CHINA SANJIANG FINE CHEMICALS COMPANY LIMITED

中國三江精細化工有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 2198)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Sanjiang Fine Chemicals Company Limited (the "**Company**"), I announce the annual audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015.

RESULTS HIGHLIGHTS

	2015	2014	**Change**
	RMB'000	*RMB'000*	*%*
Revenue	4,966,427	3,636,800	36.6%
Gross profit	164,449	242,122	-32.1%
Net (loss)/profit attributable to owner of the parent	(145,502)	132,780	-209.6%
(Loss)/Earnings per share – Basic (RMB)	(14.79) fens	13.49 fens	-209.6%
Dividend per share (HK$)	-	-	-
Gross profit margin	3.3%	6.7%	-3.4%
Gearing – interesting-bearing borrowings to total asset	50.9%	54.4%	-3.5%

The Group, as well as all the stakeholders in oil and chemical sector (the "**Sector**"), faced a very tough economic environment in 2015.During the year under review, the significant price volatility and the unusual price slump of crude oil, as well as other major commodities like silver, dragged down the overall gross profit margins of the Group and the Sector. Our major products like ethylene oxide ("**EO**"), ethylene glycol ("**EG**"), ethylene and propylene are all crude oil-derivative products and crude oil price has been dropping, since the second half of 2014, from approximately USD100 per barrel to approximately USD60 per barrel by June 2015 and then further dropping to approximately USD35 per barrel by the end of 2015, which has given those PRC oil refineries feedstock cost advantage when comparing with our MTO Technology-based production facility ("**MTO production facility**") in terms of the production of ethylene and propylene as the pricing of methanol, being the feedstock of MTO production facility and the ultimate feedstock to the Group from vertical integration perspective, only dropped by approximately 40% during the corresponding periods and it dragged down the overall gross profit margin of our Group by approximately 3.4% to 3.3% for the year ended 31 December 2015.

During the year under review, we finished the ramp-up of two major production facilities - the MTO production facility and the 5th phase EO/EG production facilities and put them into commercial operation in Q2 and Q3 of 2015 respectively which led to the increase in revenue of our Group by approximately 36.6% when comparing to 2014. The outputs of the MTO production facility, on a yearly basis, are expected to be approximately300,000 MT, 390,000 MT and125,000 MT for ethylene, propylene and C4respectively while the output of the5th phaseEO/EG production facilities, on a yearly basis, are expected to be approximately 100,000 MT and 300,000MT for EO and EG respectively. We expect the Group will have another 30%-growth in revenue in 2016, as a result of the full-year effect of the aforesaid two new ramp-ups.

The Group made a loss of approximately RMB145.5 million in 2015, a slump of approximately RMB278.3 million when comparing to 2014 which, apart from the aforesaid adverse impacts from the significant price volatility and the unusual price slump of crude oil, was also resulted from the depreciation of RMB versus USD and the Group recognised a foreign exchange loss of amount RMB195.1 million in 2015 (2014: loss of RMB15.3 million) and the fact the Group has unrecogniced deferred tax assets in respect of available tax losses carried forwards of approximately RMB88.2 million, which the Group believes the chance of using such available tax losses carried forwards to offset future tax profits is very high. In view of the loss the Group made this year and the uncertainty in respect of future commodities pricing, the Board will not recommend the payment of a dividend for the year ended 31 December 2015.

We take this opportunity to emphasis that we take a medium-to-long-term view inmaking any investment decision and if we look at a timeframe of a decade or more, coal or natural gas, being the ultimate feedstock, is being considered more cost effective in terms of outputs when comparing with crude oil in most of the time. In that sense, we are optimistic that, in a long run, the comparative relationship between coal or natural gas and crude oil will maintain and methanol, being the downstream product of coal or natural gas, and MTO production facility will regain its position as a more competitive way to produce ethylene and propylene when comparing to oil refinery approach.

