SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

Report of the Directors and Audited Consolidated Financial Statements

31 December 2017

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017.

Principal activities and business review

The principal activity of the Company is investment holding. Details of the principal activities of the Company’s principal subsidiaries, joint ventures and associates are set out in notes 1, 19 and 20 to the consolidated financial statements, respectively. During the year, the board of directors made its decisions to sell the Group’s oil and gas business and chartered shipping services business. Details are set out in notes 9 and 42.

Results and dividends

The Group’s profit for the year ended 31 December 2017 and the Group’s financial position at that date are set out in the consolidated financial statements on pages 7 to 132.

Dividends amounting to US$259,710,000 (equivalent to HK$2,025,736,000) were paid to the immediate parent during the year ended 31 December 2017.

Details of dividends distribution during the year are set out in note 10 to the consolidated financial statements.

Share capital

There were no movements in the Company’s share capital during the year.

Distributable reserves

At 31 December 2017, the Group's reserves available for distribution, calculated in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to HK$17,710,220,000.

Directors

The directors of the Company during the year and as at the date of this report are as follows:

Li Lin
Hu Xuejing
Ning Gaoning

In accordance with the Company’s articles of association, all the directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors’ rights to acquire shares

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company’s directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, nor were any such rights exercised by them.

Directors' interests in transactions, arrangements or contracts

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transaction, arrangements or contracts of significance to the business of the Company to which the holding companies of the Company, or any of the Company’s subsidiaries or fellow subsidiaries was a party during the year.

<u>Events after the reporting period</u>
Details of the significant events of the Group after the reporting period are set out in note 52 to the consolidated financial statements.

<u>Auditors</u>
Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

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Ning Gaoning
Director

Hong Kong
25 May 2018

Ernst & Young
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Independent auditor's report
To the members of Sinochem Hong Kong (Group) Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 7 to 132 which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion
We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill	
The Group recorded goodwill amounting to approximately HK$4 billion as at 31 December 2017, arising from the acquisitions of the real estate and fertiliser business segments. The Group is required to perform impairment testing for goodwill according to the accounting standards on an annual basis, and the assessment process is complex and highly judgemental. In addition, the fertiliser market suffered a downturn and the fertiliser business of the Group suffered an operating loss in the year, which indicates potential impairment of goodwill. The accounting policies and disclosures of impairment of goodwill are included in note 2.4 "Business combinations and goodwill", note 3 "Estimation uncertainty - (k) Impairment of goodwill" and note 16 "Goodwill" to the consolidated financial statements.	We performed audit procedures on the key assumptions and methodologies used by management for the impairment testing of goodwill. We assessed whether management's assumptions on future revenue and growth rate were appropriate by comparing with the historical growth rate, external market/industry forecast data and inflation estimates; and we reviewed the operating cost projections by comparing with historical information and other evidence of determining the future operating costs provided by management. In addition, we also involved our internal valuation specialists in reviewing the model and key assumptions used, such as the discount rate and growth rate. Moreover, we reviewed the adequacy of the relevant disclosures about those assumptions regarding goodwill impairment testing in the consolidated financial statements.

Independent auditor's report (continued)
To the members of Sinochem Hong Kong (Group) Company Limited
(Incorporated in Hong Kong with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revaluation of investment properties	
The Group adopted the fair value model for its investment properties in accordance with HKAS 40 *Investment Property*. Changes in fair values were recorded in profit or loss. As at 31 December 2017, the Group's investment properties were revalued individually based on the valuations performed by independent professionally qualified appraisers. Different valuation techniques were applied to different types of investment properties. Both the year-end balance of the Group's investment properties of HK$34,149 million and the changes in fair value of HK$208 million were significant to the consolidated financial statements, and the valuation involved management judgement and estimates based on a projection of future rental income, growth rate, vacancy rate, discount rate and reversionary yield. The accounting policies and disclosures of the revaluation of investment properties are included in note 2.4 "Investment properties", note 3 "Estimation uncertainty - (e) Estimation of fair value of investment properties" and note 14 "Investment properties" to the consolidated financial statements.	We obtained an understanding of the work of the Group's external specialists, and considered the competence and objectivity of the specialists. We involved internal valuation specialists to assist us in evaluating the valuation techniques and reviewing the underlying assumptions for selected samples. We compared market rental assumptions against actual rents of existing leasing contracts and external market rents; the expected vacancy rate against historical data maintained by the Group; and in respect of the discount rate, the growth rate and reversionary yield against those of peers with properties with similar nature and location. We also assessed the adequacy of the disclosures of investment properties, including valuation sensitivity and the fair value hierarchy in the consolidated financial statements.

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Independent auditor's report (continued)
To the members of Sinochem Hong Kong (Group) Company Limited
(Incorporated in Hong Kong with limited liability)

Other information included in the Annual Report
The directors of the Company are responsible for the other information. The other information comprises the information included in the report of the directors, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements
The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)
To the members of Sinochem Hong Kong (Group) Company Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Melody Lam Siu Wah.

Ernst & Young
Certified Public Accountants
Hong Kong
25 May 2018

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	64,093,911	54,985,555
Cost of sales		(49,648,550)	(42,414,867)
Gross profit		14,445,361	12,570,688
Other income, gains and losses, net	5	2,311,478	(3,077,608)
Selling and distribution expenses		(2,096,278)	(1,847,963)
Administrative expenses		(3,182,502)	(2,684,924)
Fair value changes of investment properties		208,496	849,859
Finance costs:	6		
Interest expenses		(3,545,273)	(2,407,700)
Transaction costs		(48,129)	(54,648)
Share of profits and losses of:			
Joint ventures		52,053	(169,992)
Associates		(65,365)	(22,681)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	8,079,841	3,155,031
Income tax expense	8	(4,275,275)	(4,367,044)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		3,804,566	(1,212,013)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	9	691,808	(457,900)
PROFIT/(LOSS) FOR THE YEAR		4,496,374	(1,669,913)
Attributable to:			
Owners of the parent		2,322,483	(2,632,407)
Non-controlling interests		2,173,891	962,494
		4,496,374	(1,669,913)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
PROFIT/(LOSS) FOR THE YEAR		4,496,374	(1,669,913)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value	21	413,889	(260,675)
Reclassification adjustments for losses included in profit or loss -disposal of investments		(231,693)	-
Exchange differences:			
Exchange differences on translation of foreign operations		6,906,819	(6,386,351)
Reclassification adjustments for foreign operations disposed of during the year	42	311,617	-
Net investment hedges, net of tax		(91,329)	-
Cash flow hedges, net of tax		(18,674)	6,674
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		7,290,629	(6,640,352)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation, net of tax		179,767	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		7,470,396	(6,640,352)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		11,966,770	(8,310,265)
Attributable to:			
Owners of the parent		6,435,259	(6,249,890)
Non-controlling interests		5,531,511	(2,060,375)
		11,966,770	(8,310,265)

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	15,964,002	16,084,858
Land under development	12	10,764,743	13,085,054
Properties under development	13	50,096,965	30,096,644
Investment properties	14	34,148,727	25,017,316
Prepaid land lease payments	15	2,397,575	2,389,817
Goodwill	16	4,056,810	4,015,165
Intangible assets	17	730,134	2,591,338
Oil and gas properties	18	-	38,370,781
Investments in joint ventures	19	4,043,164	3,399,878
Investments in associates	20	5,584,783	13,748,056
Available-for-sale investments	21	2,284,356	2,228,678
Amounts due from related parties	22	33,643,023	9,028,458
Deferred tax assets	36	1,866,535	2,492,600
Amounts due from non-controlling shareholders	23	3,590,662	345,624
Other non-current assets	24	502,764	764,937
Total non-current assets		169,674,243	163,659,204
CURRENT ASSETS			
Inventories	25	6,638,299	9,232,877
Land under development	12	8,226,615	6,172,126
Properties under development	13	29,488,514	17,875,471
Properties held for sale	26	14,083,435	12,468,230
Prepaid land lease payments	15	80,423	74,891
Trade and bills receivables	27	1,661,962	24,397,135
Prepayments, deposits and other receivables	28	25,696,013	11,522,796
Amounts due from related parties	22	40,617,081	38,508,635
Tax recoverable		2,563,049	1,755,427
Derivative financial instruments	29	11,988	511,391
Restricted bank balances	30	3,870,247	2,602,997
Cash and cash equivalents	30	27,671,639	23,669,346
Other financial assets	24	7,182,594	79,852
Assets held for sale	31	9,627,989	-
Total current assets		177,419,848	148,871,174

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SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2017

	Notes	31 December 2017 HK$'000	31 December 2016 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	32	13,595,358	46,891,422
Other payables and accruals	33	74,375,266	45,863,465
Derivative financial instruments	29	174,829	1,152,993
Interest-bearing borrowings	34	34,726,336	20,103,290
Amounts due to related parties	22	15,824,905	15,054,498
Tax payable		1,795,759	2,620,985
Provision for land appreciation tax	35	4,346,920	3,626,586
Total current liabilities		144,839,373	135,313,239
NET CURRENT ASSETS		32,580,475	13,557,935
TOTAL ASSETS LESS CURRENT LIABILITIES		202,254,718	177,217,139
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	34	80,191,096	68,356,739
Deferred tax liabilities	36	6,416,073	8,439,189
Deferred income		103,376	117,662
Amounts due to related parties	22	1,794,450	-
Other non-current liabilities	37	117,863	2,082,074
Total non-current liabilities		88,622,858	78,995,664
NET ASSETS		113,631,860	98,221,475
CAPITAL AND RESERVES			
Issued capital	38	24,468,400	24,468,400
Perpetual capital securities	39	4,619,260	4,619,260
Reserves		22,852,848	18,853,348
Equity attributable to owners of the parent		51,940,508	47,941,008
Non-controlling interests		61,691,352	50,280,467
TOTAL EQUITY		113,631,860	98,221,475

宁高宁

Director

胡柏静

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Notes	Attributable to owners of the parent												Attributable to non-controlling interests		
		Issued capital HK$'000	Capital reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	Merger reserve HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other contribution reserve HK$'000 (Note d)	Perpetual capital securities HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Share option reserve of subsidiaries HK$'000	Total equity HK$'000
At 1 January 2017		24,468,400	(1,626,749)	393,469	(3,836,771)	3,017,174	307,725	(2,170,134)	2,433,070	4,619,260	33,257	20,302,307	47,941,008	50,263,930	16,537	98,221,475
Profit for the year		-	-	-	-	-	-	-	-	-	-	2,322,483	2,322,483	2,173,891	-	4,496,374
Other comprehensive income/(loss) for the year																
Change in fair value of available-for-sale investments	21	-	-	-	-	-	397,792	-	-	-	-	-	397,792	16,097	-	413,889
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	(18,674)	-	(18,674)	-	-	(18,674)
Net investment hedges, net of tax		-	-	-	-	-	-	-	-	-	(49,276)	-	(49,276)	(42,053)	-	(91,329)
Gains on property revaluation, net of tax		-	-	179,257	-	-	-	-	-	-	-	-	179,257	510	-	179,767
Reclassification adjustments of losses included in profit or loss – disposal of available-for-sale investments		-	-	-	-	-	(231,693)	-	-	-	-	-	(231,693)	-	-	(231,693)
Reclassification adjustments of exchange differences for foreign operations disposed of during the year	42	-	-	-	-	-	-	183,413	-	-	-	-	183,413	128,204	-	311,617
Exchange differences on translation of foreign operations		-	-	-	-	-	-	3,651,957	-	-	-	-	3,651,957	3,254,862	-	6,906,819
Total comprehensive income/(loss) for the year, net of tax		-	-	179,257	-	-	166,099	3,835,370	-	-	(67,950)	2,322,483	6,435,259	5,531,511	-	11,966,770
Exercise of share options		-	(8,923)	-	-	-	-	-	-	-	-	-	(8,923)	19,630	(1,761)	8,946
Acquisition of non-controlling interests		-	237	-	-	-	-	-	-	-	-	-	237	(101,016)	-	(100,779)
Disposal of subsidiaries	42	-	(712,164)	-	-	-	-	-	(9,897)	-	-	9,897	(712,164)	(3,438,794)	-	(4,150,958)
Disposal of an associate		-	(31,721)	-	-	-	-	-	-	-	-	-	(31,721)	-	-	(31,721)
Transfer from retained profits		-	-	-	-	857,767	-	-	-	-	-	(857,767)	-	-	-	-
Dividends distributed	10	-	-	-	-	-	-	-	-	-	-	(2,025,736)	(2,025,736)	-	-	(2,025,736)
Dividends declared by subsidiaries to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(5,050,417)	-	(5,050,417)
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	-	-	-	2,939	2,939	-	(2,939)	-
Capital contribution from non-controlling interests		-	343,356	-	-	-	-	-	-	-	-	-	343,356	6,941,202	-	7,284,558
Distribution paid for perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(234,047)	(234,047)	(431,136)	-	(665,183)
Distribution paid for perpetual convertible securities issued by China Jinmao Holdings Group Limited ("Jinmao")		-	-	-	-	-	-	-	-	-	-	-	-	(106,080)	-	(106,080)
Repurchase of Jinmao's perpetual convertible securities (Note e)		-	-	-	-	-	-	-	-	-	-	(201,656)	(201,656)	(3,230,738)	-	(3,432,394)
Equity-settled share-based payment of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	12,983	15,214	28,197
Issue of Jinmao's perpetual securities, net of issue expenses (Note f)		-	-	-	-	-	-	-	-	-	-	-	-	10,697,189	-	10,697,189
Maintenance and production fund		-	-	-	-	-	-	-	4,192	-	-	(4,192)	-	-	-	-
Acquisition of subsidiaries	41	-	-	-	-	-	-	-	-	-	-	-	-	167,563	-	167,563
Reclassification of capital reserve for a held-for-sale associate	31	-	431,956	-	-	-	-	-	-	-	-	-	431,956	388,474	-	820,430
At 31 December 2017		24,468,400	(1,604,008)*	572,726*	(3,836,771)*	3,874,941*	473,824*	1,665,236*	2,427,365*	4,619,260	(34,693)*	19,314,228*	51,940,508	61,664,301	27,051	113,631,860

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2017

	Notes	Attributable to owners of the parent												Attributable to non-controlling interests		
		Issued capital HK$'000	Capital reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	Merger reserve HK$'000 (Note b)	Statutory reserve HK$'000 (Note c)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Other contribution reserve HK$'000 (Note d)	Perpetual capital securities HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Share option reserve of subsidiaries HK$'000	Total equity HK$'000
At 1 January 2016		23,753,000	(1,205,415)	393,469	(3,836,771)	2,602,712	556,999	1,204,749	2,429,975	4,619,260	26,583	24,044,843	54,589,404	47,558,163	19,190	102,166,757
Profit/(loss) for the year		-	-	-	-	-	-	-	-	-	-	(2,632,407)	(2,632,407)	962,494	-	(1,669,913)
Other comprehensive income/(loss) for the year																
Change in fair value of available-for-sale investments	21	-	-	-	-	-	(249,274)	-	-	-	-	-	(249,274)	(11,401)	-	(260,675)
Cash flow hedges, net of tax		-	-	-	-	-	-	-	-	-	6,674	-	6,674	-	-	6,674
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(3,374,883)	-	-	-	-	(3,374,883)	(3,011,468)	-	(6,386,351)
Total comprehensive income/(loss) for the year, net of tax		-	-	-	-	-	(249,274)	(3,374,883)	-	-	6,674	(2,632,407)	(6,249,890)	(2,060,375)	-	(8,310,265)
Issue of shares	38	715,400	-	-	-	-	-	-	-	-	-	-	715,400	-	-	715,400
Equity-settled share-based payments of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	4,918	5,767	10,685
Acquisition of non-controlling interests		-	(395,428)	-	-	-	-	-	-	-	-	-	(395,428)	(3,142,147)	-	(3,537,575)
De-registration of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
Transfer from retained profits		-	-	-	-	414,462	-	-	-	-	-	(414,462)	-	-	-	-
Dividends distributed	10	-	-	-	-	-	-	-	-	-	-	(387,980)	(387,980)	-	-	(387,980)
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	-	-	-	-	8,420	8,420	-	(8,420)	-
Dividends declared by subsidiaries to non-controlling interests		-	(33,424)	-	-	-	-	-	-	-	-	-	(33,424)	(897,927)	-	(931,351)
Capital contribution from non-controlling interests		-	16,599	-	-	-	-	-	-	-	-	-	16,599	4,478,135	-	4,494,734
Issue of Jinmao's perpetual capital securities, net of issue expenses		-	-	-	-	-	-	-	-	-	-	-	-	6,237,015	-	6,237,015
Distribution paid for perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(232,950)	(232,950)	-	-	(232,950)
Repurchase of Jinmao's perpetual convertible securities (Note e)		-	-	-	-	-	-	-	-	-	-	(80,062)	(80,062)	(1,615,801)	-	(1,695,863)
Distribution paid for perpetual convertible securities issued by Jinmao		-	-	-	-	-	-	-	-	-	-	-	-	(288,858)	-	(288,858)
Share of associates' net assets changes		-	(9,081)	-	-	-	-	-	-	-	-	-	(9,081)	(9,192)		(18,273)
Maintenance and production fund		-	-	-	-	-	-	-	3,095	-	-	(3,095)	-	-	-	-
At 31 December 2016		24,468,400	(1,626,749)*	393,469*	(3,836,771)*	3,017,174*	307,725*	(2,170,134)*	2,433,070*	4,619,260	33,257*	20,302,307*	47,941,008	50,263,930	16,537	98,221,475

continued/…

Notes:

(a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables; (ii) contributions transfer of equity interest in a joint venture to the Group in previous years; and (iii) contributions made by the shareholders to the Company's subsidiaries.

(b) The merger reserve of the Group comprises the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the holding companies of the acquiree as consideration for the group restructuring transactions.

(c) The statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant People's Republic of China (the "PRC") rules and regulations, the Group's PRC subsidiaries are required to transfer an amount of their profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The appropriation to the reserve fund and enterprise expansion fund is determined by the articles of association of the Company's subsidiaries and approval by the boards of directors of the subsidiaries.

(d) Other contribution reserve mainly comprises capital contributions, maintenance and production fund, capital contribution for energy saving and emission reduction projects, and deemed contributions from equity owners net of deemed distributions to equity owners. The maintenance and production fund is appropriated/utilised in accordance with the relevant PRC regulations on certain enterprises.

(e) On 12 October 2010, Franshion Capital Limited, a direct wholly-owned subsidiary of China Jinmao Holding Group ("Jinmao"), a non-wholly-owned subsidiary of the Company, issued perpetual convertible securities with a nominal value of US$600,000,000 (equivalent to approximately HK$4,655,166,000). The direct transaction costs attributable to the perpetual convertible securities amounted to HK$67,166,000.

On 14 June 2016, Jinmao partially repurchased perpetual convertible securities with an aggregate principal amount of US$200,000,000 (equivalent to approximately HK$1,529,333,000), at the total consideration of US$218,340,000 (equivalent to approximately HK$1,695,863,000).

On 27 April 2017, Jinmao repurchased the remaining perpetual convertible securities with an aggregate principal amount of US$400,000,000 (equivalent to approximately HK$3,058,667,000), at a total consideration of US$441,133,000 (equivalent to approximately HK$3,432,394,000).

(f) On 17 January 2017, Franshion Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued subordinate guaranteed perpetual capital securities with an amount of US$497,615,000 (equivalent to approximately HK$3,859,200,000), at 99.523% of the principal amount of US$500,000,000. The direct transaction costs attributable to the issuance amounted to US$3,862,000 (equivalent to approximately HK$29,951,000). The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 3 July 2017, Franshion Brilliant Limited issued the senior guaranteed perpetual capital securities in an aggregate principal amount of US$300,000,000 (equivalent to HK$2,344,233,000). On 1 September 2017, Franshion Brilliant Limited completed another issue of the senior guaranteed perpetual capital securities with an amount of US$200,182,000 (equivalent to HK$1,521,245,000), at 100.091% of the principal amount of US$200,000,000 and an accrued distribution of US$1,289,000 (equivalent to HK$9,795,000) compensated from the bankers. The securities confer a right to receive distribution at 4.00% per annum payable semi-annually in arrears beginning on 3 January 2018 with no stated maturity date. The transaction costs related to the issuance were approximately US$1,735,000 (equivalent to HK$13,336,000).

