.17	5,466,943.90
Amortization of intangible assets	5,142,637.28	5,150,033.57
Gain from disposal of fixed assets, intangible assets and other non-current assets	(84,665.33)	(299,835.15)
Gain or loss on fair value changes	96,159,573.31	(33,594,037.91)
Financial expenses	214,133,514.65	287,461,165.61
Investment gain or loss	405,853,311.80	(1,130,509,422.58)
Increase in deferred tax assets	(89,776,091.64)	(93,784,025.73)
Increase/(decrease) in inventories	364,635,537.79	(734,514,628.19)
Decrease/(increase) in operating receivables	(692,350,635.88)	887,800,241.45
Decrease in operating payables	(1,226,121,819.12)	(573,199,615.99)
Net cash flows used in operating activities	(806,040,600.67)	(336,272,950.56)
Net changes in cash and cash equivalents:		
Cash at end of year	2,980,499,788.76	696,710,567.36
Less: Cash at beginning of year	696,710,567.36	1,134,639,699.87
Net increase/(decrease) in cash And cash equivalents	2,283,789,221.40	(437,929,132.51)

(Expressed in Renminbi Yuan)

1. Summary of non-recurring profit or loss

	2016
Gain or loss on disposal of non-current assets, including the reversal of impairment provision for such assets	(24,804,326.49)
Government grants charged to profit or loss in the current period (except those closely related to the normal operation of the Company and received constantly at a fixed amount or quantity according to a certain standard based on state policies)	153,335,747.17
Besides effective hedging business related to normal operation of the Company, Profit or loss from changes in fair value of financial assets and liabilities held for trading, and investment income gained from disposal of financial assets and liabilities held for trading and available-for-sale financial assets	(204,175,470.17)
The net profits or losses of the subsidiary acquired from the business combination under common control, from the beginning of the year to the combination date	(40,692,288.56)
Interest income from outward entrusted loans	—
Gain or loss from debt restructuring	—
Other non-operating income and expenses	26,844,343.45
Less: Impact on income tax	(21,450,433.04)
Less: Impact on non-controlling interests (after tax)	51,493,798.93
	(119,535,360.49)

The Group recognizes non-recurring profit or loss in accordance with "Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public – Non-recurring profit and loss" (CSRC Announcement [2008] No.43).

Notes to the significant non-recurring profit and loss items:

(1) Loss on disposal of non-current assets

Loss on disposal of non-current assets mainly included the loss of disposal of general equipment and special equipment during the current year.

(2) Government grants charged to profit or loss in the current period

Government grants charged to profit or loss in the current period mainly included: financial support of "Thirteenth Five-year plan" of RMB 1,850,000.00; financial support for patents transformation from significant technological achievements of RMB 2,200,000.00; environmental protection guidance fund of RMB 2,663,500.00; rewards for enterprise talent attraction and development of RMB 2,772,433.09; RMB 15,000,000.00 of one-off shipping subsidy from the Bureau of Finance of Pudong New District; financial support of "Twelfth Five-Year Plan" of RMB 6,276,000.00; financial support from Development and Management Committee of World Expo Region of Shanghai Pudong New District of RMB 4,450,000.00; financial support for logistics infrastructure construction of RMB 4,000,000.00; industry support for key enterprises of RMB 4,700,000.00; rewards for capacity improvement and tax contribution by Jiangsu shengo chemical technology co., Ltd. of RMB 47,608,000.00; rewards for industry revitalization and technology innovation of RMB 41,570,000.00 received by Jiangsu Sinorgchem Technology Co., Ltd..

(3) Profits and losses arising from changes in fair value of held-for-trading financial assets and liabilities and investment income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets

This mainly included: net profit from the forward foreign exchange contracts, rubber futures contracts and finance products held by the Company and the changes in fair value was RMB 288,996,806.49; net loss from the forward foreign exchange contracts, futures contracts held by Sinochem International (Overseas) Pte., Ltd. and the changes in fair value was RMB 24,184,229.76; net profit from the

(Expressed in Renminbi Yuan)

1. Summary of non-recurring profit or loss (continued)

Notes to the significant non-recurring profit and loss items (continued):

(3) Profits and losses arising from changes in fair value of held-for-trading financial assets and liabilities and investment income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (continued)

forward foreign exchange contracts and rubber futures contracts held by GMG Global and the changes in fair value was RMB 21,350,088.51; net profit from the rubber futures contracts held by Halcyon Agri Corporation Limited and the changes in fair value was RMB 108,439,215.88; net loss from finance products held by Jiangsu Sinorgchem Technology Co., Ltd. and the changes in fair value was RMB 73,565,587.17; net loss from finance products held by Jiangsu Yangnong Chemical (Group) Co., Ltd. and the changes in fair value was RMB 115,289,508.01; net loss from forward foreign exchange contracts held by Sinochem Crop Protection Australia. and the changes in fair value was RMB 6,126,750.06.

(4) Other non-operating income and expenses

Other non-operating income and expenses mainly included: claim income of RMB 11,330,135.98; liabilities not requested to pay of RMB 8,901,802.87; surplus current assets of RMB 2,758,427.48; and financial support fund from SINOSURE of RMB 2,005,220.91.

2. Return on equity and earnings per share

2016

	Weighted average of return on equity (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	0.51%	0.03	0.03
Net profit attributable to the Company's ordinary shareholders, excluding non-recurring profit or loss	1.56%	0.08	0.08

2015

	Weighted average of return on equity (%)	Earnings per share	
		Basic	Diluted
Net profit attributable to the Company's ordinary shareholders	4.19%	0.23	0.23
Net profit attributable to the Company's ordinary shareholders, excluding non-recurring profit or loss	0.64%	0.03	0.03

The Company had no potentially dilutive ordinary shares.

ISSUER

Sinochem International Development Pte. Ltd.
8 Marina View, #34-03
Asia Square Tower 1
Singapore (018960)

GUARANTOR

Sinochem International Corporation (中化国际（控股）股份有限公司)
No. 233 North Changqing Rd
Sinochem International Plaza
Pudong New Area, Shanghai
PRC 200125

TRUSTEE

Citicorp International Limited
39/F, Champion Tower
3 Garden Road
Central
Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Issuer and the Guarantor as to English law

Linklaters
10th Floor
Alexandra House
18 Chater Road, Hong Kong

To the Issuer and the Guarantor as to Singapore law

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

To the Issuer and the Guarantor as to PRC law

Anjie Law Firm
19/F, Tower D1
Liangmaqiao Diplomatic Office Building
No. 19 Dongfangdonglu, Chaoyang District
Beijing, China 100600

To the Joint Lead Managers as to English law

Clifford Chance Pte. Ltd.
12 Marina Boulevard
25th Floor, Marina Bay Financial Centre Tower 3
Singapore 018982

To the Joint Lead Managers as to PRC law

Tian Yuan Law Firm
Room 4403-4406, Jinmao Tower
88 Century Avenue
Pudong
Shanghai, China

To the Trustee as to English law

Clifford Chance
27th Floor Jardine House
One Connaught Place
Hong Kong

AUDITORS OF THE GUARANTOR

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738