Nevertheless, we have planned and are implementing a number of short-term measuresto response to the current market conditions with the purpose of saving operating costs and developing a further vertical integrated production chain and in turn diversifying market risks. For example, we are fine tuning the structure of certain pipelines to use spare heats from certain production facilities to generate low pressure steam for the chemical reactions of other facilities which will reduce the overall energy/heat losses and save operating costs. The Group is very cautious about the gearing level of the Group and expects the capital expenditure for this fine tuning is expected to be very immaterial.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my thanks to our shareholders, banks, customers and vendors for theirsupports and trusts as well asour management and all staffs for theirhard workings and commitments duringthe year.

GUAN Jianzhong
Chairman
People's Republic of China, 24th March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	2015 *RMB'000* ***(Audited)***	2014 *RMB'000* ***(Audited)***
REVENUE	4	4,966,427	3,636,800
Cost of sales		(4,801,978)	(3,394,678)
Gross profit		164,449	242,122
Other income and gains	4	765,098	677,027
Selling and distribution expenses		(25,092)	(10,609)
Administrative expenses		(183,495)	(123,512)
Other expenses	4	(830,612)	(440,803)
Finance costs	5	(276,978)	(125,608)
Investment income from disposal of Mei Fu Port	4	157,128	-
Share of profits/(losses) of JV– Me Fu Entities	7	64,538	(71,247)
(LOSS)/PROFIT BEFORE TAX	6	(164,964)	147,370
Income tax expense	8	(62,268)	(16,564)
(LOSS)/PROFIT FOR THE YEAR		(227,232)	130,806
Attributable to:			
Owners of the parent		(145,502)	132,780
Non-controlling interests		(81,730)	(1,974)
		(227,232)	130,806
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		(14.79) fens	13.49 fens
Diluted		(14.73)fens	13.44 fens
PROPOSED FINAL DIVIDEND FOR THE YEAR	10	-	-

CONSOLIDATED STATEMENT OF FINANCE POSITION

At 31 December 2015

	Notes	2015 *RMB'000* *(Audited)*	2014 *RMB'000* *(Audited)*
NON-CURRENT ASSETS			
Property, plant and equipment		5,789,464	4,854,195
Prepaid land lease payments		308,412	306,080
Intangible assets		246,719	111,399
Due from related parties	19	96,451	-
Advance payments for property, plant and equipment		58,784	357,560
Investments in joint ventures – Mei Fu Entities	7	195,106	306,756
Prepayments, deposits and other receivables	14	2,007	6,823
Available-for-sale investments	11	1,000	1,000
Deferred tax assets		13,183	21,830
Total non-current assets		6,711,126	5,965,643
CURRENT ASSETS			
Inventories	12	499,598	290,594
Trade and notes receivables	13	702,609	325,736
Prepayments, deposits and other receivables	14	548,051	528,196
Due from related parties	19	969,259	1,352,463
Available-for-sale investments	11	422,949	336,468
Derivative financial instruments		20,388	-
Pledged deposits	15	701,464	1,214,895
Cash and cash equivalents	15	91,743	398,790
Total current assets		3,956,061	4,447,142
CURRENT LIABILITIES			
Trade and bills payables	16	1,254,516	1,304,198
Other payables and accruals	17	1,331,048	884,042
Derivative financial instruments		13,280	6,855
Interest-bearing bank borrowings	18	3,471,123	3,261,339
Short-term bond	18	605,868	502,042
Due to related parties	20	325,880	21,571
Tax payable		46,773	39,247
Total current liabilities		7,048,488	6,019,294
NET CURRENT LIABILITIES		(3,092,427)	(1,572,152)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,618,699	4,393,491
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	18	1,351,850	1,897,100
Deferred tax liabilities		18,537	18,676
Total non-current liabilities		1,370,387	1,915,776
Net assets		2,248,312	2,477,715
EQUITY			
Equity attributable to owners of the parent			
Issued capital	21	86,048	86,048
Reserves		2,043,570	2,191,243
Proposed final dividend	10	-	-
		2,129,618	2,277,291
Non-controlling interests		118,694	200,424
Total equity		2,248,312	2,477,715

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company was incorporated with limited liability in the Cayman Islands on 30 January 2009. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1 – 1111, Cayman Islands.