Notes: (continued)

(f) (continued)

On 6 November 2017, Franshion Brilliant Limited issued the subordinate guaranteed perpetual capital securities with an aggregate principal amount of US$300,000,000 (equivalent to approximately HK$2,291,484,000). The direct transaction costs attributable to the issuance amounted to US$196,000 (equivalent to approximately HK$1,494,000). The issuer may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the issuer, in whole but not in part.

On 22 December 2017, Jinmao Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of Jinmao, completed an issue of the guaranteed perpetual capital securities, in an aggregate principal amount of RMB621,000,000 (equivalent to HK$716,013,000) with the trust plan established by Hwabao Trust Co., Ltd. The securities confer a right to receive distribution at 6.95% per annum payable semi-annually in arrears beginning on 21 June 2018.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of the securities above due to redemption other than an unforeseen liquidation of Jinmao or the issuers. Accordingly, these securities are classified as equity instruments.

* These reserve accounts comprise the consolidated reserves of HK$22,852,848,000 (2016: HK$18,853,348,000) in the consolidated statement of financial position.

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		8,079,841	3,155,031
From discontinued operations	9	703,263	(922,146)
Adjustments for:			
Losses/(gains) on disposal of:			
Property, plant and equipment	5	7,429	6,879
Subsidiaries	5	(3,148,480)	(427)
Associates		-	(87,580)
A joint venture	5	15	17,216
Gain on bargain purchase	5	(1,844)	-
Provision in relation to the held-for-sale associate	5	820,430	-
Write-off of non-demand payables	5	(8,937)	(5,514)
Impairment losses on:			
Oil and gas properties		-	340,178
Property, plant and equipment	5	1,062,871	425,005
Available-for-sale investments	5	93,010	-
(Reversal of impairment loss)/impairment loss on investments in associates	5	(36,791)	3,307,421
Impairment losses, net of reversal, on trade and bills receivables, and other receivables		4,285	23,508
Write-down of inventories	7	37,847	45,301
Fair value (gains)/losses on:			
Derivative financial instruments	5	(49,655)	33,207
Transfers from properties held for sale to investment properties	5	(8,616)	(62,981)
Equity interest previously held as investments in joint ventures	5	(28,041)	-
Finance costs		3,671,764	2,622,976
Share of profits and losses of joint ventures		(52,053)	169,992
Share of profits and losses of associates		5,514	(48,019)
Interest income		(1,314,560)	(809,433)
Fair value changes of investment properties		(208,496)	(849,859)
Depreciation of:			
Oil and gas properties		-	2,696,635
Property, plant and equipment	7	799,494	833,239
Amortisation of:			
Other non-current assets	7	7,421	6,605
Intangible assets	7	48,389	74,365
Prepaid land lease payments	7	77,447	74,096
Dividend income from available-for-sale investments	5	(2,225)	(5,010)
Equity-settled share option expense	7	28,197	10,685
		10,587,519	11,051,370
Decrease/(increase) in inventories		641,308	(8,800)
Decrease/(increase) in land under development		2,078,133	(1,818,052)
Increase in properties under development		(49,423,049)	(24,061,344)
Decrease in properties held for sale		19,682,498	17,051,512
Increase in trade and bills receivables		(2,116,311)	(9,732,329)
Increase in prepayments, deposits and other receivables		(12,756,991)	(6,564,653)
Increase in amounts due from related parties		(10,287,611)	(9,219,631)
Decrease in other non-current assets		-	4,188

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES (continued)			
(Decrease)/increase in trade and bills payables		(1,651,383)	11,271,763
Increase in other payables and accruals and other current liabilities		4,964,164	20,402,273
Increase in derivative financial instruments		560,326	434,489
Increase in amounts due to related parties		5,309,600	396,165
Increase/(decrease) in deferred income and other non-current liabilities		50,893	(11,034)
Cash (used in)/generated from operating activities		(32,360,904)	9,195,917
Income tax paid		(4,370,003)	(3,153,585)
Land appreciation tax paid		(742,304)	(583,699)
Net cash flows (used in)/from operating activities		(37,473,211)	5,458,633
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,625,268	913,389
Dividends received from:			
Joint ventures		-	3,506
Associates		59,218	143,446
Available-for-sale investments		2,225	5,010
Purchase of property, plant and equipment		(749,794)	(935,509)
Proceeds from disposal of available-for-sale investments		101,432	-
Proceeds from disposal of a joint venture		2,367	102,840
Proceeds from disposal of an associate		2,789,061	-
Disposal of subsidiaries	42	(676,561)	(169,142)
Increase in other financial assets		34,909	(32,108)
Purchase of oil and gas properties		-	(776,628)
Purchase of investment properties		(4,273,913)	(22,845)
Increase in other non-current assets and intangible assets		(23,379)	(20,791)
Acquisition of subsidiaries		(80,995)	-
Additional investments in joint ventures		(869,476)	(2,095,469)
Additional investments in associates		(1,334,540)	(832,114)
Purchase of available-for-sale investments		-	(986,930)
(Increase)/decrease in restricted bank deposits		(1,267,358)	688,182
Placement of other deposits		(4,071,243)	(9,545,357)
Proceeds from withdrawal of other deposits		4,071,243	9,546,760
Decrease in amounts due from related parties		11,665,355	2,147,516
(Increase)/decrease in advances of loans to non-controlling interests		(4,487,822)	91,250
(Increase)/decrease in entrusted loans to third parties		(885,671)	228,112
Prepaid investment cost		-	(1,116,342)
Increase in other investing activities		22,489	16,288
Net cash flows from/(used in) used in investing activities		1,652,815	(2,646,936)

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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term commercial paper		-	3,506,100
Repayment of short-term commercial paper		(2,306,000)	(3,506,100)
Distribution paid for perpetual capital securities		(665,183)	(232,950)
Distribution paid for perpetual convertible securities		(106,080)	(288,858)
Issue of perpetual securities, net of issue expenses		10,697,189	6,237,015
New bank loans and other loans		94,247,376	65,981,694
Repayment of bank loans and other loans		(66,107,029)	(56,527,448)
Proceeds from notes issuance under medium-term note programme		-	1,168,700
Capital contribution from non-controlling interests		7,284,558	4,494,734
Dividends paid		(2,025,736)	(387,980)
Dividends paid to non-controlling interests of subsidiaries		(4,747,022)	(1,014,504)
Advance from non-controlling shareholders		8,646,778	-
Interest paid		(5,518,405)	(4,503,279)
Advance of investment from a third party		5,871,094	-
Decrease in amounts due to related parties		(1,646,673)	(7,773,300)
Proceeds from exercise of share options		8,946	-
Acquisition of non-controlling interests		(100,779)	(3,395,543)
Repurchase of perpetual convertible securities		(3,432,394)	(1,695,863)
Net cash flows from financing activities		40,100,640	2,062,418
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,280,244	4,874,115
Cash and cash equivalents at beginning of year	30	23,669,346	18,548,767
Effect of foreign exchange rate changes, net		(277,951)	246,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	27,671,639	23,669,346

1. CORPORATE AND GROUP INFORMATION

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at 46th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal joint ventures and associates are set out in notes 19 and 20 to the consolidated financial statements, respectively.

In the opinion of the directors, the Company's ultimate parent is Sinochem Group Co., Ltd. (the "ultimate parent" or "Sinochem Group"), and the immediate parent is Sinochem Corporation Co., Ltd. (the "immediate parent" or "Sinochem Corporation"), both of them are established in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinmao	Hong Kong	HK$10,671,811,000	53.95%	-	Investment holding
Sinochem International Oil (Hong Kong) Company Limited	Hong Kong	HK$20,000,000	100.00%	-	Trading of oil products
Sinofert Holdings Limited ("Sinofert")	Bermuda	HK$702,446,000	52.65%	-	Investment holding
Sinochem Asia Holdings Co., Ltd.	Singapore	US$50,642,154	100.00%	-	Investment holding
Sinochem Europe Holdings PLC	United Kingdom	US$13,031,000	100.00%	-	Investment holding
Sinochem (United Kingdom) Limited	United Kingdom	US$4,805,642	100.00%	-	Trading of chemicals
Sinochem Overseas Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Offshore Capital Company Limited	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Overseas Trading Co., Ltd.	BVI	US$1	100.00%	-	Investment holding
Sinochem CP Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of notes
Sinochem Global Capital Co., Ltd.	BVI	US$1	100.00%	-	Financing vehicle for issuance of capital securities

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Shanghai International Shipping Service Centre Co., Ltd. ("SISSC") (note iii)	PRC/Mainland China	RMB3,150,000,000	-	26.98%	Property development
Sinochem Franshion Property (Beijing) Co., Ltd.	PRC/Mainland China	US$635,000,000	-	53.95%	Property development
Shanghai Yin Hui Real Estate Development Co., Ltd. ("Shanghai Yin Hui") (note iii)	PRC/Mainland China	RMB1,355,000,000	-	26.98%	Property development
Chongqing Xingtuo development Co., Ltd.	PRC/Mainland China	US$200,000,000	-	53.95%	Property development
Chongqing Xingqian Properties Development Co., Ltd. (note iv)	PRC/Mainland China	RMB2,884,540,000	-	24.28%	Property development
Jinmao Hangzhou Property Development Co., Ltd. (note iii)	PRC/Mainland China	RMB3,200,000,000	-	26.98%	Property development
Nanjing Xingtuo Investment Co., Ltd. (note ii)	PRC/Mainland China	RMB3,000,000,000	-	43.16%	Land development
Beijing Chemsunny Property Co., Ltd.	PRC/Mainland China	US$102,400,000	-	53.95%	Property investment
Sinochem International Property and Hotels Management Co., Ltd.	PRC/Mainland China	RMB387,600,000	-	53.95%	Property investment
Wangfujing Hotel Management Co., Ltd. (note ii)	PRC/Mainland China	US$73,345,000	-	36.02%	Hotel operation
China Jin Mao Group Co., Ltd. (note ii)	PRC/Mainland China	RMB2,635,000,000	-	36.02%	Hotel operation and property investment
Jin Mao (Beijing) Real Estate Co., Ltd. (note ii)	PRC/Mainland China	RMB1,600,000,000	-	36.02%	Hotel operation
Jin Mao Sanya Resort Hotel Co., Ltd. (note ii)	PRC/Mainland China	RMB300,000,000	-	36.02%	Hotel operation
Changsha Jin Mao Meixi Lake International Plaza Properties Limited	PRC/Mainland China	US$600,000,000	-	53.95%	Property development

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Jin Mao Sanya Tourism Co., Ltd. (note ii)	PRC/Mainland China	RMB500,000,000	-	36.02%	Hotel operation
Jin Mao Shenzhen Hotel Investment Co., Ltd. (note ii)	PRC/Mainland China	RMB700,000,000	-	36.02%	Hotel operation
Jin Mao (Li Jiang) Hotel Investment Co., Ltd. (note ii)	PRC/Mainland China	RMB100,000,000	-	36.02%	Hotel operation
Jin Mao Investment (Changsha) Co., Ltd. (note ii)	PRC/Mainland China	RMB3,750,000,000	-	43.16%	Land development
Franshion Brilliant Limited	BVI/Hong Kong	US$1	-	53.95%	Investment holding
Franshion Capital Limited	BVI/Hong Kong	US$1	-	53.95%	Investment holding
Changsha Franshion Shengrong Properties Limited	PRC/Mainland China	RMB500,160,000	-	53.95%	Property development
Franshion Properties (Suzhou) Limited	PRC/Mainland China	US$395,000,000	-	53.95%	Property development
Franshion Properties (Ningbo) Limited	PRC/Mainland China	US$254,000,000	-	53.95%	Property development
Beijing Franshion Yicheng Properties Limited	PRC/Mainland China	RMB1,742,800,000	-	53.95%	Property development
Jinmao (China) Hotel Investments and Management Limited ("JCHIML") (notes i and ii)	Cayman Islands	HK$2,000,000	-	36.02%	Investment holding
Guangzhou Xingtuo Properties Limited (note ii)	PRC/Mainland China	RMB2,260,000,000	-	48.56%	Property development
Changsha Jinmao City Construction Limited	PRC/Mainland China	RMB2,962,500,000	-	53.95%	Land development
Franshion Properties (Hangzhou) Limited (note ii)	PRC/Mainland China	RMB1,882,350,000	-	45.86%	Property development

continued/…

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinmao Investments Management Co., Ltd.	PRC/Mainland China	US$8,000,000	-	53.95%	Investment holding
Shanghai Jin Mao Economic Development Company Ltd.	PRC/Mainland China	RMB30,000,000	-	53.95%	Property development
Nanjing Taimao Properties Development Ltd.	PRC/Mainland China	RMB1,400,000,000	-	53.95%	Property development
Jinmao Assets Management Limited Partnership	Cayman Islands	RMB11,811,608,710	-	53.95%	Property development
Suzhou Anmao Property Co., Ltd. ("Suzhou Anmao") (note v)	PRC/Mainland China	RMB4,500,000,000	-	14.30%	Property development
China Fertiliser (Holdings) Co., Ltd.	BVI	US$10,002	-	52.65%	Investment holding
Calories Ltd.	Hong Kong	HK$34,000	-	52.65%	Investment holding
Sinochem Fertiliser (Overseas) Holdings Ltd.	BVI	US$10,002	-	52.65%	Investment holding
Dohigh Trading Limited	Hong Kong	HK$15,000,000	-	52.65%	Fertiliser trading
Sinochem Fertiliser Co., Ltd. ("Sinochem Fertiliser")	PRC/Mainland China	RMB10,600,000,000	-	52.65%	Fertiliser trading
Sinochem Fertiliser Macao Commercial Offshore Limited	Macao	MOP100,000	-	52.65%	Fertiliser trading
Suifenhe Xinkaiyuan Trading Co., Ltd.	PRC/Mainland China	RMB5,000,000	-	52.65%	Fertiliser trading
Fujian Sinochem Zhisheng Chemical Fertiliser Co., Ltd. (note vi)	PRC/Mainland China	RMB47,000,000	-	28.00%	Sale and manufacture of fertilisers
Sinochem Chongqing Fuling Chemical Fertiliser Co., Ltd. (note vi)	PRC/Mainland China	RMB148,000,000	-	31.59%	Sale and manufacture of fertilisers

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name of entity	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong")	PRC/Mainland China	RMB500,000,000	-	52.65%	Sale and manufacture of feed stuff
Sinochem Yantai Crop Nutrition Co., Ltd.	PRC/Mainland China	US$1,493,000	-	52.65%	Sale and manufacture of fertilisers
Manzhouli Kaiming Fertiliser Co., Ltd	PRC/Mainland China	RMB5,000,000	-	52.65%	Fertiliser trading
Sinochem Jilin Changshan Chemical Co., Ltd. ("Changshan Chemical") (note vi)	PRC/Mainland China	RMB1,018,650,000	-	49.90%	Sale and manufacture of fertilisers
Sinochem Shandong Fertiliser Co., Ltd. (note vi)	PRC/Mainland China	RMB100,000,000	-	26.85%	Sale and manufacture of fertilisers
Hubei Sinochem Orient Fertiliser Co., Ltd. (note vi)	PRC/Mainland China	RMB30,000,000	-	42.12%	Sale and manufacture of fertilisers
Sinochem Fert-Mart Agricultural Superstore Co., Ltd.	PRC/Mainland China	RMB100,000,000	-	52.65%	Fertiliser retailing
Sinochem Hainan Crop Science and Technology Co., Ltd.	PRC/Mainland China	RMB200,000,000	-	52.65%	Sale of fertilisers
Pingyuan County Xinglong Textile Co., Ltd. (note vi)	PRC/Mainland China	RMB15,000,000	-	39.49%	Sale and manufacture of textiles

1. CORPORATE AND GROUP INFORMATION (continued)

Notes:

(i) Ordinary shares of JCHIML are stapled to units of a trust namely Jinmao Hotel, which are listed on the Main Board of the Stock Exchange of Hong Kong Limited. JCHIML and its subsidiaries are collectively referred to as the JCHIML Group.

(ii) The Company holds 53.95% of the shares of Jinmao, and Jinmao holds more than 50% of the registered capital of these entities or the parent company of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

(iii) Jinmao holds 50% of the registered capital of these entities, but Jinmao controls the boards of directors of these entities by virtue of its power to cast the majority of votes at meetings of the boards, and therefore has the power to exercise control over their operating and financial activities. Since Jinmao is a subsidiary of the Company, these entities are accounted for as a subsidiary by virtue of the Company's control over them.

(iv) The entity is a subsidiary of a non-wholly-owned subsidiary of Jinmao and, accordingly, is accounted for as a subsidiary by virtue of the Company's control over them.

(v) Jinmao is entitled to 52% voting rights at the shareholders' meetings, and therefore has the power to exercise over the entity's operating and management activities. Since Jinmao is a subsidiary of the Company, the entity is accounted for as a subsidiary by virtue of the Company's control over them.

(vi) The Company holds 52.65% of the shares of Sinofert, and Sinofert holds more than 50% of the registered capital of these entities. Therefore, these entities are accounted for as subsidiaries by virtue of the Company's control over them.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments which have been measured at fair value.

The financial information relating to the year ended 31 December 2017 included in the consolidated financial statements is not the Company's statutory annual consolidated financial statements for the year. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The statutory financial statements for the year ended 31 December 2017 will be delivered to the Registrar of Companies in due course. The Company has delivered the statutory financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

2.1 BASIS OF PREPARATION (continued)

The Company's auditor has reported on the statutory financial statements for the year ended 31 December 2017 on 25 May 2018. The auditor's report of the statutory financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As the Company is a Hong Kong incorporated company, the directors of the Company consider that it is more appropriate to have the consolidated financial statements presented in HK$.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 BASIS OF PREPARATION (continued)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned. When an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises comparative information for the prior period presented so that the disclosures for the latest period presented relate to all operations that have been discontinued by the end of the reporting period.

In January 2017, the Group disposed of all of its equity interests in subsidiaries engaged in the oil and gas exploration business (collectively, "Disposal Group One"); and in October 2017, the Group disposed of all of its equity interests in subsidiaries engaged in the oil trading business and chartered shipping services business (collectively, "Disposal Group Two"). The disposals are part of the internal reorganisation of Sinochem Group. The disposals of Disposal Group One and Disposal Group Two have been completed as at 31 December 2017.

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, Disposal Group One and Disposal Group Two were classified as discontinued operations and the operating results have been presented as discontinued operations in the consolidated statement of comprehensive income for the year ended 31 December 2017. The consolidated statement of comprehensive income and the related notes for the year ended 31 December 2016 have been restated to reflect the classification between continuing operations and the discontinued operations accordingly.

Details of the discontinued operations are disclosed in note 9 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 43(b) to the financial statements.

(b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity’s interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have no impact on the Group’s financial statements as the Group did not have any disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. Of those standards, HKFRS 9 and HKFRS 15 will be applicable for the Group's financial year ending 31 December 2018 and are expected to have a significant impact upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement
The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment
HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment assessment of its financial assets.

(c) Hedge accounting
As HKFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of HKFRS 9 will not have a significant impact on the Group’s financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies, as further explained below, will have a material impact on the Group’s financial statements from 2018 onwards. During 2017, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

The Group’s continuing principal activities consist of the manufacture and sale of fertilisers, city and property development, commercial leasing and retail operations, hotel operations, the provision of property management, design and decoration services, sale of chemical products and securities investment. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, the sale of completed properties for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there would be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For a contract where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The transaction price is determined by discounting the amount of promised consideration. The Group uses the same discount rate that it would use if it were to enter into a separate financing transaction with the customer. The discount rate reflects the credit characteristics of the borrower in the arrangement.

Under HKFRS 15, incremental costs of obtaining contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognised as contract assets if they are recoverable and subsequently amortised on a systematic basis consistent with the pattern of transfer of the services to which the asset relates. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract). The Group involved real estate agents to sell its property development projects. Upon the adoption of HKFRS 15, sales commissions paid to them that are directly related to sales achieved during a time period would represent incremental costs that would require capitalisation and amortisation when the related revenue is recognised.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements. Many of the disclosure requirements in HKFRS 15 are new and the Group has assessed that the impact of some of these disclosure requirements will be significant. In particular, the Group expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made on determination of the amount and timing of revenue from contracts with customers. The Group also needs to make disclosure of the closing balances of capitalised costs to obtain and fulfil a contract and the amount of amortisation in the period.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 45(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$149,638,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 28 issued in January 2018 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

A decrease in interest in an equity-accounted investee while maintaining equity accounting can result from a dilution. The Group’s policy is to recognise any gain or loss on dilution directly in equity, except when impairment indicators exist then the Group first assesses and recognises any impairment loss in accordance with the accounting policies described below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement
The Group measures its investment properties, derivative financial instruments, held-for-trading investments and listed equity investments in available-for-sale 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.

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 for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
  (i) has control or joint control over the Group;
  (ii) has significant influence over the Group; or
  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:
  (i) the entity and the Group are members of the same group;
  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  (iii) the entity and the Group are joint ventures of the same third party;
  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  (vi) the entity is controlled or jointly controlled by a person identified in (a);
  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Hotel properties	1.7% to 9.5%
Land and buildings	Over the shorter of the term of the lease or 20 to 50 years
Leasehold improvements	18% to 33.3%
Furniture and fixtures	3.8% to 33.3%
Office and machinery equipment	7.14% to 25%
Motor vehicles	8.3% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted prospectively if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leasehold land and buildings originally classified as investment properties at fair value are transferred to property, plant and equipment at a deemed cost equal to their fair value at the date of change in use.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for in asset revaluation reserve. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

Oil and gas properties

For oil and gas properties, the successful efforts method of accounting is adopted. The Group capitalises the initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement and charged to profit or loss as exploration expenses. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

Producing oil and gas properties are depreciated on a unit-of-production basis over the proved developed reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated based on the proved developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Capitalised acquisition costs of proved properties are depreciated on a unit-of-production method over the total proved reserves of the relevant oil and gas properties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life, while the pipeline usage rights acquired in business combination are amortised based on the units of production method and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Mining rights are stated at cost less accumulated amortisation and impairment losses and are amortised based on the units of production method utilising only recoverable reserves as the depletion base.

Operation leases
Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Non-current assets and disposal groups held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land under development

Land under development is stated at the lower of cost and net realisable value and comprises the compensation for land requisition, project cost, other preliminary infrastructure costs, borrowing costs, professional fees and other costs directly attributable to such land under development during the development period.

Land under development which has been pre-sold or intended for sale and is expected to be completed within one year from the end of the reporting period is classified under current assets. Net realisable value takes into account the Group's proceeds derived from the sale of land under development by government authorities, less costs to completion and the costs to be incurred in realising the revenue derived from the sale of land under development based on prevailing market conditions.

Properties under development

Properties under development are stated at the lower of cost and net realisable value and comprise construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which have been pre-sold or intended for sale and are expected to be completed within one year from the end of the reporting period are classified under current assets. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sales proceeds from properties sold in the ordinary course of business, less applicable variable selling expenses, or by management's estimates based on the prevailing market conditions, on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

As at 31 December 2017, the Group's financial assets included available-for-sale investments, amounts due from related parties, financial assets included in other assets, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, restricted bank balance , cash and cash equivalents.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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 financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss except crude oil derivative financial instruments are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as other income, gains and losses in profit or loss. Crude oil derivative financial instruments are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as revenue in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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

Derivative financial instruments are subsequently measured at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to 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. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income, gains and losses in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other income, gains and losses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
Financial assets carried at amortised cost (continued)
The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other income, gains and losses in profit or loss.

Available-for-sale financial investments
For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, interest-bearing borrowings, and amounts due to related parties.

Subsequent measurement

The Group subsequently measures its financial liabilities based on their classification as follows:

Financial liabilities at fair value through profit or loss

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.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Equity instrument

The equity instrument issued by the Group is recorded at the proceeds received, net of the direct issue cost.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as futures, forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. 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 of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)
Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method, except for the fertiliser-related inventories using the moving weighted-average method. In the case of work in progress and finished goods, cost comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provision above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Dismantlement liability is recognised when the Group has a present legal or constructive obligation as a result of the past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment or oil and gas properties. The amount recognised is the estimated cost of dismantlement, discounted to its present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Changes in the estimated timing of dismantlement or dismantlement cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment or oil and gas properties. The unwinding of the discount on the dismantlement provision is included as a finance cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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 loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) sales and purchases of physical commodities, which are not settled net, are presented on a gross basis as revenue and cost of goods sold in profit or loss. Activities related to trading and commodity-based derivative instruments are reported on a net basis, with the margin included in revenue;

(c) from the sale of completed properties, when the risks and rewards of ownership of the properties are transferred to the purchasers, that is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreements, and the collectability of related receivables is reasonably assured;

(d) from land development, when the risks and rewards in connection with the land development are transferred, that is when the related construction works have been completed as well as the land is sold, and the collectability of the proceeds from land sales is reasonably assured;

(e) from crude oil, natural gas, and other items are recognised when title passes to the customer, which is when the risk of ownership passes to the purchaser and physical delivery of goods occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry;

(f) from the oil and gas producing properties in which the Group has an interest with other producers are recognised based on the actual crude oil and natural gas volumes the Group sold during the period. Any differences between volumes sold and entitlement volumes, based on the Group’s net working interest, which are deemed to be recoverable through remaining production, are recognised as accounts receivable or accounts payable, as appropriate. Cumulative differences between volumes sold and entitlement volumes are generally not significant;

(g) rental income, on a time proportion basis over lease terms, except for contingent rental income which is recognised when it arises, where premiums received to terminate leases are recognised in profit or loss when they arise;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(h) hotel and other services income, in the period in which such services are rendered;

(i) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” below;

(j) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(k) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

Jinmao operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao's operations. Employees (including directors) of Jinmao receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 40 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and Jinmao's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)
Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of Jinmao's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit costs
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. Monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates at the date when the fair value was measured. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company’s net investment in a foreign operation, in which case, the exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e., HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

On the disposal of a foreign operation (i.e., a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the parent are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

<u>Judgements</u>
In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(a) Reserve base
Oil and gas properties are depreciated on a unit-of-production basis at a rate calculated by reference to proved reserves. Commercial reserves are determined using estimates of oil in place, future oil price and recovery factors, the latter having an impact on the proportion of the gross reserves which are attributable to the host government under the terms of the production sharing contracts. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group’s oil and gas properties has been impaired.

(b) Operating lease commitments – Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(c) Classification between investment properties and owner-occupied properties
The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

(d) Classification between investment properties and properties held for sale
The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation or both. Judgement is made by management in determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development if the properties are intended for sale after completion. Upon completion of construction, properties under development are transferred to properties held for sale and are stated at cost. Properties under construction are accounted for as investment properties if the properties are intended to be held to earn rentals and/or for capital appreciation after completion.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

(a) Impairment of non-financial assets other than goodwill and inventories

The Group assesses its non-financial assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets may not be recoverable and, as a result, charges for impairment are recognised in the Group's results from time to time. Such indicators include changes in the Group's business plans, changes in commodity prices leading to sustained unprofitable performance, an increase in the discount rate, change in estimation on future production period due to statutory requirements and approval, low plat utilisation, evidence of physical damage and, for oil and gas properties, significant downward revisions of estimated volumes or increases in estimated future development expenditure. If there are low fertiliser prices, oil prices, natural gas prices, refining margins or marketing margins and disapproval of future productions during an extended period, the Group may need to recognise significant impairment charges.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as political risks in the locations where assets are located, future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

(b) Measurement of land under development

The Group's land under development is stated at the lower of cost and net realisable value. Cost of land under development during the construction stage, before the final settlement of the development costs and other costs relating to the land under development are accrued by the Group based on management's best estimate. Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. Based on the Group's recent experience and the nature of the subject land development, the Group makes estimates of cost allocated to each parcel of land under development, and its net realisable value, i.e., the revenue to be derived from the land under development for sale by government authorities, less costs to completion and the costs to be incurred in realising the revenue from the sale of land under development based on prevailing market conditions.

If the cost is higher than the estimated net realisable value, provision for the excess of cost of land under development over its net realisable value should be made. Such provision would require the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for land under development in the periods in which such estimate is changed will be adjusted accordingly. The carrying amount of land under development at 31 December 2017 was HK$18,991,358,000 (2016: HK$19,257,180,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(c) Measurement of properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to completed properties held for sale upon completion. An apportionment of these costs will be recognised in profit or loss upon recognition of the sale of properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of that phase. Common costs are allocated to individual phases based on the estimated saleable area of the entire development project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect profit or loss in future years. The carrying amount of properties under development at 31 December 2017 was HK$79,585,479,000 (2016: HK$47,972,115,000).

(d) PRC land appreciation tax ("LAT")

Some subsidiaries of the Group are subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT tax returns and payments with the local tax authorities for its property development projects. The final outcome may be different from the amounts that were initially recorded, and the differences will affect the current income tax expense and LAT provision in the period when LAT is ascertained. The carrying amount of provision for LAT at 31 December 2017 was HK$4,346,920,000 (2016: HK$3,626,586,000).

(e) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- current prices in active markets for properties of a different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2017 was HK$34,148,727,000 (2016: HK$25,017,316,000). Further details, including the key assumptions used for the fair value measurement, are given in note 14 to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(f) Estimation of net realisable value of properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The net realisable value is assessed with reference to market conditions and prices existing at the end of the reporting period and is determined by the Group having taken suitable external advice and in light of recent market transactions. The carrying amount of properties held for sale at 31 December 2017 was HK$14,083,435,000 (2016: HK$12,468,230,000).

(g) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for a future period are adjusted if there are significant changes from previous estimations.

(h) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2017 was HK$137,154,000 (2016: HK$1,118,709,000).

(i) Deferred tax liabilities

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If these distributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liabilities would have increased by the same amount of approximately HK$1,334,211,000 (2016: HK$1,187,310,000).

(j) PRC corporate income tax

Some subsidiaries of the Group are subject to income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining in the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise. The carrying amount of PRC income tax payable at 31 December 2017 was HK$1,794,281,000 (2016: HK$2,490,592,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(k) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2017 was HK$4,056,810,000 (2016: HK$4,015,165,000).

(l) Impairment of trade and bills receivables and other receivables

The provision policy for impairment of trade and other receivables of the Group is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade and bills receivables and other receivables at 31 December 2017 were HK$1,661,962,000 (2016: HK$24,397,135,000) and HK$3,608,430,000 (2016: HK$2,440,066,000), respectively.

(m) Impairment of inventories

Determining whether inventories are impaired requires an estimation of their net realisable value. Net realisable value of inventories is the expected selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. The Group reassesses these estimates at the end of each reporting period. As at 31 December 2017, the carrying amount of inventories was HK$6,638,299,000 (2016: HK$9,232,877,000).

4. REVENUE AND BUSINESS ANALYSIS

Revenue

Revenue from continuing operations, which is also the Group's turnover, is analysed as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Sales of fertilisers	20,343,315	17,482,691
Sales of chemical products	6,836,394	5,366,053
Sales of properties	25,328,210	25,075,698
Hotel operation	2,386,686	2,208,882
Gross rental income	1,555,308	1,461,254
Land development	5,651,966	2,497,493
Property management	882,838	638,700
Others	1,109,194	254,784
	64,093,911	54,985,555

Business analysis

The Group organises its business activities into the following operating segments: (i) oil and gas, (ii) fertilisers, (iii) real estate, and (iv) others (mainly chemical product trading, chartered shipping services and securities investment). The following is an analysis of the Group's revenue and results by operating segment.

However, as disclosed in notes 2.1 and 9 to the financial statements, the Group disposed of its equity interests in the oil and gas segment in January 2017 and chartered shipping services business in the others segment in October 2017, respectively. Accordingly, the oil and gas segment and chartered shipping services business in the other segment have been classified as discontinued operations and excluded from the segment information for the year ended 31 December 2017. As a result, the comparative figures of segment information have been restated accordingly.

4. REVENUE AND BUSINESS ANALYSIS (continued)

Business analysis (continued)

	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Year ended 31 December 2017					
REVENUE					
External sales	20,343,315	35,805,008	7,945,588	-	64,093,911
Inter-segment sales-discontinued	-	-	1,079,915	(1,079,915)	-
Inter-segment sales-continuing	-	24,288	1,092,416	(1,116,704)	-
Total	20,343,315	35,829,296	10,117,919	(2,196,619)	64,093,911
Segment profit/(loss)	(2,176,276)	7,923,079	(1,586,863)	3,061,746	7,221,686
Interest income					1,314,560
Finance costs					(3,593,402)
Gain on disposal of subsidiaries					3,148,480
Loss on disposal of a joint venture					(15)
Share of results of:					
Joint ventures					52,053
Associates					(65,365)
Profit before tax from continuing operations					8,077,997

4. REVENUE AND BUSINESS ANALYSIS (continued)

Business analysis (continued)

	Fertilisers HK$'000	Real estate HK$'000 (Restated)	Others HK$'000 (Restated)	Eliminations HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Year ended 31 December 2016					
REVENUE					
External sales	17,482,691	31,882,027	5,620,837	-	54,985,555
Inter-segment sales-discontinued	-	1,797	820,446	(822,243)	-
Inter-segment sales-continuing	-	26,446	631,212	(657,658)	-
Total	17,482,691	31,910,270	7,072,495	(1,479,901)	54,985,555
Segment profit/(loss)	(5,253,768)	10,085,699	1,705,560	(1,428,778)	5,108,713
Interest income					718,128
Finance costs					(2,462,348)
Gain on disposal of subsidiaries					427
Loss on disposal of a joint venture					(17,216)
Share of results of:					
Joint ventures					(169,992)
Associates					(22,681)
Profit before tax from continuing operations					3,155,031

Segment profit or loss represents the results earned by or loss from each segment without allocation of interest income, gain on disposal of subsidiaries, loss on disposal of a joint venture, share of results of joint ventures and associates, and finance costs.

4. REVENUE AND BUSINESS ANALYSIS (continued)

	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000	Consolidated HK$'000
Year ended 31 December 2017				
Amounts included in the measure of segment profit or loss:				
Losses on disposal of property, plant and equipment	(457)	(6,972)	-	(7,429)
Write-off of non-demand payables	8,937	-	-	8,937
Provision in relation to the held-for-sale associate	(820,430)	-	-	(820,430)
Impairment losses on:				
Property, plant and equipment	(1,058,064)	-	(4,807)	(1,062,871)
Available-for-sale investment	(93,010)	-	-	(93,010)
Impairment of trade and bills receivables	-	(1,642)	-	(1,642)
Impairment of prepayments, deposits and other receivables	(48)	(2,595)	-	(2,643)
Reversal of impairment losses on an investment in an associate	36,791	-	-	36,791
Fair value gains, net:				
Derivative financial instruments	-	2,621	47,034	49,655
Transfers from properties held for sale to investment properties	-	8,616	-	8,616
Equity interest previously held as investments in joint ventures	-	28,041	-	28,041
Fair value changes of investment properties	-	83,135	125,361	208,496
Depreciation of property, plant and equipment	377,101	415,533	6,860	799,494
Amortisation of other non-current assets	7,421	-	-	7,421
Amortisation of intangible assets	37,230	11,159	-	48,389
Amortisation of prepaid land lease payments	15,027	62,177	243	77,447
Write-down of inventories	37,847	-	-	37,847
Accrued VAT expenses	-	(352,132)	-	(352,132)

4. REVENUE AND BUSINESS ANALYSIS (continued)

	Fertilisers HK$'000	Real estate HK$'000	Others HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Year ended 31 December 2016				
Amounts included in the measure of segment profit or loss:				
Losses on disposal of:				
Property, plant and equipment	(5,432)	(1,494)	-	(6,926)
Write-off of non-demand payables	4,323	-	-	4,323
Impairment losses on:				
Property, plant and equipment	(425,005)	-	-	(425,005)
An investment in an associate	(3,307,421)	-	-	(3,307,421)
Impairment of trade and bills receivables	(369)	-	-	(369)
Impairment of prepayments, deposits and other receivables	(24,464)	-	-	(24,464)
Provision for penalty claim	-	(113,790)	-	(113,790)
Reversal of impairment losses on:				
Trade and bills receivables	-	1,095	-	1,095
Other receivables	230	-	-	230
Fair value gains/(losses), net:				
Transfers from properties held for sale to investment properties	-	62,981	-	62,981
Derivative financial instruments	-	-	(33,207)	(33,207)
Fair value changes of investment properties	-	851,514	(1,655)	849,859
Depreciation of property, plant and equipment	426,205	390,403	7,385	823,993
Amortisation of other non-current assets	6,605	-	-	6,605
Amortisation of intangible assets	37,756	13,638	-	51,394
Amortisation of prepaid land lease payments	15,319	58,533	244	74,096
Write-down of inventories	69,399	-	(784)	68,615
Accrued VAT expenses	-	(166,502)	-	(166,502)

5. OTHER INCOME, GAINS AND LOSSES, NET

An analysis of other income, gains and losses from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Other income		
Interest on bank and other deposits	442,210	261,457
Interest on other advances	687,229	334,827
Interest on other financial assets	185,121	121,844
Dividend income from available-for-sale investments	2,225	5,010
Government grants (note i)	49,488	133,043
Compensation received	21,113	61,870
Sales of scrap materials	13,319	7,033
Sundry income	231,446	202,292
	1,632,151	1,127,376
Gains and losses		
Provision in relation to a held-for-sale associate (note 31)	(820,430)	-
(Losses)/gains on disposal of:		
Property, plant and equipment	(7,429)	(6,926)
Subsidiaries (note 42(c))	3,148,480	427
A joint venture	(15)	(17,216)
Gain on bargain purchase (note 41(a)/(b)/(c))	1,844	-
Write-off of non-demand payables	8,937	4,323
Impairment losses on:		
Property, plant and equipment (note 11)	(1,062,871)	(425,005)
Available-for-sale investments (note 21)	(93,010)	-
Reversal of impairment loss/(impairment loss) on an investment in an associate (note 31)	36,791	(3,307,421)
Impairment of trade and bills receivables	(1,642)	(369)
Impairment of prepayments, deposits and other receivables	(2,643)	(24,464)
Reversal of impairment losses on:		
Trade and bills receivables	-	1,095
Prepayments, deposits and other receivables	-	230
Foreign exchange differences, net	(224,581)	(71,928)
Fair value gains/(losses), net:		
Derivative financial instruments	49,655	(33,207)
Transfers from properties held for sale to investment properties	8,616	62,981
Equity interest previously held as investments in joint ventures	28,041	-
Provision for penalty claim	-	(113,790)
Accrued VAT expenses	(352,132)	(166,502)
Other expenses	(38,284)	(107,212)
	679,327	(4,204,984)
Other income, gains and losses, net	2,311,478	(3,077,608)

Note:

(i) Government grants mainly comprise proceeds received or receivable from the government to support the development of the businesses of group entities in accordance with applicable regulations in the PRC. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Interest on bank and other loans, overdrafts, notes and bonds	5,922,155	4,281,822
Interest on advances from related parties	140,968	78,707
Effective interest expenses on commercial papers	9,516	30,921
Total borrowing costs	6,072,639	4,391,450
Less: Interest capitalised in properties under development and other qualifying assets	(2,527,366)	(1,983,750)
Interest expenses	3,545,273	2,407,700
Transaction costs on arranging commercial papers	48,129	54,648
	3,593,402	2,462,348

7. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging:

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Depreciation of property, plant and equipment	11	799,494	823,993
Amortisation of other non-current assets		7,421	6,605
Amortisation of intangible assets	17	48,389	51,394
Amortisation of prepaid land lease payments		77,447	74,096
Minimum lease payments under operating leases of land and buildings		138,392	64,261
Auditors' remuneration		15,913	14,949
Direct operating expenses arising from investment properties that generated rental income		270,006	203,664
Write-down of inventories		37,847	68,615
Staff costs:			
Directors' other emoluments		3,042	2,529
Other staff costs		2,350,262	1,906,875
Equity-settled share option expense		28,197	10,685
Contributions to retirement benefit schemes		209,054	202,108
		2,590,555	2,122,197

8. INCOME TAX

	2017 HK$'000	2016 HK$'000 (Restated)
Hong Kong profits tax:		
Current tax	17,613	8,172
Overprovision in prior years	(22)	-
	17,591	8,172
PRC tax:		
Enterprise income tax ("EIT")	2,978,124	2,514,624
Land appreciation tax ("LAT") (note 35)	1,275,093	1,923,083
Underprovision in prior years	3,260	865
	4,256,477	4,438,572
Other jurisdictions:		
Current tax	2,257	6,986
Underprovision in prior years	68	33
	2,325	7,019
Deferred taxation (note 36)	(1,118)	(86,719)
Total tax charge for the year from continuing operations	4,275,275	4,367,044
Total tax charge/(credit) for the year from discontinued operations (note 9, note 36)	5,763	(464,246)
	4,281,038	3,902,798

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the PRC on EIT and the Implementation Regulation of the EIT Law, the tax rate for certain PRC subsidiaries is 25% (2016: 25%).