The Company and its subsidiaries (the "**Group**") are principally engaged in the manufacturing and supplying of ethylene oxide ("**EO**"), ethylene glycol ("**EG**"), ethylene, propylene and surfactants. The Group is also engaged in the provision of processing service for surfactants to customers and the production and supply of other chemical products such as polymer grade ethylene and industrial gases, namely oxygen, nitrogen and argon. Ethylene oxide is a key intermediary component for the production of ethylene derivative products such as ethylene glycol, ethanol amines and glycol ethers and a wide range of surfactants. Surfactants are widely applied in different industries as scouring agent, moisturising agent, emulsifier and solubiliser.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sure Capital Holdings Limited ("**Sure Capital**"), which is incorporated in the British Virgin Islands.

2 BASIS OF PREPARATION

These 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, and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern assumption

As at 31 December 2015, the Group's net current liabilities amounted to approximately RMB3,092,427,000, which comprised current assets of approximately RMB3,956,061,000 and current liabilities of approximately RMB7,048,488,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. In preparing the financial statements, the directors of the Company have considered the Group's sources of liquidity and believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements on the basis that:

(1) as at 31 December 2015, the Group's total borrowings amounted to RMB5,428,841,000, of which RMB4,076,991,000 will be due within twelve months from 31 December 2015. The Group has not experienced any significant difficulties in renewing its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing borrowings if the Group applies for the renewal. As at 31 December 2015, the Group has unutilised credit facilities from banks of RMB 1,739,019,000 to meet the debt obligations and capital expenditure requirements; and

(2) the Group will proactively implement various strategic plans to streamline its operations to improve profitability and initiate plans to rationalise assets. These will include initiatives to scale back capacity, reduce headcounts, trim operating expenses and reduce capital expenditure.

The directors the Company have reviewed the Group's cash flow forecast prepared by management which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

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 2015. 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 are 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 in the accounting policy for subsidiaries below. 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.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and services and only has one reportable operating segment. Management monitors the operating results of its operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Entity-wide disclosures

Information about products and services

The following table sets forth the total revenue from external customers by product and service during the year:

	2015	2014
	RMB'000	*RMB'000*
EO	2,485,813	3,211,163
Propylene	1,061,004	-
EG	568,994	-
C4and crude pentene	364,666	-
Surfactants	230,718	177,145
Liquefied nitrogen, ethylene glycol and others	203,777	199,285
Processing services	42,756	39,909
Rental income	8,699	9,298
	4,966,427	3,636,800

Geographical information

All external revenue of the Group during the year is attributable to customers established in the PRC, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in Mainland China.

Information about a major customer

Revenue from continuing operations of approximately RMB568,994,000(2014: Nil) was derived from sales of EG by Sanjiang New Material to a single customer, including sales to a group of entities which are known to be under common control with that customer.

4 REVENUE, OTHER INCOME AND GAINS AND OTHER EXPENSES

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, net of value-added tax and government surcharges, and after allowances for returns and trade discounts; and the value of services rendered.