PRC corporate income tax has been provided at the rate of 25% (2016: 25%) on the taxable profits of the Group's PRC subsidiaries.

According to the requirements of the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all gains arising from a transfer of real estate property in Mainland China effective from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including borrowing costs and all property development expenditures.

8. INCOME TAX (continued)

The profit before tax per the consolidated statement of comprehensive income can be reconciled to the income tax expense as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Profit before tax from continuing operations	8,079,841	3,155,031
Profit/(loss) before tax from discontinued operations	703,263	(922,146)
	8,783,104	2,232,885
Tax at the statutory income tax rate	2,195,776	558,222
LAT (note 35)	1,275,093	1,923,083
Tax effect of LAT	(318,773)	(480,770)
Effect of lower or higher tax rates enacted by local authorities of other jurisdictions	(412,510)	(468,519)
Withholding tax on interest income from group companies	267,266	6,792
Underprovision/(overprovision) in prior years	3,306	(16,457)
Income not subject to tax	(334,399)	(386,369)
Expenses not deductible for tax	616,484	1,047,663
Tax effect of share of profits and losses of associates	40,292	6,322
Tax effect of share of profits and losses of joint ventures	(13,018)	42,498
Lower tax rate for gain on disposal of a PRC subsidiary	(226,000)	-
Tax losses utilised from previous periods	(31,297)	(3,617)
Tax effect of tax losses and deductible temporary differences not recognised	1,221,020	1,830,176
Translation adjustment	-	(239,504)
Write-down of deferred tax assets recognised in previous years	-	32,983
Others	(2,202)	50,295
Income tax expense	4,281,038	3,902,798
Tax charge from continuing operations	4,275,275	4,367,044
Tax charge/(credit) from discontinued operations	5,763	(464,246)

9. DISCONTINUED OPERATIONS

(a) On 1 January 2017, the Company disposed of all of its equity interests in Sinochem Petroleum Limited, Sinochem Resources UK Limited, and 99.8981% of the membership rights in Sinochem Petroleum Netherlands Cooperatief U.A. ("SPNC") (collectively referred to as "Disposal Group One") to SPEP Energy Hong Kong Limited, an associate of the Group's ultimate parent. The disposal is part of the internal reorganisation of Sinochem Group. The sales and transfers of the shares and membership rights were effectuated as of 1 January 2017, of which the consideration was based on the shareholding percentages and percentages of membership rights and the book values of the net assets of the above subsidiaries as of 31 December 2016. As at 31 December 2017, the oil and gas exploration business was classified as a discontinued operation and is no longer included in the note for operating segment information.

The results of the oil and gas exploration business for the year ended 31 December 2017 are presented below:

	Notes	2017 HK$'000	2016 HK$'000
REVENUE		-	3,049,015
Cost of sales		-	(4,764,802)
Gross profit		-	(1,715,787)
Other income, gains and losses, net		-	(222,469)
Selling and distribution expenses		-	(3,309)
Administrative expenses		-	(277,452)
Finance costs		-	(100,954)
Loss before tax from the discontinued operation		-	(2,319,971)
Income tax expense		-	462,159
		-	(1,857,812)
Loss on disposal of the discontinued operation	42(a)	(5,692)	-
Loss for the year from the discontinued operation		(5,692)	(1,857,812)

The net cash flows incurred by the oil and gas exploration business are as follows:

	2017 HK$'000	2016 HK$'000
Operating activities	-	(5,717,642)
Investing activities	-	(770,888)
Financing activities	-	6,563,664
Effect of foreign exchange rate changes, net	-	169,224
Net cash inflow	-	244,358

The carrying amounts of the assets and liabilities of the oil and gas exploration business at the date of disposal are disclosed in note 42(a).

9. DISCONTINUED OPERATIONS (continued)

(b) In October 2017, the Company disposed of all of its equity interests in Sinochem International Petroleum (Bahamas) Co., Ltd. and Sinochem International Oil (London) Co., Ltd. (collectively referred to as “Disposal Group Two”) to Sinochem Energy Hong Kong Co., Limited, a fellow subsidiary of the Company, for a cash consideration of US$1 and US$1, respectively. The disposal is part of the internal reorganisation of Sinochem Group. The disposal was completed on 31 October 2017. As at 31 December 2017, the oil trading business and chartered shipping services business were classified as a discontinued operation and are no longer included in the note for operating segment information.

The results of the oil trading business and chartered shipping services business for the period ended 31 October 2017 are presented below:

	2017 HK$'000	2016 HK$'000
REVENUE	327,752,098	261,574,766
Cost of sales	(326,968,118)	(260,110,476)
Gross profit	783,980	1,464,290
Other income, gains and losses, net	57,201	215,107
Selling and distribution expenses	(43,554)	(187,791)
Administrative expenses	(75,853)	(104,807)
Finance costs	(78,362)	(59,674)
Share of profits and losses of associates	59,851	70,700
Profit before tax from the discontinued operation	703,263	1,397,825
Income tax expense	(5,763)	2,087
Profit for the year from the discontinued operation	697,500	1,399,912

The net cash flows incurred by the oil trading business and chartered shipping services are as follows:

	2017 HK$'000	2016 HK$'000
Operating activities	(8,746,025)	8,330,706
Investing activities	6,550,733	(7,499,083)
Financing activities	2,166,559	(1,758,825)
Effect of foreign exchange rate changes, net	(43,926)	4,686
Net cash outflow	(72,659)	(922,516)

The carrying amounts of the assets and liabilities of the oil trading business and chartered shipping services at the date of disposal are disclosed in note 42(b).

10. DIVIDENDS

	2017	2016
	HK$'000	HK$'000
Dividends distributed during the year	2,025,736	387,980

According to the board of directors' meetings, on 27 March 2017, 12 May 2017, 28 July 2017 and 1 August 2017 dividends amounting to US$70,000,000, US$9,294,000, US$100,000,000 and US$80,416,000 (equivalent to HK$543,751,000, HK$72,355,000, HK$779,659,000 and HK$629,971,000) were paid to the immediate parent on 29 March 2017, 18 May 2017, 31 July 2017 and 1 August 2017, respectively.

11. PROPERTY, PLANT AND EQUIPMENT

	Hotel properties HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office and machinery equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2016 and at 1 January 2017:								
Cost	9,105,267	3,403,914	33,671	2,245,742	3,575,562	170,267	3,537,472	22,071,895
Accumulated depreciation and impairment	(1,417,060)	(1,175,594)	(31,768)	(1,293,512)	(1,955,575)	(113,528)	-	(5,987,037)
Net carrying amount	7,688,207	2,228,320	1,903	952,230	1,619,987	56,739	3,537,472	16,084,858
At 1 January 2017, net of accumulated depreciation and impairment	7,688,207	2,228,320	1,903	952,230	1,619,987	56,739	3,537,472	16,084,858
Additions	130,201	50,451	-	55,109	17,448	15,670	367,198	636,077
Acquisition of subsidiaries (note 41 (a)/(b)/(c))	-	38,079	-	1,227	-	401	-	39,707
Transfer from prepaid land lease payment	-	83,958	-	-	-	-	-	83,958
Transfers	800,365	224,829	-	9,595	34,254	178	(1,069,221)	-
Transfer from investment properties (note 14)	-	72,509	-	-	-	-	-	72,509
Transfer to investment properties (note 14)	-	(386,186)	-	-	-	-	-	(386,186)
Transfer from properties held for sale	148,917	-	-	-	-	-	-	148,917
Disposal	(67,439)	(3,105)	-	(55,704)	(423)	(3,339)	(12,149)	(142,159)
Disposal of subsidiaries (note 42 (a)/(b)/(c))	-	(1,532)	-	(213)	(9,735)	(1,845)	-	(13,325)
Gains on property revaluation in relation to the transfers to investment properties	-	227,569	-	-	-	-	-	227,569
Depreciation provided during the year	(257,540)	(144,184)	(976)	(152,758)	(229,016)	(15,020)	-	(799,494)
Impairment loss recognised in profit or loss	-	(317,264)	-	(1,429)	(716,979)	(5,459)	(21,740)	(1,062,871)
Exchange realignment	567,520	141,693	2	60,629	80,482	3,664	220,452	1,074,442
At 31 December 2017, net of accumulated depreciation and impairment	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002
At 31 December 2017:								
Cost	10,792,168	3,916,606	35,030	2,380,893	3,725,151	161,694	3,044,568	24,056,110
Accumulated depreciation and impairment	(1,781,937)	(1,701,469)	(34,101)	(1,512,207)	(2,929,133)	(110,705)	(22,556)	(8,092,108)
Net carrying amount	9,010,231	2,215,137	929	868,686	796,018	50,989	3,022,012	15,964,002

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Hotel properties HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office and machinery equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2015 and at 1 January 2016:								
Cost	9,599,425	3,101,152	36,028	2,350,585	2,779,450	207,885	6,508,148	24,582,673
Accumulated depreciation and impairment	(1,272,034)	(852,561)	(33,044)	(1,252,181)	(1,640,010)	(131,324)	-	(5,181,154)
Net carrying amount	8,327,391	2,248,591	2,984	1,098,404	1,139,440	76,561	6,508,148	19,401,519
At 1 January 2016, net of accumulated depreciation and impairment	8,327,391	2,248,591	2,984	1,098,404	1,139,440	76,561	6,508,148	19,401,519
Additions	41,740	8,230	-	47,707	32,712	9,805	558,497	698,691
Transfers	77,491	405,990	-	26,326	969,264	-	(1,479,071)	-
Transfer from investment properties (note 14)	-	40,448	-	-	-	-	-	40,448
Transfer from properties under development (note 13)	-	36,347	-	-	-	-	547,728	584,075
Transfer to properties under development (note 13)	-	-	-	-	-	-	(2,250,776)	(2,250,776)
Disposal	(7)	(1,168)	(46)	(3,319)	(6,425)	(9,704)	-	(20,669)
Disposal of a subsidiary (note 42(c))	-	-	-	(171)	-	-	-	(171)
Depreciation provided during the year	(235,319)	(147,056)	(1,030)	(151,580)	(283,064)	(15,190)	-	(833,239)
Impairment loss recognised in profit or loss	-	(244,381)	-	(458)	(179,806)	(360)	-	(425,005)
Exchange realignment	(523,089)	(118,681)	(5)	(64,679)	(52,134)	(4,373)	(347,054)	(1,110,015)
At 31 December 2016, net of accumulated depreciation and impairment	7,688,207	2,228,320	1,903	952,230	1,619,987	56,739	3,537,472	16,084,858
At 31 December 2016:								
Cost	9,105,267	3,403,914	33,671	2,245,742	3,575,562	170,267	3,537,472	22,071,895
Accumulated depreciation and impairment	(1,417,060)	(1,175,594)	(31,768)	(1,293,512)	(1,955,575)	(113,528)	-	(5,987,037)
Net carrying amount	7,688,207	2,228,320	1,903	952,230	1,619,987	56,739	3,537,472	16,084,858

The Group recognised impairment loss amounting to HK$1,062,871,000 (2016: HK$425,005,000) in 2017. In view of the loss sustained by Changshan Chemical, a subsidiary of Sinofert, for the year ended 31 December 2017, the directors of Sinofert considered that indicators of potential impairment of property, plant and equipment existed as at 31 December 2017. Sinofert re-assessed the recoverable amount of this cash generating unit with reference to its value in use, derived by using discounted cash flow analysis as at 31 December 2017. The key assumptions for the value in use calculation are those regarding the discount rate, estimated selling prices and selling quantities used in the cash flow forecasts. The pre-tax discount rate used in the value in use calculation is 13.6% (2016:13%). Based on the discounted cash flow forecast prepared, the value in use is lower than the carrying amount of this cash generating unit, the Group has recognised an impairment loss on property, plant and equipment of HK$1,058,064,000 in “other income, gains and losses, net” for the year ended 31 December 2017.

In the opinion of the directors, certain leasehold interests in land continue to be accounted for as property, plant and equipment as the allocation between the land and building elements cannot be made reliably.

The Group’s land and buildings are located outside Hong Kong and are held under medium term leases and long term leases.

At the end of the reporting period, certain of the Group’s property, plant and equipment with an aggregate net carrying amount of approximately HK$390,446,000 (2016: HK$372,519,000) were pledged to secure bank loans granted to the Group (note 34).

12. LAND UNDER DEVELOPMENT

Land under development represents the project cost, land requisition cost, compensation cost and other preliminary infrastructure costs in relation to Jinmao's land development projects in Changsha Meixi Lake and Nanjing Shangfang (the "Projects") which are situated in Mainland China. Though Jinmao does not have the ownership title or land use rights to such land, Jinmao is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities as well as other development works in the Projects. When the land plots are sold by the local government, Jinmao is entitled to receive from the local authorities the land development fee.

	2017 HK$'000	2016 HK$'000
Carrying amount:		
At 1 January	19,257,180	18,382,299
Additions	2,202,275	3,022,909
Recognised in profit or loss during the year	(3,760,128)	(889,458)
Exchange realignment	1,292,031	(1,258,570)
At 31 December	18,991,358	19,257,180
Current portion	(8,226,615)	(6,172,126)
Non-current portion	10,764,743	13,085,054

13. PROPERTIES UNDER DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Carrying amount:		
At 1 January	47,972,115	45,605,218
Additions	51,178,518	25,846,172
Acquisition of subsidiaries (note 41(b)/(c))	10,450,325	-
Disposal of subsidiaries (note 42(c))	(12,052,016)	(26,289)
Transfer to property, plant and equipment (note 11)	-	(584,075)
Transfer from property, plant and equipment (note 11)	-	2,250,776
Transfer from prepaid land lease payments	-	900,083
Transfer to properties held for sale	(22,350,890)	(22,886,472)
Exchange realignment	4,387,427	(3,133,298)
At 31 December	79,585,479	47,972,115
Current portion	(29,488,514)	(17,875,471)
Non-current portion	50,096,965	30,096,644

At 31 December 2017, certain of the Group's properties included in properties under development with a net carrying amount of approximately HK$30,899,794,000 (2016: HK$9,498,207,000) were pledged to secure bank loans granted to the Group (note 34).

14. INVESTMENT PROPERTIES

	2017 HK$'000	2016 HK$'000
Fair value:		
At 1 January	25,017,316	25,575,355
Additions	4,273,913	22,845
Fair value changes recognised in profit or loss	208,496	849,859
Transfer from property, plant and equipment (note 11)	386,186	-
Transfer to property, plant and equipment (note 11)	(72,509)	(40,448)
Transfer from properties held for sale	2,314,207	253,698
Transfer to properties held for sale	(37,967)	-
Acquisition of subsidiaries (note 41(a))	360,618	-
Disposal of subsidiaries (note 42(c))	(280,015)	-
Exchange realignment	1,978,482	(1,643,993)
At 31 December	34,148,727	25,017,316

The Group's investment properties mainly belong to Jinmao.

Jinmao's investment properties consist of 14 commercial properties in Mainland China. The directors of Jinmao have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. Jinmao's investment properties were revalued individually on 31 December 2017 based on valuations performed by Cushman & Wakefield Limited, Shanghai Cairui Real Estate Land Appraisal Co., Ltd., Beijing Renda Real Estate Appraisal Co., Ltd., and Beijing Zhuoxindahua Appraisal Co., Ltd., independent professionally qualified valuers. Each year, Jinmao's management decides to appoint which external valuers to be responsible for the external valuations of Jinmao's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Jinmao's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

These investment properties are leased under operating leases, further summary details of which are included in note 45(a) to the consolidated financial statements.

At 31 December 2017, certain of the Group's investment properties with a carrying value of HK$15,017,250,000 (2016: HK$13,966,886,000) were pledged to secure bank loans granted to the Group (note 34).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2017 using		
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:			
Commercial properties	327,263	33,821,464	34,148,727

	Fair value measurement as at 31 December 2016 using		
	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000
Recurring fair value measurement for:			
Commercial properties	136,857	24,880,459	25,017,316

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties
	HK$'000
Carrying amount at 1 January 2016	25,403,839
Additions	22,845
Net gain from a fair value adjustment	863,666
Transfer from properties held for sale	253,698
Transfer from property, plant and equipment	(22,414)
Exchange realignment	(1,641,175)
Carrying amount at 31 December 2016 and 1 January 2017	24,880,459
Additions	4,273,913
Net gain from a fair value adjustment	182,580
Transfer from properties held for sale	2,314,207
Transfer to properties held for sale	(37,967)
Transfer from property, plant and equipment	226,073
Transfer to property, plant and equipment	(72,509)
Acquisition of subsidiaries	360,618
Disposal of subsidiaries	(280,015)
Exchange realignment	1,974,105
Carrying amount at 31 December 2017	33,821,464

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average** 2017	2016
Property 1-Beijing Chemsunny World Trade Centre	Term and reversion method	Term yield	6.00%	6.00%
		Reversionary yield	6.50%	6.50%
		Market rent (per square metre ("sqm") per annum ("p.a."))	HK$5,969 – HK$10,899	HK$6,115 – HK$10,969
Property 2-Sinochem Tower	Term and reversion method	Term yield	3.00% – 6.00%	3.00% – 6.00%
		Reversionary yield	3.50% – 6.50%	3.50% – 6.50%
		Market rent (per sqm p.a.)	HK$3,542 – HK$11,207	HK$3,506 – HK$11,220
Property 3-Jinmao Tower	Term and reversion method	Term yield	3.50% – 4.50%	3.50% – 4.50%
		Reversionary yield	4.00% – 5.00%	4.00% – 5.00%
		Market rent (per sqm p.a.)	HK$4,718 – HK$13,490	HK$4,628 – HK$13,674
Property 4-Zhuhai Every Garden	Term and reversion method	Term yield	5.50% – 6.25%	5.50% – 6.25%
		Reversionary yield	6.00% – 6.50%	6.00% – 6.50%
		Market rent (per sqm p.a.)	HK$595 – HK$858	HK$628 – HK$870
Property 5-Nanjing Xuanwu Lake Jin Mao Plaza	Term and reversion method	Term yield	3.50% – 5.00%	3.50% – 5.50%
		Reversionary yield	4.00% – 5.50%	4.00% – 6.00%
		Market rent (per sqm p.a.)	HK$2,283 – HK$8,772	HK$2,314 – HK$8,548
Property 6-Changsha Meixi Lake International R&D Centre	Discounted cash flow method	Estimated rental value (per sqm p.a.)	HK$1,120	HK$1,177
		Rental growth p.a.	0.00% – 3.00%(3.00%)	0.00% – 3.00%(3.00%)
		Long term vacancy rate	4.11%	4.11%
		Discount rate	6.00%	6.00%
Property 7-Lijiang J-LIFE	Term and reversion method	Term yield	6.00%	6.00%
		Reversionary yield	6.50%	6.50%
		Market rent (per sqm p.a.)	HK$1,563	HK$1,293
Property 8-Shanghai International Shipping Service Centre	Market comparable method	Price per sqm	HK$65,577	HK$76,316
Property 9-Qingdao Jinmao Harbour Shopping Mall	Term and reversion method	Term yield	4.00%	N/A
		Reversionary yield	4.50%	N/A
		Market rent (per sqm p.a.)	HK$1,840	N/A
Property 10-Ningbo Jiayuan Plaza	Term and reversion method	Term yield	4.00%	N/A
		Reversionary yield	4.50%	N/A
		Market rent (per sqm p.a.)	HK$826 – HK$8,532	N/A

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

	Valuation techniques	**Significant unobservable inputs**	**Range or weighted average** 2017	2016
Property 11-Ningbo Huijin Tower	Term and reversion method	Term yield	4.00%	N/A
		Reversionary yield	4.50%	N/A
		Market rent (per sqm p.a.)	HK$8,532	N/A
Property 12-Changsha Jinmao Mall of Splendor	Discounted cash flow method	Estimated rental value (per sqm p.a.)	HK$1,461	N/A
		Rental growth p.a.	5.90%	N/A
		Long term vacancy rate	5.00%	N/A
		Discount rate	6.65%	N/A
Property 13-Beijing Chaoyang Jinmao Centre Project	Residual method	Developer's profit rate	5.00%	N/A
	Term and reversion method	Reversionary yield	5.00% – 6.00%	N/A
		Market rent (per sqm p.a.)	HK$2,670 – HK$4,843	N/A
Property 14-Nanjing Southern Hexi Yuzui Land Parcel No.G97	Residual method	Developer's profit rate	5.00%	N/A
	Term and reversion method	Reversionary yield	3.00% – 6.00%	N/A
		Market rent (per unit per p.a.)	HK$1,854 – HK$2,767	N/A

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The term and reversion method is used to measure the fair value of the properties by taking into account the rental income derived from the existing leases with due allowance for the reversionary income potential of the leases, which are then capitalised into the value at appropriate rates.

A significant increase/(decrease) in the term yield and the reversionary yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. A significant increase/(decrease) in the market rent would result in a significant increase/(decrease) in the fair value of the investment properties.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flows in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase/(decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the long-term vacancy rate and the discount rate in isolation would result in a significant decrease/(increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and the discount rate and an opposite change in the long term vacancy rate.

Under the market comparable method (or market comparable approach), a property's fair value is estimated based on comparable transactions. Although property interests are not homogeneous, the International Valuation Standards Council considers the market approach most commonly applied. In order to compare the subject of the valuation with the price of other real property interests that have been recently exchanged or that may be currently available in the market, it is usual to adopt a suitable unit of comparison. Units of comparison that are commonly used include analysing sales prices by calculating the price per square metre of a building or per hectare for land. Other units used for price comparison where there is sufficient homogeneity between the physical characteristics include a price per room or a price per unit of output, e.g., crop yields. A unit of comparison is only useful when it is consistently selected and applied to the subject property and the comparable properties in each analysis.

The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold. The unit of comparison applied by Jinmao is the price per square metre. The market comparable approach is often used in combination with either discounted cash flow or the term and reversion method as many inputs to these methods are based on market comparison.

A significant increase/(decrease) in the price per square metre would result in a significant increase/(decrease) in the fair value of the investment properties.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

The residual method is essentially a mean of valuing land with reference to its development potential by deducting construction costs, interest and developer's profit from its estimated gross development value assuming it would have been completed as at the valuation date in accordance with the latest development scheme provided to us by relevant parties. The estimated total and outstanding construction costs and development schedule to be advised by relevant parties will also be considered.

A significant increase/(decrease) in the developer's profit rate would result in a significant decrease/(increase) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Leasehold land in Hong Kong under long term leases	10,473	94,674
Leasehold land in the PRC:		
Long term leases	737,040	707,457
Medium term leases	1,730,485	1,662,577
	2,467,525	2,370,034
At 31 December	2,477,998	2,464,708
Current portion	(80,423)	(74,891)
Non-current portion	2,397,575	2,389,817

At 31 December 2017, certain of the Group's prepaid land lease payments with a net carrying amount of approximately HK$191,753,000 (2016: HK$186,010,000) were pledged to secure certain of the Group's bank loans (note 34).

16. GOODWILL

	2017 HK$'000	2016 HK$'000
At 1 January:		
Cost	4,015,165	4,055,380
Accumulated impairment	-	-
Net carrying amount	4,015,165	4,055,380
Cost at 1 January, net of accumulated impairment	4,015,165	4,055,380
Exchange realignment	41,645	(40,215)
Net carrying amount at 31 December	4,056,810	4,015,165
At 31 December:		
Cost	4,056,810	4,015,165
Accumulated impairment	-	-
Net carrying amount	4,056,810	4,015,165

For the purposes of impairment testing, goodwill has been allocated to two groups of cash-generating units relating to the fertilisers division and the real estate division. The carrying amounts of goodwill as at 31 December 2017 and 2016 allocated to these divisions are as follows:

	2017 HK$'000	2016 HK$'000
Fertilisers division	2,057,240	2,015,595
Real estate division	1,999,570	1,999,570
	4,056,810	4,015,165

Impairment testing of goodwill

The recoverable amounts of these groups of cash-generating units have been determined by value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to revenue and direct cost used in the cash flow forecasts. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific relating to the groups of cash-generating units. Cash flow forecasts of each cash-generating units are derived from financial budgets approved by management. The growth rates are based on the long term inflation rate of the PRC economy. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

16. GOODWILL (continued)

Impairment testing of goodwill (continued)

Fertilisers division

At the end of the reporting period, the recoverable amount of Sinofert was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by the directors of Sinofert. The cash flow projection was divided for Sinofert and Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"), a subsidiary of Sinofert.

For Sinochem Yunlong, the pre-tax discount rate was 13.0-14.3%. The growth rates for the first three years from 2018 are based on the relevant cash-generating units' past performance and management's expectation for the market development and for the following years are based on a steady growth rate of 5.0%. The value in use calculated by using the discount rate is higher than the carrying amount, and therefore, there is no impairment of Sinochem Yunlong.

Sinofert was divided into the marketing division and the production division. The discount rates were 10% for the marketing division and 11% for the production division. Cash flows of the marketing division were extrapolated based on management's forecasts for the first four years and a steady growth rate of 3% for the following years. Cash flows of the production division were extrapolated based on management's forecasts for the first four years and a steady growth rate of 3% for the following years.

The value in use calculated by using the discount rate is higher than the carrying amount of this group of cash-generating units, and therefore, there is no impairment of Sinofert.

Real estate division

At the end of the reporting period, the recoverable amount of the real estate division was determined based on a value in use calculation using cash flow projections based on financial budgets covering a certain period approved by the directors of Jinmao. The discount rate applied to the cash flow projection was 10%. Cash flows were extrapolated using a growth rate of 12% for the first two years and a steady growth rate of 3% for the following years. The value in use calculated by using the discount rate is higher than the carrying amount of this group of cash-generating units, and therefore, there is no impairment of the real estate division.

17. INTANGIBLE ASSETS

	Pipeline usage rights HK$'000	Computer software HK$'000	Mining rights HK$'000	Others HK$'000	Total HK$'000
At 31 December 2016 and at 1 January 2017:					
Cost	2,077,649	104,168	858,704	1,429	3,041,950
Accumulated amortisation	(202,505)	(71,653)	(175,257)	(1,197)	(450,612)
Net carrying amount	1,875,144	32,515	683,447	232	2,591,338
At 1 January 2017, net of accumulated amortisation	1,875,144	32,515	683,447	232	2,591,338
Additions	-	16,873	-	-	16,873
Amortisation provided during the year	-	(11,159)	(37,230)	-	(48,389)
Acquisition of subsidiaries (note 41 (b))	-	444	-	-	444
Disposal	-	(3,663)	-	(240)	(3,903)
Disposal of subsidiaries (note 42 (a))	(1,875,144)	-	-	-	(1,875,144)
Exchange realignment	-	2,374	46,533	8	48,915
At 31 December 2017, net of accumulated amortisation	-	37,384	692,750	-	730,134
At 31 December 2017:					
Cost	202,505	125,485	918,926	-	1,246,916
Accumulated amortisation	(202,505)	(88,101)	(226,176)	-	(516,782)
Net carrying amount	-	37,384	692,750	-	730,134

	Pipeline usage rights HK$'000	Computer software HK$'000	Mining rights HK$'000	Others HK$'000	Total HK$'000
At 31 December 2015 and at 1 January 2016:					
Cost	2,076,524	100,466	916,852	6,845	3,100,687
Accumulated amortisation	(179,453)	(63,749)	(148,564)	(2,315)	(394,081)
Net carrying amount	1,897,071	36,717	768,288	4,530	2,706,606
At 1 January 2016, net of accumulated amortisation	1,897,071	36,717	768,288	4,530	2,706,606
Additions	-	10,531	-	1,494	12,025
Amortisation provided during the year	(22,971)	(12,489)	(37,756)	(1,149)	(74,365)
Disposal	-	-	-	(4,539)	(4,539)
Exchange realignment	1,044	(2,244)	(47,085)	(104)	(48,389)
At 31 December 2016, net of accumulated amortisation	1,875,144	32,515	683,447	232	2,591,338
At 31 December 2016:					
Cost	2,077,649	104,168	858,704	1,429	3,041,950
Accumulated amortisation	(202,505)	(71,653)	(175,257)	(1,197)	(450,612)
Net carrying amount	1,875,144	32,515	683,447	232	2,591,338

18. OIL AND GAS PROPERTIES

	Oil and gas properties HK$'000
Cost:	
At 1 January 2016	61,435,111
Additions	279,176
Exchange realignment	32,406
At 31 December 2016 and at 1 January 2017	61,746,693
Disposal of subsidiaries (note 42(a))	(61,746,693)
At 31 December 2017	-
Accumulated depreciation and impairment:	
At 1 January 2016	20,330,918
Depreciation provided during the year	2,696,635
Impairment loss recognised in profit or loss	340,178
Exchange realignment	8,181
At 31 December 2016 and at 1 January 2017	23,375,912
Disposal of subsidiaries (note 42(a))	(23,375,912)
At 31 December 2017	-
Carrying amount:	
At 31 December 2017	-
At 31 December 2016	38,370,781

19. INVESTMENTS IN JOINT VENTURES

	2017 HK$'000	2016 HK$'000
Unlisted investments:		
Share of net assets	4,043,164	3,399,878
	4,043,164	3,399,878

The amounts due from/to joint ventures are disclosed in note 22 to the consolidated financial statements.

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2017 HK$'000	2016 HK$'000
Share of the joint ventures' profit or loss for the year	52,053	(169,992)
Share of the joint ventures' total comprehensive income or loss	52,053	(169,992)
Aggregate carrying amount of the Group's investments in the joint ventures	4,043,164	3,399,878

20. INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Listed investments, at cost	-	5,462,133
Unlisted investments, at cost	2,733,761	1,501,575
Goodwill	-	5,725,904
Share of post-acquisition profits and other comprehensive income, net of dividend received	2,851,022	4,365,865
Less: impairment losses	-	(3,307,421)
	5,584,783	13,748,056
Fair value of listed investments	-	8,123,408

Notes:

(i) In December 2017, Sinofert classified the investment in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake") together with the impairment loss made in the prior year from investments in associates to assets held for sale (note 31).

(ii) Jinmao has discontinued the recognition of its share of loss of certain associates because the share of loss of the associates exceeded Jinmao's interests in them and Jinmao has no obligation to take up further losses. The amounts of Jinmao's unrecognised share of loss of the associates for the current year and cumulatively were HK$18,431,000 (2016: HK$39,379,000) and HK$57,810,000 (2016: HK$39,379,000), respectively.

(iii) The amounts due from/to associates are disclosed in note 22 to the consolidated financial statements.

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2017 HK$'000	2016 HK$'000
Share of the associates' loss for the year	(65,365)	(22,681)
Share of the associates' post-tax profit from discontinued operations	59,851	70,700
Share of the associates' total comprehensive loss	(65,365)	(22,681)
Aggregate carrying amount of the Group's investments in the associates	5,584,783	13,748,056

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK$'000	2016 HK$'000
Listed equity investments, at fair value	1,684,186	1,593,501
Unlisted equity investments:		
At cost	707,787	645,562
Impairment	(107,617)	(10,385)
	2,284,356	2,228,678

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

For listed equity investments, the fair values are based on quoted market prices at the end of the reporting period. During the year, the fair value gains in respect of the Group's available-for-sale investments recognised in other comprehensive gains amounted to HK$413,889,000 (2016: fair value losses of HK$260,675,000).

The unlisted available-for-sale investments mainly represent the investments of Sinofert and Jinmao in private entities. The investments in unlisted equity securities are subsequently measured at cost less impairment at the end of each reporting period, because the range of reasonable fair value estimates is so significant that the directors of Sinofert and Jinmao are of the opinion that their fair values cannot be measured reliably.

As at 31 December 2017, certain of the Sinofert's unlisted available-for-sale equity securities were individually determined to be impaired on the basis of a significant decline in fair value below cost. Impairment losses on these investments of HK$93,010,000 (2016: Nil) were recognised in profit or loss during the year.

22. AMOUNTS DUE FROM/TO RELATED PARTIES

	2017 HK$'000	2016 HK$'000
Amounts due from related parties		
Amounts due from associates (note i)	9,772,304	4,560,462
Amounts due from joint ventures (note ii)	19,659,170	15,379,041
Amounts due from fellow subsidiaries (note iii)	4,489,224	22,069,440
Amounts due from the ultimate parent (note viii)	41	16,051
Amounts due from the immediate parent (note iv)	37,484,415	5,506,999
Amounts due from associates of the Group's ultimate parent (note v)	2,854,950	5,100
	74,260,104	47,537,093
Current	(40,617,081)	(38,508,635)
Non-current	33,643,023	9,028,458
Amounts due to related parties		
Amounts due to joint ventures (note viii)	1,740,335	3,230,664
Amounts due to the ultimate parent (note vii)	5,781,145	1,805,359
Amounts due to associates (note viii)	2,542,444	1,849,885
Amounts due to the immediate parent (note vi)	4,754,075	4,671,771
Amounts due to fellow subsidiaries (note viii)	2,439,858	3,475,423
Amounts due to associates of the Group's ultimate parent (note viii)	361,498	21,396
	17,619,355	15,054,498
Current	(15,824,905)	(15,054,498)
Non-current	1,794,450	-

Notes:

(i) The amounts due from associates are interest-free, unsecured and repayable on demand, except for the amounts of HK$1,388,360,000 (2016: HK$1,457,063,000), which are unsecured and bear interest ranging from 5.23% to 7.35% per annum, respectively.

(ii) The amounts due from joint ventures are unsecured, interest-free and repayable on demand, except for the amounts of HK$6,138,158,000 (2016: HK$1,236,814,000) and HK$2,182,470,000 (2016: Nil), which are unsecured and bear interest ranging from 2.45% to 8.00% per annum, respectively.

(iii) The amounts due from fellow subsidiaries are unsecured, interest-free and repayable on demand, except for the amounts of HK$2,732,557,000 (2016: HK$8,279,933,000), which bear interest ranging from 2.18% to 4.5% per annum, respectively.

22. AMOUNTS DUE FROM/TO RELATED PARTIES (continued)

Notes: (continued)

(iv) The amounts due from the immediate parent are unsecured and interest-free, except for the amounts of HK$3,397,495,000 (2016: Nil) and HK$5,553,821,000 (2016: HK$4,424,209,000), which bear interest at 1.5% and 3-month LIBOR plus 50 basis points per annum, respectively.

(v) The amounts due from an associate of the Group's ultimate parent are unsecured and interest-free, except for the loan amounting to HK$2,507,457,000 (2016: Nil), which bears interest at a rate ranging from 3-month LIBOR plus150 basis points to 6-month LIBOR plus 130 basis points per annum.

(vi) The amounts due to the immediate parent are unsecured, interest-free and repayable on demand, except for the loan amounted to HK$586,187,000 (2016: HK$547,786,000), which bears interest at 1.5% per annum.

(vii) The amounts due to the ultimate parent are unsecured, interest-free and repayable on demand, except for the loan amounted to HK$1,794,450,000 (2016: Nil), which bears ranging from 2.10% to 3.92% per annum.

(viii) The amounts are interest-free, unsecured and repayable on demand.

23. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

The amounts due from non-controlling shareholders are unsecured, bear interest at rates from 2.38% to 5.23% per annum and are not repayable within one year.

24. OTHER ASSETS

	2017 HK$'000	2016 HK$'000
Other financial assets (note i)	7,233,423	79,852
Advance payments for acquisition of items of property, plant and equipment	59,177	22,119
Finance lease receivables (note ii)	-	232,596
Other receivables (note iii)	376,835	372,906
Dismantlement fund (note iv)	-	123,844
Other non-current assets (note v)	15,923	13,472
At 31 December	7,685,358	844,789
Current portion	(7,182,594)	(79,852)
Non-current portion	502,764	764,937

24. OTHER ASSETS (continued)

Notes:

(i) Other financial assets

The balance of the non-current portion of other financial assets as at 31 December 2017 represented financial products with original maturity of over one year when acquired from banks of HK$50,829,000 (2016: Nil).

The balance of the current portion of other financial assets as at 31 December 2017 included financial products with original maturity within three months when acquired from banks of HK$7,178,000 (2016: HK$79,852,000).

(ii) Finance lease receivables

The finance lease receivables as at 31 December 2016 represented the finance lease receivables of a subsidiary of the Group, South Atlantic Holding B.V. ("SAHBV"), as a lessor. SAHBV recorded finance lease receivables as the expected present value of minimum lease payments. The underlying assets of the finance lease were electric submersible pumps and drill pipes which were used in the development and production of Peregrino Phase I oilfield. The finance lease asset was expected to be repaid over the lifetime of the oilfield.

(iii) The other receivables of HK$376,835,000 represent the non-current balance of a deposit of HK$358,890,000 and an entrusted loan to a third party of HK$17,945,000, which is unsecured, bears interest at a rate 5% per annum and is repayable in year 2019 (2016: HK$372,906,000, bearing interest at rates of 4.75% and 2.75% per annum).

(iv) Pursuant to regulations in Mainland China, the Group makes monthly cash contributions to the specific dismantlement fund accounts supervised by the PRC government. The deposit cannot be withdrawn or utilised for any other purposes but the dismantlement of oil and gas production facilities in the future.

(v) Other non-current assets have estimated useful lives ranging from 2 years to 10 years. The costs are amortised on a straight-line basis over their respective estimated useful lives.

25. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	657,731	1,092,524
Work in progress	28,613	57,268
Fertiliser merchandise and finished goods	5,894,425	8,031,112
Consumables	57,530	51,973
	6,638,299	9,232,877

26. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at cost. The Group's properties held for sale are situated in Mainland China.

At 31 December 2017, certain of the Group's properties included in properties held for sale with a net carrying amount of approximately HK$3,617,018,000 (2016: HK$196,591,000) were pledged to secure bank loans granted to the Group (note 34).

27. TRADE AND BILLS RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	1,442,472	24,242,891
Impairment and reversal of impairment losses	(8,570)	(13,935)
	1,433,902	24,228,956
Bills receivable	228,060	168,179
Total trade and bills receivables	1,661,962	24,397,135

The Group allows an average credit period normally within 90 days to its trade customers. Before accepting any new customer, the Group, based on past experience, assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group has pledged trade and bills receivables of approximately HK$28,057,000 (2016: HK$24,099,000) to secure bank loans granted to the Group (note 34).

At 31 December 2017, trade debtors of HK$8,570,000 (2016: HK$13,935,000) were individually determined to be impaired. The individually impaired trade receivables relate to customers that were in unexpected financial difficulties and it is assessed that only a portion of the receivables is expected to be recovered. Movements in the provision for impairment losses are as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	13,401	15,802
Impairment losses recognised	1,642	369
Impairment losses reversed	-	(1,095)
Amounts written off as uncollectible	(7,754)	(179)
Exchange realignment	1,281	(962)
	8,570	13,935

27. TRADE AND BILLS RECEIVABLES (continued)

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	1,646,591	24,176,033
Past due but not impaired:		
Less than 90 days	7,058	79,072
91 to 360 days	3,244	137,305
Over 360 days	5,069	4,725
	1,661,962	24,397,135

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	9,995,579	7,300,692
Deposits	3,832,723	125,847
Other receivables	3,608,430	2,440,066
Due from non-controlling interests	3,543,799	1,516,453
Entrusted loans to third parties	4,715,482	139,738
	25,696,013	11,522,796

None of the above assets is past due. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The amounts due from non-controlling interests are unsecured, interest-free and repayable within one year, except for the amounts of HK$3,543,799,000 in aggregate, which bear interest at rates from 0.35% to 2.75% per annum (2016: HK$931,770,000 in aggregate, which bore interest at a rate of 0.35% per annum).

The current balance of entrusted loans to third parties is an unsecured amount of HK$4,715,482,000, which bears interest at rates from 2.175% to 4.75% per annum (2016: HK$139,738,000 in aggregate, which bore interest at a rate of 4.75% per annum) and is receivable within one year.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 HK$'000	2016 HK$'000
Financial assets:		
Crude oil derivative financial instruments (note i)	-	501,124
Forward exchange contracts (note ii)	-	10,267
Other derivative financial instruments	11,988	-
	11,988	511,391
Financial liabilities:		
Crude oil derivative financial instruments (note i)	-	964,867
Forward exchange contracts (note iii)	78,860	149,762
Forward currency contracts (note iv)	92,641	-
Other derivative financial instruments	3,328	38,364
	174,829	1,152,993

Notes:

(i) The fair values of the crude oil derivative financial instruments are estimated based on the difference between the contracted strike prices and prevailing futures prices or published oil indexes as at the end of the reporting period. The prevailing future prices or published oil indexes are derived from the relevant futures exchanges or oil price publications as specified in the contracts.