An analysis of revenue, other income and gains and other expenses is as follows:

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sale of goods	4,914,972	3,587,593
Rendering of services	42,756	39,909
Others	8,699	9,298
	4,966,427	3,636,800

	2015	2014
	RMB'000	*RMB'000*
Other income		
Sales of ethylene to Sanjiang Honam	261,148	17,495
Sales of raw materials	199,448	16,291
Interest income from related parties	106,713	100,657
Sales of low sulphur fuel oil to Mei Fu Petrochemical	59,144	312,697
Bank interest income	51,842	87,803
Guarantee fee	11,434	15,519
Government subsidies (a)	10,040	32,254
Others	4,131	6,713
Sales of circular water to Sanjiang Honam	4,076	13,485
Gross rental income	2,076	1,985
Sales of electricity to Sanjiang Honam	1,916	-
Donation income	1,110	-
Agency income	214	-
Sales of propylene	-	35,836
Sales of silver catalysts	-	21,922
Commission fee	-	138
	713,292	662,795
Gains		
Investment income from futures	29,030	-
Investment income from available-for-sale investments	12,000	7,965
Investment income from embedded derivative instruments	5,858	2,617
Gain on disposal of PPE	3,350	-
Investment income from derivative financial instruments	1,323	144
Gain on disposal of intangible assets	245	478
Foreign exchange gains, net	-	-
Gain on disposal of silver catalysts(b)	-	3,028
	51,806	14,232
	765,098	677,027
Other expenses		
Cost of sales of ethylene	233,087	15,876
Cost of sales of raw materials	207,569	16,205
Foreign exchange losses, net	195,060	15,263
Write-off of property, plant and equipment	75,226	-
Cost of sales of low sulphur fuel oil to Mei Fu Petrochemical	57,534	307,022
Impairment loss for inventories(c)	34,861	24,621
Fair value losses on derivative financial instruments	12,151	5,325
Loss on disposal of instable surfactants	8,910	-
Fair value losses on futures	3,993	-
Loss on disposal of silver catalysts(b)	1,810	-
Others	411	2,560
Cost of sales of propylene to Mei Fu Petrochemical	-	35,564
Cost of sales of silver catalysts to Sanjiang Honam	-	17,928
Commission fee	-	153
Lease expense	-	286
	830,612	440,803

Notes:

(a) Government subsidies mainly represent incentives provided by the local government to the Group for its operation in Jiaxing, Zhejiang Province, the PRC. There are no unfulfilled conditions or contingencies attached to these government grants.

(b) Gain or loss on disposal of silver catalysts represents the gain or loss from disposal of silver catalysts used in production which were replaced during overhaul for the EO production line.

(c) Impairment loss for inventories represents the impairment provision for the silver catalysts in inventories.

5 FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans and other loans	299,312	194,464
Less: Interest capitalised	(42,554)	(68,856)
	256,758	125,608
Interest on discounted notes receivable	20,220	-
	276,978	125,608

6 (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	4,788,661	3,383,060
Cost of services provided	11,130	8,750
Depreciation*	412,950	161,041
Amortisation of prepaid land lease payments	7,686	6,731
Amortisation of intangible assets**	22,459	8,803
Gain on disposal of a joint venture	(157,128)	-
Gain on disposal of property, plant and equipment	(3,350)	-
Gain on disposal of items of intangible assets	(245)	(478)
Reversal of inventories to net realisable value	(16,049)	(2,535)
Write-off of property, plant and equipment	75,226	-
Auditors' remuneration	3,026	2,200
Minimum lease payments under operating leases	1,580	1,379
Employee benefit expense (includingdirectors' remuneration)***:		
Wages and salaries	72,626	45,825
Pension scheme contributions	4,885	3,705
Staff welfare expenses	5,533	4,184
Equity-settled share award plan expense	2,839	2,913
	85,883	56,627

* The depreciation of property, plant and equipment for the year is included in "Cost of sales" with an amount of RMB368,467,000(2014: RMB156,244,000) in the consolidated statement of profit or loss.

** The amortisation of technology use rights for the year is included in "Cost of sales" in the consolidated statement of profit or loss.

*** The employee benefit expense for the year is included in “Cost of sales” with an amount of RMB47,768,000 (2014: RMB23,157,000)in the consolidated statement of profit or loss.

7 INVESTMENTS IN JOINT VENTURES

	2015	2014
	RMB’000	*RMB’000*
Share of net assets	123,124	174,379
Goodwill on acquisition	71,982	132,377
	195,106	306,756

The Group’s trade and non-trade receivable and payable balances due from and to joint ventures are disclosed separately in this announcement.