(ii) Forward exchange contracts as at 31 December 2016 were designated as hedging instruments in respect of currency risk which a subsidiary of the Group, Sinochem Trading (Singapore) Pte Ltd ("Singapore Trading"), was exposed to on its sales and receivables with a related company. The currencies in which these transactions primarily are denominated in RMB and Singapore dollar (SGD). The forward exchange contracts were mostly with a maturity of less than one year. The related cash flow hedges of HK$5,118,000 comprise the effective portion of the cumulative net change in the fair value of hedging instruments for the year ended 31 December 2016.

(iii) Forward exchange contracts are designated as hedging instruments in respect of bond interest payable in Swiss Franc. The terms of the forward exchange contracts match the terms of the Swiss Franc bonds issued. The cash flow hedges relating to expected future interest payables from 2018 to 2022 were assessed to be highly effective and net gains of HK$13,556,010 (2016: HK$1,556,000) were included in the hedging reserve.

(iv) In 2017, Jinmao entered into forward currency contracts of USD against RMB as hedges to manage its currency risk arising from certain net investments in foreign operations. For the year ended 31 December 2017, a net loss on hedging instruments of HK$91,329,000 was recognised in other comprehensive income on the effective portion of net investment hedges, and the ineffective portion of HK$2,621,000 was recognised in the consolidate statement of comprehensive income (2016: Nil).

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	2017 HK$'000	2016 HK$'000
Cash and bank balances	26,589,034	21,134,019
Time deposits	4,952,852	5,138,324
	31,541,886	26,272,343
Less: Restricted bank balances	3,870,247	2,602,997
Cash and cash equivalents (note i)	27,671,639	23,669,346

Note:

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and cash held by the Group bearing interest at prevailing market rates.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

31. ASSETS HELD FOR SALE

The movements of assets of non-current assets held for sale during the year are as follows:

	2017 HK$'000
Assets	
At 1 January	-
Transfer to assets held for sale	9,627,989
At 31 December	9,627,989

On 24 October 2017, Sinochem Fertiliser Co., Ltd. ("Sinochem Fertiliser", a subsidiary of Sinofert) entered into a share transfer agreement with Sinochem Group, pursuant to which Sinochem Fertiliser agreed to sell and Sinochem Group agreed to purchase all the shares of Qinghai Salt Lake held by Sinochem Fertiliser, representing 20.52% of its total issued share capital of Qinghai Salt Lake, at a consideration of RMB8,063,198,000 (equivalent to HK$9,646,004,000). On 31 October 2017, Sinochem Fertiliser received the first instalment of the consideration amounting to RMB2,418,960,000 (equivalent to HK$2,893,802,000) which was included in "other payables and accruals" in the consolidated statement of financial position.

The transaction has been approved by the independent shareholders of Sinofert and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC in December 2017. Accordingly, the Group classified the investment in Qinghai Salt Lake from investments in associates to assets held for sale. The transaction is expected to be completed in 2018.

At 31 December 2017, the non-current assets held for sale were stated at the lower of the carrying amount and the fair value less costs to sell, comprising the following assets:

31. ASSETS HELD FOR SALE (continued)

	HK$'000
Investments in associates:	
Cost of investment	11,972,671
Share of profits, net of dividends	1,004,056
Less: impairment loss	(3,348,738)
Assets held for sale	9,627,989

As at 31 December 2017, the recoverable amount of RMB8,048,139,000 (equivalent to HK$9,627,989,000) was determined based on the consideration of RMB8,063,198,000 (equivalent to HK$9,646,004,000) less the transaction costs of approximately RMB15,059,000 (equivalent to HK$18,015,000). A reversal of impairment loss of RMB30,754,000 (HK$36,791,000) was recognised in “other income, gains and losses, net”.

Based on the accounting policy of the Group, on disposal of a long-term equity investment accounted for using the equity method, any gain or loss on dilution previously recognised directly in equity shall be recycled to profit or loss on the disposal date. Sinofert previously recognised the loss on dilution of the investments in Qinghai Salt Lake of RMB711,561,000 (equivalent to HK$820,430,000) directly in equity. The Group recognised the present obligation under the share transfer agreement and measured a provision in relation to the disposal of interests in Qinghai Salt Lake amounting to RMB711,561,000 (equivalent to HK$820,430,000) accordingly.

32. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, is as follows:

	2017 HK$'000	2016 HK$'000
Within one year	10,418,205	44,286,553
Over one year	3,177,153	2,604,869
	13,595,358	46,891,422

33. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Other payables	12,488,116	8,423,259
Receipt in advances	50,743,482	34,856,321
Accruals	501,089	522,880
Due to non-controlling interests	10,288,862	1,723,689
Consideration payable for acquisition of Sinochem Yunlong	-	257,117
Dividend payable to non-controlling interests	353,717	80,199
	74,375,266	45,863,465

The amounts due to non-controlling interests as at 31 December 2017 are unsecured, interest-free and are repayable on demand, except for the amounts of HK$8,971,501,000 (2016: Nil) in aggregate, which bear interest at rates from 4.35% to 7.00% per annum.

34. INTEREST-BEARING BORROWINGS

Current	2017 HK$'000	2016 HK$'000
Bank loans, secured (note i)	6,409,086	1,712,623
Bank loans, guaranteed (note ii)	1,196,301	-
Bank loans, unsecured	10,056,069	6,169,739
Guaranteed senior notes, unsecured (note iii)	1,023,693	4,994,284
Notes issued under the medium-term note programme (note v)	-	2,793,779
Short term commercial paper (note vi)	-	2,235,800
Notes, unsecured	1,196,300	-
Other loans (note iv)	14,844,887	2,197,065
	34,726,336	20,103,290

Non-current	2017 HK$'000	2016 HK$'000
Bank loans, secured (note i)	8,899,842	12,601,528
Bank loans, unsecured	14,267,482	11,636,082
Guaranteed senior notes, unsecured (note iii)	28,793,546	27,011,171
Notes issued under the medium-term note programme (note v)	8,429,677	6,083,814
Domestic corporate bonds, unsecured (note viii)	2,622,569	2,452,706
Bonds (note vii)	10,118,721	3,905,032
Other loans (note iv)	7,059,259	4,666,406
	80,191,096	68,356,739

Carrying amounts repayable:	2017 HK$'000	2016 HK$'000
Within one year	34,726,336	20,103,290
In the second year	22,252,943	12,054,522
In the third to fifth years, inclusive	47,981,442	43,422,678
Beyond five years	9,956,711	12,879,539
	114,917,432	88,460,029

34. INTEREST-BEARING BORROWINGS (continued)

Notes:

(i) The Group's bank and other borrowings are secured by:

(a) mortgages over certain of the Group's property, plant and equipment, which had an aggregate net carrying value at the end of the reporting period of approximately HK$390,446,000 (2016: HK$372,519,000);

(b) mortgages over certain of the Group's properties under development, which had an aggregate carrying amount at the end of the reporting period of approximately HK$30,899,794,000 (2016: HK$9,498,207,000);

(c) mortgages over certain of the Group's properties held for sale, which had an aggregate carrying amount at the end of the reporting period of HK$3,617,018,000 (2016: HK$196,591,000);

(d) mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the end of the reporting period of approximately HK$15,017,250,000 (2016: HK$13,966,886,000);

(e) mortgages over certain of the Group's prepaid land lease payments, which had an aggregate carrying amount at the end of the reporting period of HK$191,753,000 (2016: HK$186,010,000);

(f) mortgages over certain of the Group's trade and bills receivables, which had an aggregate carrying amount at the end of the reporting period of HK$28,057,000 (2016: HK$24,099,000);

(g) the pledge of certain of the equity interests in the Group's subsidiaries, which had an aggregate carrying amount at the end of the reporting period of HK$659,960,000 (2016:HK$55,895,000).

(ii) The Group's bank borrowings are guaranteed by the immediate parent.

(iii) On 15 April 2011, Jinmao Development Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 6.75% guaranteed senior notes due 2021 (the "2021 Notes"). The 2021 Notes are unsecured. The 2021 Notes bear interest at a rate of 6.75% per annum and will mature on 15 April 2021.

On 19 October 2012, Jinmao Investment Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 4.70% guaranteed senior notes due 2017 (the "2017 Notes"). The 2017 Notes are unsecured. The 2017 Notes bear interest at a rate of 4.70% per annum and have been fully settled during the year 2017.

On 6 August 2014, China Jin Mao (Group) Co., Ltd., a non-wholly-owned subsidiary of Jinmao, issued RMB1,000,000,000 5.60% mid-term notes due 2017 (the "Mid-Term Notes"). The Mid-Term Notes are unsecured. The Mid-Term Notes bear interest at a rate of 5.60% per annum and have been fully settled during the year 2017.

On 21 August 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$200,000,000 6.40% guaranteed senior notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured. The 2022 Notes bear interest at a rate of 6.40% per annum and will mature on 27 April 2022.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(iii) (continued)

On 9 October 2013, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$300,000,000 5.375% guaranteed senior notes due 2018 (the “2018 Notes”). The 2018 Notes are unsecured. The 2018 Notes bear interest at a rate of 5.375% per annum and will mature on 17 October 2018. In 2017, Jinmao offered to repurchase in cash any and all of the 2018 Notes. Jinmao has accepted all the notes with the principal amount of US$168,891,000 validly tendered for purchase under the offer. Following settlement of the offer, outstanding notes amounted to US$131,109,000.

On 12 March 2014, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 5.75% guaranteed senior notes due 2019 (the “2019 Notes”). The 2019 Notes are unsecured. The 2019 Notes bear interest at a rate of 5.75% per annum and will mature on 19 March 2019.

On 3 March 2017, Jinmao Brilliant Limited, a wholly-owned subsidiary of Jinmao, issued US$500,000,000 5.75% guaranteed senior notes due 2022 (the “2022 Notes”). The 2022 Notes are unsecured. The 2022 Notes bear interest at a rate of 3.60% per annum and will mature on 3 March 2022.

On 4 November 2010, Sinochem Overseas Capital Company Limited, a wholly-owned subsidiary of the Group, issued US$1,500,000,000 4.5% guaranteed senior notes due 2020 (the “2020 Notes”) and US$500,000,000 6.3% guaranteed senior notes due 2040 (the “2040 Notes”). The 2020 Notes and the 2040 Notes are unsecured.

(iv) The balance includes an amount due to a fellow subsidiary of the Group, loans from third parties and short-term notes.

(v) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US$3,000,000,000 Medium-Term Note Programme on 17 April 2014. According to the programme, the notes to be issued under the programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 28 April 2017, Sinochem Offshore Capital Company Limited updated the programme to US$5,000,000,000. On 29 April 2014, 13 May 2014, 10 September 2014, 17 June 2015 and 24 May 2017, Sinochem Offshore Capital Company Limited issued US$500,000,000 3.25% senior guaranteed notes (due 2019), RMB2,500,000,000 3.55% senior guaranteed notes (due 2017), RMB300,000,000 4.00% senior guaranteed notes (due 2021), CHF250,000,000 0.76% senior guaranteed notes (due 2022) and US$300,000,000 3.12% senior guaranteed notes (due 2022) under this programme, respectively. Sinochem Offshore Capital Company Limited has fully settled the RMB2,500,000,000 3.55% senior guaranteed notes during the year 2017.

(vi) A subsidiary of Sinofert issued the second and third tranche of short-term commercial papers of RMB1,000,000,000 with a term of 267 days and of 266 days, respectively, in the PRC debenture market on 19 and 24 August 2016. The commercial papers bear fixed interest rate of 2.9% per annum and interests are paid at maturity. Sinofert has fully settled these short-term commercial paper during the year 2017.

34. INTEREST-BEARING BORROWINGS (continued)

Notes: (continued)

(vii) On 25 November 2009, a PRC subsidiary of Sinofert issued corporate bonds with an aggregate principal amount of RMB2,500,000,000 with a maturity of 10 years at a fixed interest rate of 5% per annum. The transaction costs of RMB23,265,000 directly attributable to the issuance of the bonds have been deducted from the principal amount of the bonds. The repayment of the bonds is guaranteed by Sinochem Group.

On 22 July 2016, a PRC subsidiary of Sinofert issued the first tranche of the medium-term notes for the year of 2016 with an aggregate principal amount of RMB1,000,000,000, with a maturity of three years at a rate of 3.5% per annum.

On 13 April 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.65% per annum.

On 10 July 2017, Jinmao Holdings Group Limited issued medium-term notes with an aggregate principal amount of RMB2,500,000,000, with a maturity of three years at a rate of 4.78% per annum.

(viii) On 10 December 2015, Jinmao Investment Management (Shanghai) Co., Ltd. (formerly known as Franshion Properties Investment Management (Shanghai) Co., Ltd.), a wholly-owned subsidiary of Jinmao, issued five-year domestic corporate bonds with an aggregate principal amount of RMB2,200,000,000 (equivalent to HK$2,622,569,000) to qualified investors. The final coupon rate of the corporate bonds was fixed at 3.55% based on the book-building process with the lead underwriters.

The ranges of the effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed rate borrowings	0.76% to 8.40%	1.89% to 10.56%
Variable rate borrowings	1.72% to 6.37%	1.32% to 5.23%

35. PROVISION FOR LAND APPRECIATION TAX ("LAT")

	HK$'000
At 1 January 2016	2,263,328
Charged to profit or loss during the year (note 8)	1,923,083
Payments	(96,195)
Transfer from prepaid tax	(251,614)
Exchange realignment	(212,016)
At 31 December 2016 and at 1 January 2017	3,626,586
Acquisition of a subsidiary (note 41(a))	8,089
Charged to profit or loss during the year (note 8)	1,275,093
Payments	(375,698)
Transfer from prepaid tax	(458,356)
Exchange realignment	271,206
At 31 December 2017	4,346,920

According to the requirements of the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中华人民共和国土地增值税暂行条例实施细则) effective from 27 January 1995, all income arising from the sale or transfer of state-owned land use rights, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption for the sale of ordinary residential properties (普通标准住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

Effective from 1995, the local tax bureau requires the prepayment of LAT on the pre-sales and sales proceeds of property development. According to the relevant tax notices issued by local tax authorities, the Group is required to pay LAT in advance at 1% to 3.5% on the sales and pre-sales proceeds of the Group's properties.

Jinmao has estimated, made and included in taxation a provision for LAT according to the requirements set out in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects. The tax authorities might disagree with the basis on which the provision for LAT is calculated.

36. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

2017

	Depreciation allowance in excess of related depreciation	Fair value adjustments on business combinations	Accrued interest income	Revaluation of investment properties	Foreign exchange differences	Withholding taxes	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	247,131	2,721,774	125,010	3,849,875	1,243,912	65,215	186,272	8,439,189
Deferred tax charged/ (credited) to profit or loss during the year (note 8)	62,249	(31,390)	4,621	22,997	-	96,691	(15,972)	139,196
Deferred tax recognised in other comprehensive income during the year	-	-	-	47,802	-	-	-	47,802
Acquired on acquisition of subsidiaries (note 41 (a)/(b)/(c))	-	114,812	-	-	-	-	-	114,812
Disposal of subsidiaries (note 42(a)/(c))	286,413	(1,761,534)	-	(6,834)	(1,243,912)	-	(1,620)	(2,727,487)
Exchange realignment	39,165	53,376	8,941	285,617	-	8,205	7,257	402,561
Gross deferred tax liabilities at 31 December 2017	634,958	1,097,038	138,572	4,199,457	-	170,111	175,937	6,416,073

2016

	Depreciation allowance in excess of related depreciation	Fair value adjustments on business combinations	Accrued interest income	Revaluation of investment properties	Foreign exchange differences	Withholding taxes	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016	350,396	2,801,043	100,142	3,874,394	1,334,180	69,631	178,869	8,708,655
Deferred tax charged/ (credited) to profit or loss during the year	(68,113)	(14,883)	32,638	228,644	(91,055)	-	14,709	101,940
Exchange realignment	(35,152)	(64,386)	(7,770)	(253,163)	787	(4,416)	(7,306)	(371,406)
Gross deferred tax liabilities at 31 December 2016	247,131	2,721,774	125,010	3,849,875	1,243,912	65,215	186,272	8,439,189

36. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets

2017

	Accelerated tax depreciation HK$'000	Other provision HK$'000	Provision for LAT HK$'000	Unrealised profits in inventories HK$'000	Losses available for offsetting taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	(793)	16,637	913,276	7,485	1,118,709	437,286	2,492,600
Deferred tax (charged)/ credited to profit or loss during the year (note 8)	817	(4,334)	77,650	274,416	(119,761)	(94,237)	134,551
Transfer	-	-	-	273,749	-	(273,749)	-
Disposal of subsidiaries (note 42(a)/(b)/(c))	-	-	-	(244)	(874,758)	-	(875,002)
Exchange realignment	(25)	1,004	66,966	20,906	12,964	12,571	114,386
Gross deferred tax assets at 31 December 2017	(1)	13,307	1,057,892	576,312	137,154	81,871	1,866,535

2016

	Accelerated tax depreciation HK$'000	Other provision HK$'000	Provision for LAT HK$'000	Unrealised profits in inventories HK$'000	Losses available for offsetting taxable profits HK$'000	Others HK$'000	Total HK$'000
At 1 January 2016	32,250	27,596	565,041	3,716	620,855	452,928	1,702,386
Deferred tax (charged)/ credited to profit or loss during the year	(33,138)	(9,627)	401,524	3,919	515,254	9,635	887,567
Exchange realignment	95	(1,332)	(53,289)	(150)	(17,400)	(25,277)	(97,353)
Gross deferred tax assets at 31 December 2016	(793)	16,637	913,276	7,485	1,118,709	437,286	2,492,600

36. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through the future taxable profits is probable. By reference to financial budgets, the management of the Group has assessed whether there will be sufficient future taxable profits or taxable temporary differences available in the future for the realisation of deferred tax assets which have been recognised in respect of tax losses and other temporary differences.

The Group has recognised deferred tax assets in respect of tax losses amounting to approximately HK$548,616,000 (2016: HK$1,019,136,000) that can be carried forward against taxable income in the coming five years in Mainland China.

No deferred tax assets were recognised on the remaining tax losses of approximately HK$12,565,533,000 (2016: HK$8,625,808,000) that will expire in one to five years as the Group determines that the realisation of the related tax benefit through future taxable profits is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Jinmao and Sinofert are therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China to foreign investors in respect of earnings generated from 1 January 2008. At 31 December 2017, Jinmao recognised deferred tax liabilities of approximately HK$170,111,000 (2016: HK$65,215,000) for withholding taxes that would be payable on the unremitted earnings in the PRC. As Jinmao and Sinofert control the dividend policy of its PRC subsidiaries, it has the ability to control the timing of the reversal of temporary differences associated with the investments in subsidiaries. Furthermore, Jinmao and Sinofert have determined that certain profits earned by the PRC subsidiaries will not be distributed to foreign investors in the foreseeable future. As such, deferred taxation has not been provided for in respect of temporary differences attributable to retained earnings of those PRC subsidiaries of approximately RMB21,822,710,000 and RMB241,460,000 (equivalent to HK$26,106,508,000 and HK$288,859,000), respectively, at 31 December 2017 (2016: RMB20,847,219,000 and RMB197,290,000 (equivalent to HK$23,305,106,000 and HK$220,550,000), respectively).

37. OTHER NON-CURRENT LIABILITIES

	2017 HK$'000	2016 HK$'000
Provision for dismantlement costs (note i)	-	2,029,390
Others	117,863	52,684
	117,863	2,082,074

Note:

(i) Provision for dismantlement costs:

The balance represents the provision for future dismantlement costs of oil and gas properties.

	2017 HK$'000	2016 HK$'000
Carrying amount		
At 1 January	2,029,390	2,400,032
Revision of dismantlement costs	-	(465,958)
Accretion	-	93,778
Disposal of a subsidiary	(2,029,390)	-
Exchange realignment	-	1,538
At 31 December	-	2,029,390

38. ISSUED CAPITAL

	2017 HK$'000	2016 HK$'000
Issued and fully paid:		
24,468,400 (2016: 24,468,400) ordinary shares	24,468,400	24,468,400

38. ISSUED CAPITAL (continued)

On 27 May 2013, the Company increased its authorised share capital from HK$19,359,700,000 to HK$20,850,800,000 by the creation of 1,491,100,000 ordinary shares of HK$1 each. On the same date, the Company issued and allotted a total of 1,491,100,000 ordinary shares of HK$1 each at par to the immediate parent. These shares rank pari passu in all respects with other existing shares in issue. The consideration for the new shares issued during the year was satisfied by a transfer from other reserve amounting to HK$1,488,614,000 which was then credited into the share capital account of the Company and the exchange rate impact amounting to HK$2,486,000. The additional capital was used to finance the Group's overseas oil and gas investments.

On 28 December 2013, the Company increased its authorised share capital from HK$20,850,800,000 to HK$21,872,000,000 by the creation of 1,021,200,000 ordinary shares of HK$1 each. At the same time, the Company issued and allotted a total of 1,021,200,000 ordinary shares of HK$1 each to the immediate parent. These shares rank pari passu in all respects with other shares in issue.

On 29 December 2014, the Company increased its authorised share capital from HK$21,872,000,000 to HK$23,753,000,000 by the creation of 1,881,000,000 ordinary shares of HK$1 each. At the same time, the Company issued and allotted a total of 1,881,000,000 ordinary shares of HK$1 each to the immediate parent. These shares rank pari passu in all respects with other shares in issue.

On 30 June 2016, the Company issued and allotted a total of 715,400,000 ordinary shares amounting to HK$715,400,000 in the Company to the immediate parent, which was settled by the reduction of an amount due to the immediate parent; the share capital of the Company had changed from HK$23,753,000,000 to HK$24,468,400,000. These shares rank pari passu in all respects with other shares in issue.

A summary of movements in the Company’s issued share capital is as follows:

	Number of shares in issue	Issued capital HK$’000
At 1 January 2016	23,753,000	23,753,000
Issue of shares	715,400	715,400
	24,468,400	24,468,400
At 31 December 2016 and 1 January 2017	24,468,400	24,468,400
Issue of shares	-	-
At 31 December 2017	24,468,400	24,468,400

39. PERPETUAL CAPITAL SECURITIES

On 2 May 2013, Sinochem Global Capital Co., Ltd., a wholly-owned subsidiary of the Group, issued subordinated guaranteed perpetual capital securities with a nominal amount of US$600,000,000 (equivalent to HK$4,653,720,000), which are guaranteed on a subordinated basis by the Group. The direct transaction costs attributable to the perpetual capital securities amounted to HK$34,460,000.

The perpetual capital securities have no fixed maturity, and confer a right to the holders to receive distributions for the period from and including 2 May 2013 at the applicable rate. Sinochem Global Capital Co., Ltd. and the Company, as the issuer and the guarantor, respectively, may, at their sole discretion, elect to defer payment of distributions, in whole or in part, by giving notice to the holders of not more than ten nor less than five business days prior to a scheduled distribution payment date. The Group is not subject to any limits as to the number of times on distributions and arrears of distribution may be deferred.

In the opinion of the directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual capital securities other than an unforeseen liquidation of the Group or Sinochem Global Capital Co., Ltd. Accordingly, the perpetual capital securities are classified as equity instruments.

40. SHARE OPTION SCHEME

Jinmao operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Jinmao’s operations. Eligible participants of the Scheme include the Company’s executive and non-executive directors and Jinmao ‘s senior management, key technical and professional personnel, managers and employees, but do not include Jinmao’s independent non-executive directors. The Scheme became effective on 22 November 2007 and has expired on 22 November 2017, after 10 years from the effective date. However, the options granted under the Scheme continue to be valid and exercisable in accordance with the terms of issue.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of Jinmao in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of Jinmao in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a director, chief executive or substantial shareholder of Jinmao, or to any of their associates, in excess of 0.1% of the shares of Jinmao in issue at any time or with an aggregate value (based on the price of Jinmao’s shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise and exercisability of the share options is related to the performance of individuals and of Jinmao. The board of directors will determine performance targets concerned and set out in the grant notice. The share options granted will become exercisable after two years from the grant date or a later date as set out in the relevant grant notice, and in any event shall end not later than seven years from the grant date but subject to the provisions for early termination of employment.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of Jinmao’s shares on the grant date of the share options; (ii) the average Hong Kong Stock Exchange closing price of Jinmao‘s shares for the five trading days immediately preceding the grant date; and (iii) the par value of Jinmao’s share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

40. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2017		2016	
	Weighted average exercise price HK$ per share	Number of options	Weighted average exercise price HK$ per share	Number of options
At 1 January	2.21	184,374,920	2.43	30,322,840
Granted during the year	-	-	2.20	172,350,000
Forfeited during the year	2.56	(25,110,300)	2.43	(18,297,920)
Exercised during the year	2.44	(3,666,740)	-	-
At 31 December	2.21	155,597,880	2.21	184,374,920

The weighted average share price at the date of exercise of share options exercised during the year was HK$2.44 per share (2016: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2017

Number of options	Exercise price* HK$ per share	Exercise period
3,574,240	2.44	28 November 2014 to 27 November 2019
4,443,640	2.44	28 November 2015 to 27 November 2019
49,092,000	2.196	17 October 2018 to 16 October 2023
49,092,000	2.196	17 October 2019 to 16 October 2023
49,396,000	2.196	17 October 2020 to 16 October 2023
155,597,880		

2016

Number of options	Exercise price* HK$ per share	Exercise period
5,346,580	2.44	28 November 2014 to 27 November 2019
7,448,340	2.44	28 November 2015 to 27 November 2019
57,076,000	2.196	17 October 2018 to 16 October 2023
57,076,000	2.196	17 October 2019 to 16 October 2023
57,428,000	2.196	17 October 2020 to 16 October 2023
184,374,920		

40. SHARE OPTION SCHEME (continued)

***** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in Jinmao's share capital.

The fair value of the share options granted during the year ended 31 December 2016 was HK$80,332,000 (HK$0.47 each), of which Jinmao recognised a share option expense of HK$28,467,000 (2016: HK$5,931,000) during the year ended 31 December 2017.

The fair value of the share options granted during the year ended 31 December 2012 was HK$51,858,000 (HK$0.89 each), of which no share option expense (2016: HK$4,754,000) was recognised by Jinmao during the year ended 31 December 2017.

The fair value of the share options granted during the year ended 31 December 2008 was HK$7,604,000, which was fully recognised in prior years.

The fair value of equity-settled share options granted during the year ended 31 December 2016 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	2.99
Expected volatility (%)	36.58
Historical volatility (%)	36.58
Risk-free interest rate (%)	0.90
Contractual life of options (year)	5.05
Exercise multiple (times)	1.13
Weighted average share price (HK$ per share)	2.16

The expected life of the options is calculated based on the weighted average of vesting period and contractual period. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, Jinmao had 155,597,880 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of Jinmao, result in the issue of 155,597,880 additional ordinary shares of Jinmao and additional share capital of HK$343,649,000 (equivalent to RMB287,260,000) (before issue expenses).

41. BUSINESS COMBINATIONS

(a) Acquisition of the Ningbo Ningxing Group

On 2 August 2017, Jinmao acquired an 80.5% equity interest in Ningbo Ningxing Properties Development Group Co., Ltd. from Ningbo Ningshun Investment LLP, an independent third party, at a cash consideration of RMB669,532,000 (equivalent to HK$771,970,000). Ningbo Ningxing Properties Development Group Co., Ltd. and its subsidiaries (the “Ningbo Ningxing Group”) are engaged in property rental, property development, the construction and operation of real estate projects in Ningbo, the PRC. Jinmao has elected to measure the non-controlling interest in the Ningbo Ningxing Group at the non-controlling interest’s proportionate share of the Ningbo Ningxing Group’s identifiable net assets. The fair values of the identifiable assets and liabilities of the Ningbo Ningxing Group as at the date of acquisition were as follows:

	Notes	HK$’000
Property, plant and equipment	11	38,526
Investment properties	14	360,618
Other financial assets		9,870
Properties held for sale		462,126
Trade and bills receivables		1,532
Prepayments, deposits and other receivables		603,879
Tax recoverable		40,558
Cash and cash equivalents		301,704
Trade and bill payables		(213,446)
Other payables and accruals		(521,777)
Tax payable		(9,406)
Provision for land appreciation tax	35	(8,089)
Interest-bearing borrowings		(109,536)
Deferred tax liabilities	36	(52,823)
Total identifiable net assets at fair value		903,736
Non-controlling interests		(44,214)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	5	(1,697)
		857,825
Satisfied by:		
Cash		771,970
Other payables and accruals		85,855
Total purchase consideration		857,825

The fair values of the trade and bills receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to RMB1,329,000 (equivalent to HK$1,532,000) and RMB523,746,000 (equivalent to HK$603,879,000), respectively, which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Jinmao incurred transaction costs of RMB661,000 (equivalent to HK$762,000) for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

41. BUSINESS COMBINATIONS (continued)

(a) Acquisition of the Ningbo Ningxing Group (continued)

Jinmao recognised a gain on bargain purchase of RMB1,472,000 (equivalent to HK$1,697,000) in the consolidated statement of comprehensive income for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with Ningbo Ningshun Investment LLP, as Jinmao has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(771,970)
Cash and cash equivalents	301,704
Net outflow of cash and cash equivalents included in cash flows from investing activities	(470,266)
Transaction costs of the acquisition included in cash flows from operating activities	(762)
	(471,028)

Since the acquisition, the Ningbo Ningxing Group contributed RMB194,782,000 (equivalent to HK$224,584,000) to the Group's revenue and caused a loss of RMB7,470,000 (equivalent to HK$8,613,000) to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$66,197,591,000 and HK$3,721,917,000, respectively.

(b) Acquisition of Beijing Xingyi Group

On 6 September 2017, Jinmao acquired an additional 50% equity interest in Beijing Xingyi Properties Co., Ltd. from an independent third party at a cash consideration of RMB54,500,000 (equivalent to HK$62,839,000). Beijing Xingyi Properties Co., Ltd. and its non-wholly-owned subsidiary (the "Beijing Xingyi Group") are engaged in the property development of a real estate project in Beijing, the PRC. Before the acquisition, Jinmao held a 50% equity interest in the Beijing Xingyi Group and accounted for the Beijing Xingyi Group as a joint venture of Jinmao.

Jinmao remeasured the fair value of the equity interest held at the date of acquisition at an amount of RMB54,569,000 (equivalent to HK$62,918,000), and a fair value gain of RMB15,542,000 (equivalent to HK$17,920,000) was recognised in other income and gains in the consolidated statement of comprehensive income for the year ended 31 December 2017.

The fair values of the identifiable assets and liabilities of the Beijing Xingyi Group as at the date of acquisition were as follows:

41. BUSINESS COMBINATIONS (continued)

(b) Acquisition of the Beijing Xingyi Group (continued)

	Notes	HK$'000
Property, plant and equipment	11	80
Intangible assets	17	444
Properties under development	13	5,301,692
Prepayments, deposits and other receivables		111,339
Tax recoverable		127,717
Cash and cash equivalents		379,977
Trade and bills payables		(359,893)
Other payables and accruals		(3,906,930)
Interest-bearing borrowings		(1,382,935)
Deferred tax liabilities	36	(22,305)
Total identifiable net assets at fair value		249,186
Non-controlling interests		(123,349)
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	5	(80)
		125,757
Satisfied by:		
Cash		62,839
Fair value of equity interest previously held as an investment in a joint venture		62,918
Total purchase consideration		125,757

The fair values of its other receivables as at the date of acquisition amounted to RMB96,565,000 (equivalent to HK$111,339,000), which are equal to their gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Jinmao incurred transaction costs of RMB3,000 (equivalent to HK$3,000) for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

Jinmao recognised a gain on bargain purchase of RMB69,000 (equivalent to HK$80,000) in the consolidated statement of comprehensive income for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third party, as Jinmao has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(62,839)
Cash and cash equivalents	379,977
Net inflow of cash and cash equivalents included in cash flows from investing activities	317,138
Transaction costs of the acquisition included in cash flows from operating activities	(3)
	317,135

41. BUSINESS COMBINATIONS (continued)

(b) Acquisition of the Beijing Xingyi Group (continued)

Since the acquisition, the Beijing Xingyi Group contributed RMB2,102,149,000 (equivalent to HK$2,423,778,000) to the Group's revenue and RMB172,481,000 (equivalent to HK$198,871,000) to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$64,093,911,000 and HK$4,496,371,000, respectively.

(c) Acquisition of the Tuoying Group

On 29 December 2017, Jinmao acquired an additional 50% equity interest in Shanghai Tuoying industrial Co., Ltd. from an independent third party at a cash consideration of RMB8,720,000 (equivalent to HK$10,054,000). Shanghai Tuoying Industrial Co., Ltd. and its wholly-owned subsidiary (the "Tuoying Group") are engaged in the property development of a real estate project in Beijing, the PRC. Before the acquisition, Jinmao held a 50% equity interest in the Tuoying Group and accounted for the Tuoying Group as a joint venture of Jinmao.

Jinmao remeasured the fair value of the equity interest held at the date of acquisition at an amount of RMB8,778,000 (equivalent to HK$10,121,000), and a fair value gain of RMB8,778,000 (equivalent to HK$10,121,000) was recognised in other income and gains in the consolidated statement of comprehensive income during the year ended 31 December 2017.

The fair values of the identifiable assets and liabilities of the Tuoying Group as at the date of acquisition were as follows:

	Notes	HK$'000
Property, plant and equipment	11	1,101
Properties under development	13	5,148,633
Prepayments, deposits and other receivables		59,215
Tax recovable		10,846
Cash and cash equivalents		326,015
Trade and bills payables		(104,156)
Other payables and accruals		(2,800,848)
Amounts due to related parties		(3,348)
Interest-bearing borrowings		(2,577,532)
Deferred tax liabilities	36	(39,684)
Total identifiable net assets at fair value		20,242
Gain on bargain purchase recognised in other income and gains in the consolidated statement of comprehensive income	5	(67)
		20,175
Satisfied by:		
Cash		10,054
Fair value of equity interest previously held as investment in a joint venture		10,121
Total purchase consideration		20,175

41. BUSINESS COMBINATIONS (continued)

(c) Acquisition of the Tuoying Group (continued)

The fair values of its other receivables as at the date of acquisition amounted to RMB51,357,000 (equivalent to HK$59,215,000), which are equal to its gross contractual amounts. There was no estimated uncollectable amount of the contractual cash flows at the date of acquisition.

Jinmao incurred transaction costs of RMB192,000 (equivalent to HK$221,000) for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of comprehensive income.

Jinmao recognised a gain on bargain purchase of approximately RMB58,000 (equivalent to HK$67,000) in the consolidated statement of comprehensive income for the year ended 31 December 2017, which was, in the opinion of the directors, primarily attributable to Jinmao's ability in negotiating the agreed terms of the transaction with the independent third party, as Jinmao has good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and has sufficient available funds for the ongoing development of the project.

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(10,054)
Cash and cash equivalents	326,015
Net inflow of cash and cash equivalents included in cash flows from investing activities	315,961
Transaction costs of the acquisition included in cash flows from operating activities	(221)
	315,740

Since the acquisition, the Tuoying Group contributed no revenue to the Group and no profit to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$64,093,911,000 and HK$4,496,321,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

(a) As referred to in note 9, on 1 January 2017, the Company disposed of all of its equity interests in Sinochem Petroleum Limited, Sinochem Resources UK Limited, and 99.8981% of the membership rights in SPNC to SPEP Energy Hong Kong Limited, an associate of the Group's ultimate parent. The sales and transfers of the shares and membership rights were effective as of 1 January 2017, of which the consideration was based on the shareholding percentages and percentages of membership rights and the book values of the net assets of the above subsidiaries as of 31 December 2016.

Details of financial impacts of the disposals mentioned above are summarised below:

	Notes	2017 HK$'000
Net assets/liabilities disposed of:		
Property, plant and equipment	11	9,955
Oil and gas properties	18	38,370,781
Intangible assets	17	1,875,144
Deferred tax assets	36	863,925
Other non-current assets		6,833,991
Cash and cash equivalents		1,284,136
Inventories		705,811
Trade and bills receivables		655,583
Prepayment, deposits and other receivables		1,298,452
Other current assets		253
Trade and bills payables		(506,982)
Other payables and accruals		(7,720,823)
Tax payable		(125,067)
Derivative financial instruments		(20,025)
Deferred taxation liabilities	36	(2,718,555)
Other non-current liabilities		(18,161,818)
		22,644,761
Exchange fluctuation reserve		25,319
0.1019% of net assets of SPNC transferred to available-for-sale investments		(15,486)
		22,654,594
Loss on disposal of subsidiaries	9(a)	(5,692)
		22,648,902
Satisfied by:		
Increase in the amount due from a related party		22,648,902

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK$'000
Cash consideration	-
Cash and cash equivalents disposed of	(1,284,136)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,284,136)

42. DISPOSAL OF SUBSIDIARIES (continued)

(b) As referred to in note 9, in October 2017, the Company disposed of all of its equity interests in Sinochem International Petroleum (Bahamas) Co., Ltd. and Sinochem International Oil (London) Co., Ltd. to Sinochem Energy Hong Kong Co., Limited, a fellow subsidiary of the Company, for a cash consideration of US$1 and US$1, respectively. The disposal was completed on 31 October 2017.

Details of financial impacts of the disposals mentioned above are summarised below:

	Notes	2017
		HK$'000
Net assets/liabilities disposed of:		
Property, plant and equipment	11	518
Investments in associates		594,458
Deferred tax assets	36	244
Other non-current assets		2,276,487
Cash and cash equivalents		112,073
Inventories		1,098,160
Trade and bills receivables		35,284,126
Prepayment, deposits and other receivables		798,744
Tax recoverable		436
Derivative financial assets		393,265
Other current assets		1,837,706
Trade and bills payables		(33,146,273)
Other payables and accruals		(3,959,683)
Tax payable		(8,909)
Interest-bearing borrowings		(3,106,226)
Derivative financial liabilities		(1,472,678)
		702,448
Exchange fluctuation reserve		9,716
		712,164
Gain on disposal of subsidiaries		-
		712,164
Satisfied by:		
Capital reserve		712,164

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017
	HK$'000
Cash consideration	-
Cash and cash equivalents disposed of	(112,073)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(112,073)

42. DISPOSAL OF SUBSIDIARIES (continued)

(c) During the year ended 31 December 2017, Jinmao lost control over the subsidiaries of Chongqing Longyue Business Management Center (Limited Partnership), Qingdao Fangsheng Investment Management Limited and Shanghai Xingwaitan Development and Construction Limited. On 29 December 2017, the Company disposed of all of its equity interests in Sinochem International Chemicals (Hong Kong) Limited and Sinochem Japan Co., Ltd. to Sinochem International (Overseas) Pte. Ltd., a fellow subsidiary of the Company, for cash considerations of HK$336,998,000 and HK$12,002,000, respectively. The disposal was completed on 29 December 2017.

During the year ended 31 December 2016, Jinmao lost control over the subsidiaries of Zhengzhou Maohui Property Development Co., Ltd and Beijing Lanxiu Cheng Property Development Co., Ltd..