Particulars of the Group’s material joint ventures are as follows:

Name	Place and date of registration and place of operations	Registered paid-up capital	Percentage of Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Zhejiang Meifu Petrochemical Co., Ltd. (“Mei Fu Petrochemical”)*	PRC/ Mainland China 20March 2003	US$39,550,000	51%	57%	74.1%	Manufacture and sale of polyethylene andderivative products

* On 1 July 2014, the Group entered into contractual management agreements with the shareholders of Mei Fu Petrochemical, Guansheng Petroleum Co., Ltd. (Singapore) (“Guansheng Petroleum”) and Hangzhou Weiyu Industrial investment Co., Ltd. (“Hangzhou Weiyu”), pursuant to which Guansheng Petroleum granted the Group and Hangzhou Weiyu the rights to operate and manage Mei Fu Petrochemical from 1 June 2014 to 31 May 2017.

Pursuant to the contractual management agreements, the Group and Hangzhou Weiyu have (a) the rights to operate and manage Mei Fu Petrochemical; (b) the rights to make decision over all operational and financial activities of Mei Fu Petrochemical, including appointment of senior management; (c) the rights to receive the distributable profits and the obligation to fund the losses of Mei Fu Petrochemical generated and incurred during the contractual management period according to an agreed percentage of sharing between the Group and Hangzhou Weiyu of 74.1% and 25.9%, respectively. For the contractual management period from 1 June 2014 to 31 May 2017, the Group is obligated to pay a fixed fee of RMB14,450,000 to Guangsheng Petroleum. In this connection, the Group’s percentage of profit sharing in Mei Fu Petrochemical increased from 50% to 74.1% since 1 June 2014.

The above investment is indirectly held by the Company.

On 19 March 2015, the Group entered into an agreement (the “Agreement”) to dispose of 51% of interest in Mei Fu Port to Zhejiang Jiahua Energy Chemical Co., Ltd. (“Jiahua Energy”), an entity controlled by the ultimate controlling shareholder, for a consideration of RMB357,000,000. A total of the disposal consideration of RMB178,500,000 was received during the year and the remaining balance of consideration of RMB178,500,000 will be received in three equal portions of RMB59,500,000 each on or before 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

Pursuant to the Agreement, the consideration is subject to a downward adjustment if the realised net profit for the three years ended/ending 31 December 2015, 2016 and 2017 shall be less than RMB65,000,000, RMB70,000,000 and RMB75,000,000, respectively, in which the consideration shall be discounted by an amount equivalent to 51% of the shortfall multiplied by a multiple of 1.5. After assessing the effect of potential undiscounted amount of a downward adjustment on consideration arrangement, in the opinion of the directors, the fair value of the contingent consideration arrangement was not significant.

On 17 April 2015, Guan Jianzhong, the ultimate controlling shareholder of the Group, has provided an irrevocable consent and undertaking to the Group that he shall irrevocably undertake any claims against the Group by Jiahua Energy for any consideration adjustment amount exceeding RMB160,650,000 suffered by the Group arising out of or in connection with the disposal.

	2015 RMB'000
Share of net assets of a joint venture disposed of	163,688
Gain on disposal of a joint venture	157,128
Total consideration (discounted)	320,816
Interest on discounting of long-term receivable	36,184
Total consideration (undiscounted)	357,000
Satisfied by:	
Cash	357,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a joint venture is as follows:

	2015 RMB'000
Cash consideration	357,000
Less: Amount due from a related party (undiscounted)	(178,500)
Net inflow of cash and cash equivalents in respect of the disposal of a joint venture	178,500

The following table illustrates the summarised financial information of Mei Fu Petrochemical and Zhejiang Zhapu Meifu Port & Storage Co., Ltd. ("Mei Fu Port") adjusted for any differences in accounting policies, fair value adjustments and reconciled to the carrying amount in the financial statements:

	2015		2014	
	Mei Fu Port	Mei Fu Petrochemical	Mei Fu Port	Mei Fu Petrochemical
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	-	15,948	646	1,620
Other current assets	-	1,518,460	43,638	2,024,202
Current assets	-	1,534,408	44,284	2,025,822
Non-current assets, excluding goodwill	-	1,221,314	188,184	1,959,800
Current liabilities	-	(2,494,045)	(11,489)	(3,743,877)
Non-current liabilities	-	(12,573)	(7,002)	(67,855)
Net assets, excluding goodwill	-	249,104	213,977	173,890
Reconciliation to the Group's interest in the joint venture:				
Proportion of the Group's profit sharing	-	74.1%	50%	50%/74.1%
Group's share of net assets of the joint venture, excluding goodwill	-	123,124	106,989	67,390
Goodwill on acquisition	-	71,982	60,395	71,982
Carrying amount of the investment	-	195,106	167,384	139,372

Results of the joint ventures:

	From 1 January 2015 to 30 April 2015	2015	2014	2014
	Mei Fu Port	Mei Fu Petrochemical	Mei Fu Port	Mei Fu Petrochemical
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	29,976	2,678,626	62,149	3,195,651
Interest income	347	14,164	351	12,411
Cost of sales	(4,240)	(2,340,705)	(9,748)	(3,165,322)
Depreciation and amortisation	(3,671)	(96,560)	(9,640)	(80,234)
Interest expenses	-	(124,634)	(1,925)	(140,200)
Income tax expense	(5,941)	(27,764)	(11,414)	30,727
Profit/(loss) and total comprehensive income/(loss) for the year	17,609	75,214	32,262	(135,646)
Dividend received	-	-	-	-

8 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The income tax expense of the Group for the year is analysed as follows:

	2015 *RMB'000*	2014 *RMB'000*
Current – Mainland China		
Charge for the year	69,871	31,206
Under-provision in prior years	-	2,876
Deferred	(7,603)	(17,518)
Total tax charge for the year	62,268	16,564

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2014: Nil).

The Group conducts a significant portion of its business in Mainland China and the applicable income tax rate of its subsidiaries operating in Mainland China is generally 25% in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for the following entities who are entitled to preferential tax rates.

Pursuant to the approval of the tax bureau, Sanjiang Chemical has been qualified as a High and New Technology Enterprise since 2010and enjoys a preferential corporate income tax rate of 15% from year 2013 to year 2015. Therefore, Sanjiang Chemical was subject to corporate income tax at a rate of 15% for the year ended 31 December 2015(2014: 15%).

Pursuant to the approval of the tax bureau, Sanjiang Hoanm has been qualified as a High and New Technology Enterprise since 2014 and enjoys a preferential corporate income tax rate of 15% from year 2014 to year 2016.Therefore, Sanjiang Honam was subject to corporate income tax at a rate of 15% for the year ended 31 December 2015 (2014: 15%).

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate for Mainland China to the tax expense at the effective tax rate is as follows:

	2015 *RMB'000*	2014 *RMB'000*
(Loss)/profit before tax	(164,964)	147,370
Tax at the statutory tax rate	(41,241)	36,842
Lower tax rates enacted by local authority/other countries	5,866	(18,562)
Additional deduction for research and development activities	(13,783)	(11,917)
Adjustments in respect of current tax of previous periods	-	2,876
Expenses not deductible for tax	33,998	156
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	-	(15,860)
(Profits)/losses attributable to joint ventures	(16,135)	17,812
Income not subject to tax	(7,159)	-
Tax losses utilised from previous years	(2,059)	-
Temporary difference not recognised	14,541	-
Tax losses not recognised	88,240	5,217
Tax charge at the Group's effective rate	62,268	16,564

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OFTHE PARENT

The calculation ofthe basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during the year. The number of shares for the current year has been arrived at after eliminating the shares of the Company held under the share award scheme and shares repurchased.