Details of financial impacts of the disposals mentioned above are summarised below:

	Notes	2017 HK$'000	2016 HK$'000
Net assets/liabilities disposed of:			
Property, plant and equipment	11	2,852	171
Investment properties	14	280,015	-
Investments in associates		5,193	-
Properties under development	13	12,052,016	26,289
Deferred tax assets	36	10,833	-
Other non-current assets		-	1,331
Cash and cash equivalents		146,412	169,145
Inventories		111,451	-
Trade and bills receivables		305,362	-
Prepayment, deposits and other receivables		1,826	3,923,829
Other current assets		2,789	95,845
Trade and bills payables		(876,366)	-
Other payables and accruals		(18,513)	(1,570,888)
Tax payable		(11,137)	-
Deferred tax liabilities	36	(8,932)	
Interest-bearing borrowings		(3,906,364)	(2,646,146)
Other non-current liabilities		(42,229)	
Non-controlling interests		(3,438,794)	-
		4,616,414	(424)
Exchange fluctuation reserve		276,582	-
		4,892,996	(424)
Gain on disposal of subsidiaries	5	3,148,480	427
		8,041,476	3
Satisfied by:			
Cash		866,060	3
Other financial assets		7,175,416	-
		8,041,476	3

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK$'000	2016 HK$'000
Cash consideration	866,060	3
Cash and cash equivalents disposed of	(146,412)	(169,145)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	719,648	(169,142)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank and other loans HK$'000	Short-term commercial paper HK$'000	Payable to non-controlling interests HK$'000	Other payables and accruals excluding payable to non-controlling interests HK$'000	Trade and bills payables HK$'000	Derivative financial instruments HK$'000	Amounts due to related parties HK$'000
At 1 January 2017	86,224,229	2,235,800	1,803,888	44,059,577	46,891,422	1,152,993	15,054,498
Net cash flows (used in)/from operating activities	(84,460)	-	-	8,635,928	(1,660,321)	494,111	5,309,600
Increase arising from acquisition of subsidiaries	4,070,001	-	-	7,315,411	677,495	-	3,348
Decrease arising from disposal of subsidiaries	(7,012,590)	-	-	(1,448,679)	(32,313,238)	(1,492,702)	(4,607,095)
Others	-	-	-	2,468,574	-	-	-
Net cash flows (used in)/from investing activities	(2,942,589)	-	-	8,335,306	(31,635,743)	(1,492,702)	(4,603,747)
New bank loans and other loans	94,247,376	-	-	-	-	-	-
Repayment of bank loans and other loans	(66,107,029)	-	-	-	-	-	-
Repayment of short-term commercial paper	-	(2,306,000)	-	-	-	-	-
Advance from non-controlling shareholders	-	-	8,646,778	-	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	258,197	-	-	-	-
Advance of investment from third parties	-	-	-	5,871,094	-	-	-
Interest paid	-	-	-	(3,247,830)	-	-	-
Increase in amounts due to related parties	-	-	-	-	-	-	1,778,715
Net cash flows from/(used in) financing activities	28,140,347	(2,306,000)	8,904,975	2,623,264	-	-	1,778,715
Other changes	(31,234)	-	-	12,328	-	20,427	-
Net foreign exchange differences	3,611,139	70,200	(66,284)	66,284	-	-	80,289
At 31 December 2017	114,917,432	-	10,642,579	63,732,687	13,595,358	174,829	17,619,355

44. CONTINGENT LIABILITIES

At the end of the reporting period, Jinmao has provided guarantees in respect of mortgage facilities for certain purchasers of Jinmao's properties amounting to approximately HK$22,973,000 (2016: HK$21,215,578,000).

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements. The leases are negotiated for terms ranging from one to ten years.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	1,291,530	1,041,069
In the second to fifth years, inclusive	2,566,847	1,052,304
After five years	503,605	85,070
	4,361,982	2,178,443

(b) As lessee

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	88,610	83,673
In the second to fifth years, inclusive	59,468	57,637
After five years	1,560	1,944
	149,638	143,254

46. COMMITMENTS

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	35,382	89,379
Properties under development	21,105,407	12,737,186
Capital contributions to joint ventures	556,268	453,029
Land under development	1,643,672	1,477,845
	23,340,729	14,757,439
Authorised, but not contracted for:		
Property, plant and equipment	2,117,601	370,471
Oil and gas properties	-	2,301,355
Acquisition of shares	-	558,950
	2,117,601	3,230,776
	25,458,330	17,988,215

47. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2017 HK$'000	2016 HK$'000
The ultimate parent:		
Property management fee income	139	460
Sale of fertilisers	-	29,458
Purchase of fertilisers	137,894	135,947
Import service fee	1,753	4,041
Rental income	9,126	9,299
Interest expense	15,229	5,186
The immediate parent:		
Interest income	102,856	64,949
Rental income	104,179	105,198
Property management fee income	18,163	16,247
Building decoration services income	1,040	6,137
Interest expense	8,183	2,240
Fellow subsidiaries:		
Sale of chemical products	3,290,349	2,005,567
Sales of crude oil and petroleum products	7,235,015	-
Purchase of chemical products	229,899	16,462
Interest expense	99,771	61,243
Rental income	159,770	178,902
Building decoration service income	1,841	969
Property management fee income	39,199	23,368
Interest income	169,715	197,816
Other income	-	18,439
Other operating expenses	1,463,873	1,677,448
Management fee expenses	9	57,696
Storage fee expenses	2,324	3,183
Purchase of crude oil and petroleum products	3,585,243	968,165
Transfer of investments in associates to a related party	-	383,256

Continued/…

47. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

	2017 HK$'000	2016 HK$'000
Associates:		
Sales of fertilisers	7,320	15,723
Sales of crude oil and petroleum products	9,798,302	6,420,176
Purchase of fertilisers	1,753,036	1,293,773
Sales of chemical products	2,986	15,385
Interest income	111,815	192,907
Interest expense	20,250	10,753
Building decoration service income	32,889	33,383
Consulting fee income	14,277	6,055
Property management fee income	17,425	5,973
Other income	22,197	90,173
Joint ventures:		
Sale of fertilisers	302,590	168,562
Rental income	1,929	356
Building decoration service income	31,467	19,531
Property management fee income	31,970	16,684
Interest income	804,663	146,257
Consulting fee income	19,190	1,986
Purchase of fertilisers	1,241,697	1,120,385
Consulting fee expense	169,989	104,347
An associate of the Group's ultimate parent:		
Rental income	67,307	67,149
Property management fee income	3,101	2,784
Interest income	560,710	-
Interest expense	21,903	-
Transfer of investments in subsidiaries to a related party	22,648,902	-

(b) At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by its ultimate parent or immediate parent.

47. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	54,781	45,053
Performance related incentive payments	6,572	-
Post-employment benefits	3,385	2,940
Share-based payments	1,981	1,654
Total compensation paid to key management personnel	66,719	49,647

(d) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the Chinese government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the Chinese government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties as disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

During the year, the Group had transactions with other state-owned entities ("SOEs") including, but not limited to, borrowings, deposits, the sale of properties developed, crude oil, refined petroleum products and chemical products, the provision of property lease and management services and the provision of sub-contracting services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2017

Financial assets

	Financial assets at fair value through profit and loss HKD'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	-	-	2,284,356	2,284,356
Amounts due from related parties	-	74,260,104	-	74,260,104
Financial assets included in other assets	-	-	7,610,258	7,610,258
Trade and bills receivables	-	1,661,962	-	1,661,962
Financial assets included in prepayments, deposits and other receivables	-	15,700,434	-	15,700,434
Amounts due from non-controlling shareholders		3,590,662	-	3,590,662
Derivative financial instruments	11,988	-	-	11,988
Restricted bank balance	-	3,870,247	-	3,870,247
Cash and cash equivalents	-	27,671,639	-	27,671,639
	11,988	126,755,048	9,894,614	136,661,650

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	-	13,595,358	13,595,358
Financial liabilities included in other payables and accruals	-	23,631,784	23,631,784
Derivative financial instruments	174,829	-	174,829
Interest-bearing borrowings	-	114,917,432	114,917,432
Amounts due to related parties	-	17,619,355	17,619,355
	174,829	169,763,929	169,938,758

48. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2016

Financial assets

	Financial assets at fair value through profit or loss HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale investments	-	-	2,228,678	2,228,678
Amounts due from related parties	-	47,537,093	-	47,537,093
Financial assets included in other assets	-	685,354	-	685,354
Trade and bills receivables	-	24,397,135	-	24,397,135
Financial assets included in prepayments, deposits and other receivables	-	4,222,104	-	4,222,104
Amounts due from non-controlling shareholders	-	345,624	-	345,624
Derivative financial instruments	511,391	-	-	511,391
Restricted bank balance	-	2,602,997	-	2,602,997
Cash and cash equivalents	-	23,669,346	-	23,669,346
	511,391	103,459,653	2,228,678	106,199,722

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	-	46,891,422	46,891,422
Financial liabilities included in other payables and accruals	-	11,007,144	11,007,144
Derivative financial instruments	1,152,993	-	1,152,993
Interest-bearing borrowings	-	88,460,029	88,460,029
Amounts due to related parties	-	15,054,498	15,054,498
	1,152,993	161,413,093	162,566,086

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	2017		2016	
	Carrying amount HK$'000	Fair value HK$'000	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities:				
Interest-bearing borrowings	114,917,432	116,801,801	88,460,029	90,768,782
	114,917,432	116,801,801	88,460,029	90,768,782

Management has assessed that the fair values of cash and cash equivalents, restricted bank balance, trade and bills receivables, available-for-sale investments, amounts due from/to related parties, financial assets included in other assets, financial assets included in prepayments, deposits and other receivables, derivative financial instruments, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing borrowings, except for notes, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair value of notes is based on quoted market prices. The Group's own non-performance risk for interest-bearing borrowings as at 31 December 2017 was assessed to be insignificant.

The fair value of available-for-sale securities is determined by reference to their quoted bid price at the end of the reporting period. When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group enters into derivative financial instruments with counterparties, principally financial institutions with good credit ratings. Derivative financial instruments are measured using present value calculations or similar calculations. The models incorporate market observable inputs including the foreign exchange spot and forward rates.

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	-	11,988	-	11,988
Listed available-for-sale investments	1,684,186	-	-	1,684,186
	1,684,186	11,988	-	1,696,174

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Listed available-for-sale investments	1,593,501	-	-	1,593,501
Derivative financial instruments	155	511,236	-	511,391
	1,593,656	511,236	-	2,104,892

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	-	174,829	-	174,829
	-	174,829	-	174,829

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	215,380	937,613	-	1,152,993
	215,380	937,613	-	1,152,993

The movements in fair value measurements in Level 3 during the year are as follows:

	2017	2016
	HK$'000	HK$'000
Other financial assets:		
At 1 January	-	184,131
Disposals	-	(184,131)
At 31 December	-	-

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: Nil).

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value is disclosed as at 31 December 2017 (2016: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing borrowings	50,043,229	66,758,572	-	116,801,801
	50,043,229	66,758,572	-	116,801,801

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Interest-bearing borrowings	49,549,539	41,219,243	-	90,768,782
	49,549,539	41,219,243	-	90,768,782

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and other borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables, which arise directly from its operations.

The Group also enters into derivative financial instruments, including forward currency contracts and forward exchange contracts. The purpose is to manage foreign currency risks arising from the Group's operations, net investment in foreign operations and its sources of finance.

The Group's exposure to business risk, market risk (foreign currency risk, interest rate risk and equity price risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Business risk

The major operations of the Group are conducted in the PRC and other countries, and accordingly, the Group is subject to special considerations and significant risks not typically associated with investments in equity securities of the United States of America and Western European companies. These include risks associated with, among others, the oil and gas industry, the political, economic and legal environments, influence of the national authorities over price setting and competition in the industry.

Foreign currency risk

Certain bank balances, trade and bills receivables, other receivables, trade and bills payables, other payables, amounts due from and to related companies, bank balances and borrowings are denominated in currencies other than the functional currencies of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the rates of US$, HK$ and RMB. The following table illustrates the sensitivity to profit or loss where the relevant functional currencies strengthen 2% against the respective foreign currencies. 2% is the sensitivity rate that represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to relevant functional currencies at year end for a 2% change in foreign currency rates. For a 2% weakening of relevant functional currencies against the respective foreign currencies, there would be an equal and opposite impact on the profit for the year.

	Increase/(decrease) in profit	
	2017	2016
	HK$'000	HK$'000
US$	210,276	359,423
RMB	(91,761)	(124,430)

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see notes 34 and 22 for details of interest-bearing borrowings and amounts due from related parties, respectively). The Group is also exposed to cash flow interest rate risk in relation to variable rate bank balances and borrowings, of which details are disclosed in notes 30 and 34, respectively.

The Group currently does not have an interest rate hedging policy, however, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk is mainly due to the fluctuation of prevailing interest rates announced by the People's Bank of China and the fluctuation of LIBOR.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to interest rates for variable rate bank borrowings of the Group at the end of the reporting period and the reasonably possible change taking place at the beginning of each year, with all other variables held constant throughout the year. Management used a change of 50 basis points (2016: 50 basis points) to assess interest rate risk on the borrowings. If interest rates had been 50 basis points (2016: 50 basis points) higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have decreased/increased by approximately HK$127,176,000 (2016: decreased/increased by approximately HK$124,931,000).

Equity price risk

The Group is exposed to equity price risk through its available-for-sale investments in respect of equity securities listed on the respective stock exchanges.

Management would manage its exposure arising from these investments by closely monitoring the performance of the respective listed equity securities and market conditions. Management will consider diversifying the portfolio of these investments as they consider appropriate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period:

If the prices of the respective listed equity securities, which are available-for-sale investments, had been 5% (2016: 5%) higher/lower, the investment revaluation reserve of the Group would have increased/decreased by approximately HK$84,209 ,000 (2016: HK$79,675,000) as a result of the changes in fair value of available-for-sale investments.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's maximum exposure to credit risk, which represents the risk of financial losses to the Group due to the default of counterparties, arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The related parties have a strong financial background. Accordingly, in the opinion of the directors, the credit risk on amounts due from related parties is limited. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have significant concentration of credit risk as trade receivables are due from a large number of customers.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Group and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Year ended 31 December 2017	Less than 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	13,595,358	-	-	13,595,358
Financial liabilities included in other payables and accruals	23,631,784	-	-	23,631,784
Derivative financial instruments	174,829	-	-	174,829
Interest-bearing borrowings	38,416,908	78,484,944	16,484,850	133,386,702
Amounts due to related parties	15,824,905	1,794,450	-	17,619,355
	91,643,784	80,279,394	16,484,850	188,408,028

Year ended 31 December 2016	Less than 1 year or on demand HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	46,891,422	-	-	46,891,422
Financial liabilities included in other payables and accruals	11,007,144	-	-	11,007,144
Derivative financial instruments	1,152,993	-	-	1,152,993
Interest-bearing borrowings	24,315,320	62,910,335	19,497,390	106,723,045
Amounts due to related parties	15,054,498	-	-	15,054,498
	98,421,377	62,910,335	19,497,390	180,829,102

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debt, which includes borrowings, equity instruments and equity attributable to owners of the parent, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, the issue of new shares, the issue of new debts or the redemption of existing debts.

51. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

2017	Jinmao	Sinofert	Suzhou Anmao	JCHIML	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Percentage of equity interest held by non-controlling interests	46.05%	47.35%	85.70%	63.97%	73.02%
Profit/(loss) for the year allocated to non-controlling interests	3,463,675	(1,289,784)	(12,784)	162,098	92,206
Dividends declared to non-controlling interests	5,050,417	-	-	444,417	2,497,269
Accumulated balances of non-controlling interests at the reporting date	58,190,361	3,474,657	4,597,369	5,005,708	3,014,846

2016	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCHIML	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Percentage of equity interest held by non-controlling interests	46.03%	47.35%	73.01%	73.01%	64.09%	73.01%
Profit/(loss) for the year allocated to non-controlling interests	3,745,908	(2,783,413)	98,917	(1,440)	279,332	1,130,407
Dividends declared to non-controlling interests	864,833	33,093	-	-	409,540	-
Accumulated balances of non-controlling interests at the reporting date	46,122,062	4,142,585	2,958,914	4,874,308	4,629,449	5,148,461

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

2017	Jinmao	Sinofert	Suzhou Anmao	JCHIML	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	35,829,296	20,343,315	-	2,992,552	-
Total expenses	(29,891,113)	(22,973,174)	(14,918)	(2,738,957)	126,270
Profit/(loss) for the year	5,938,183	(2,629,859)	(14,918)	253,595	126,270
Total comprehensive income/(loss) for the year	12,532,424	(2,136,495)	(14,918)	648,077	126,270
Current assets	140,299,515	20,004,317	3,735,856	1,374,836	7,439,952
Non-current assets	125,332,176	6,874,757	5,143,641	20,551,351	377,881
Current liabilities	128,092,687	12,657,185	3,467,394	9,641,366	3,689,200
Non-current liabilities	58,052,391	6,446,123	44,231	4,534,733	-
Net cash flows (used in)/from operating activities	(28,471,107)	(1,626,012)	(8,217,681)	1,026,993	3,026,909
Net cash flows (used in)/from investing activities	(17,893,205)	2,371,748	(387)	(338,484)	(2,286,863)
Net cash flows from/(used in) financing activities	48,008,577	(1,508,623)	8,365,334	(560,780)	(6,877,311)
Net increase/(decrease) in cash and cash equivalents	1,644,265	(762,887)	147,266	127,729	(6,137,265)

51. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

2016	Jinmao	Sinofert	Shanghai Yin Hui	Shanghai Xingwaitan	JCHIML	SISSC
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	31,910,270	17,482,691	930,733	(569)	2,864,193	12,504,659
Total expenses	(26,565,008)	(23,118,660)	(795,255)	(1,404)	(2,426,367)	(10,956,444)
Profit/(loss) for the year	5,345,262	(5,635,969)	135,478	(1,973)	437,826	1,548,215
Total comprehensive income/(loss) for the year	(447,402)	(6,274,481)	286,464	(3,946)	93,369	3,096,429
Current assets	96,455,601	8,754,120	372,224	9,527,128	1,146,655	12,896,281
Non-current assets	90,126,510	16,806,768	5,279,434	12,045	19,430,775	2,853,657
Current liabilities	79,798,233	11,994,291	1,253,630	2,863,281	7,278,269	8,698,562
Non-current liabilities	44,467,571	4,322,041	286,521	-	5,993,170	-
Net cash flows (used in)/from operating activities	(1,331,658)	1,086,780	(543,800)	(1,532,006)	1,454,056	5,155,708
Net cash flows used in investing activities	(366,507)	(29,223)	-	(679)	(294,751)	(17,029)
Net cash flows from/(used in) financing activities	9,876,354	(703,575)	-	1,651,303	(971,090)	686,199
Net increase/(decrease) in cash and cash equivalents	8,178,189	353,982	(543,800)	118,618	188,215	5,824,878

52. EVENTS AFTER THE REPORTING PERIOD

(a) On 4 January 2018, the board of directors of the Company approved the distribution of dividends amounting to US$60,198,000 (equivalent to HK$470,562,000) to the immediate parent.

(b) On 12 January 2018, Changsha Rongmao Enterprise Management Co., Ltd., a wholly-owned subsidiary of Jinmao, entered into purchase agreements with Shanghai International Port (Group) Co., Ltd. to purchase the 50% equity interest in each of Shanghai Yin Hui and SISSC at a consideration of RMB2,857,681,000 (equivalent to HK$3,443,114,000) in aggregate. Shanghai Yin Hui and SISSC are non-wholly-owned subsidiaries of Jinmao before the acquisition. Upon completion of the acquisition, Jinmao will hold a 100% equity interest in each of Shanghai Yin Hui and SISSC.

(c) On 17 January 2018, Jinmao completed a private placement of an aggregate of 900,124,000 shares to independent third parties, at a price of HK$3.70 per share, which was approximately 7.78% of the issued share capital of Jinmao as enlarged by the subscription. The net proceeds from the subscription amounted to approximately HK$3,305,480,000. The Group held 49.76% of the issued share capital of Jinmao after the private placement.

(d) On 14 February 2018, Sinochem Offshore Capital Company Limited completed the issuance of RMB1,000,000,000 senior guaranteed notes with a maturity period of 3 years bearing interest at a rate of 4.4% per annum under the Medium-Term Note Programme.

(e) On 8 March 2018, Franshion Brilliant Limited, a wholly-owned subsidiary of the Company, completed an issue of the guaranteed senior notes in an aggregate principal amount of RMB1,250,000,000 (equivalent to HK$1,548,601,000). The notes are unsecured, bear interest at 5.20% per annum, payable semi-annually in arrears and will mature on 8 March 2021. The net proceeds from the issuance of these notes, after deduction of commissions and other estimated expenses, amounted to approximately RMB1,243,600,000 (equivalent to HK$1,540,672,000).

(f) On 12 April 2018, Jinmao completed the issuance of the second-batch of the first tranche of the medium-term notes with a principal amount of RMB3,000,000,000 (equivalent to HK$3,750,469,000) to qualified investors. The second-batch notes are unsecured and have a term of 3 years with a fixed coupon rate of 4.99% per annum.

(g) On 18 May 2018, all the conditions precedent of the disposal of all the shares in Qinghai Salt Lake held by Sinochem Fertiliser have been fulfilled, and all necessary procedures on the registration of share transfer were completed. Following the completion of the disposal, Sinochem Fertilizer has ceased to hold any shares of Qinghai Salt Lake.

53. COMPARATIVE AMOUNTS

The comparative consolidated statement of comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 9).

54. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 25 May 2018.