The calculation ofthe diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares under the share award plan.The calculations of basicand diluted earnings per share are based on:

	Number of shares	
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	983,964	983,964
Effect of dilution – weighted average number of ordinary shares under the share award plan	3,512	4,266
	987,476	988,230

10 DIVIDEND

	2015	2014
	RMB'000	*RMB'000*
Proposed interim and final – Nil	-	-

11 AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	RMB'000	*RMB'000*
Unlisted investments, at fair value	422,949	336,468
Unlisted equity investments, at cost	1,000	1,000
	423,949	337,468

Unlisted investments represent investments in certain financial assets and paper silver issued by licensed financial institutions in the PRC. The investments bear expected yield rates of2.0% to 5.6% (2014: 2.0% to 5.8%) per annum upon maturity.

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB3,180,000 (2014: RMB3,751,000), of which RMB925,000 (2014: Nil) was reclassified from other comprehensive income to the statement of profit or loss for the year.

As at 31 December 2015, certain unlisted equity investments with a carrying amount of RMB1,000,000 (2014: RMB1,000,000) were stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

12 INVENTORIES

	2015	2014
	RMB'000	*RMB'000*
Raw materials	454,279	259,577
Finished goods	45,319	31,017
	499,598	290,594

The carrying amount of inventories carried at net realisable value was RMB293,783,000 (2014: RMB218,414,000) as at 31 December 2015.

13 TRADE AND NOTES RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	41,236	55,737
Notes receivable	661,373	269,999
	702,609	325,736

The credit period is generally 15 to 30 days, extending up to three months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	RMB'000	*RMB'000*
1 to 30 days	36,166	51,139
31 to 60 days	1,078	539
61 to 90 days	1,271	429
91 to 360 days	1,760	3,119
Over 360 days	961	511
	41,236	55,737

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

	2015	2014
	RMB'000	RMB'000
Neither past due nor impaired	36,166	51,139
Less than 30 days past due	1,078	539
31 to 60 days past due	1,271	429
61 to 90 days past due	905	1,472
91 to 360 days past due	855	1,647
Over 360 days past due	961	511
	41,236	55,737

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.

Receivables that were past due but not impaired relate to a number of independent customers that has 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's notes receivable were all aged within six months and were neither past due nor impaired.

At 31 December 2015, the Group endorsed certain notes receivable accepted by the certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade and other payables due to such suppliers with a carrying amount in aggregate of RMB1,121,604,000 (2014: RMB525,300,000) (the "Endorsement"). In addition, the Group discounted certain notes receivable accepted by certain banks in the PRC (the "Discounted Notes") with a carrying amount in aggregate of RMB702,038,000 (2014: Nil) (the "Discount"). The Endorsed Notes and the Discounted Notes have a maturity from one to six months as at 31 December 2015. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and the Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to certain Endorsed Notes and the Discounted Notes accepted by large and reputable banks with amount of RMB801,300,000 (2014: RMB385,228,000) and RMB474,415,000 (2014: Nil) respectively (the "Derecognised Notes"). Accordingly, it has derecognised the full carrying amounts of the Derecognised Notes and the associated trade and other payables settled by the Endorsed Notes. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

The Group continued to recognise the full carrying amount of the remaining Endorsed Notes and the associated trade and other payables settled with an amount of RMB320,304,000 as at 31 December 2015 (2014: RMB140,072,000), and recognised the proceeds received from the discount of the remaining Discounted Notes with an amount of RMB227,623,000K (2014: Nil) as short-term loans as at 31 December 2015 because the Directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

As at 31 December 2015, the Group's notes receivable of RMB268,884,000 (2014: RMB201,109,000) were pledged to secure bank loan facilities granted to the Group (note 24(ii)).

14 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Other receivables	451,169	268,218
Entrusted loan receivable	-	200,000
Prepayments	84,154	46,634
Prepaid expenses	7,799	13,436
Prepaid land lease payments	6,936	6,731
	550,058	535,019
Less: Prepaid expenses, non-current portion	(2,007)	(6,823)
Prepayments, deposits and other receivables, current portion	548,051	528,196

None of the above assets is either past due or impaired. The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

15 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Cash and bank balances	91,743	398,790
Time deposits	701,464	1,214,895
	793,207	1,613,685
Less: Pledged time deposits:		
Pledged for notes payable	318,381	434,077
Pledged for bank loans	319,398	743,723
Pledged for letters of credit	63,685	37,095
	701,464	1,214,895
Cash and cash equivalents	91,743	398,790

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB62,965,000 (2014: RMB261,432,000). 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.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between three and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

16 TRADE AND BILLS PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables	812,731	790,183
Bills payable	441,785	514,015
	1,254,516	1,304,198

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

	2015	2014
	RMB'000	*RMB'000*
Within 3 months	1,092,677	1,070,214
3 to 6 months	154,518	168,455
6 to 12 months	3,641	63,433
12 to 24 months	2,045	1,370
24 to 36 months	1,230	117
Over 36 months	405	609
	1,254,516	1,304,198

Trade payables are non-interest-bearing and have an average credit term of three months and bills payable were all aged within six months.

As at 31 December 2015, the bills payable of RMB441,785,000(2014: RMB514,015,000) were secured by the Group's pledged deposits with a carrying amount of RMB318,381,000 (2014: RMB434,077,000)and unlisted investments with a carrying amount of RMB101,079,000 (2014: Nil)

17 OTHER PAYABLES AND ACCRUALS

	2015	2014
	RMB'000	*RMB'000*
Other payables	1,144,481	779,315
Advances from customers	141,329	70,630
Taxes payable other than income tax	17,688	10,660
Payroll payable	16,930	9,147
Interest payable	10,532	10,261
Other accrued liabilities	88	4,029
	1,331,048	884,042

Other payables are non-interest-bearing and repayable on demand.

18 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2015 *RMB'000*	2014 *RMB'000*
Current				
Bank loans – secured	0.800-5.600	2016	343,893	-
	1.857-3.764	2015	-	814,461
	1.778-1.783	2015	-	51,693
Bank loans– unsecured	1.010-5.885	2016	2,199,606	-
	1.032-6.732	2015	-	2,095,185
	6.400	2015	-	100,000
Current portion of long termloans - secured	6.550	2016/2015	300,000	200,000
	6.400	2016	400,000	-
			3,243,499	3,261,339
Discounted notes receivable	2.900 -3.840	2016	227,624	-
Short term bond	7.000	2016	605,868	-
	8.010	2015	-	502,042
			4,076,991	3,763,381
Non-current				
Bank loans – secured	5.125-6.550	2017 - 2019	154,750	-
	5.125-6.550	2016 - 2019	1,197,100	1,897,100
			1,351,850	1,897,100
Bank loans (only) - Analysed into:				
Within one year			3,471,123	3,261,339
In the second year			189,644	700,000
In the third to fifth years, inclusive			1,162,206	1,197,100
			4,822,973	5,158,439

Notes:

Certain of the Group's bank borrowings are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB319,398,000 as at 31 December 2015 (2014: RMB743,723,000);

(ii) the pledge of certain of the Group's notes receivable amounting to RMB268,884,000 as at 31 December 2015(2014: RMB201,109,000);

(iii) mortgages over the Group's property, plant and equipment, which had an aggregate carrying value at the end of the reporting period of approximately RMB431,055,000(2014: RMB559,772,000); and

(iv) mortgages over the Group's leasehold land, which had an aggregate carrying value at the end of the reporting period of approximately RMB194,097,000(2014: RMB207,632,000).

(v) the pledge of certain unlisted investments amounting to RMB58,222,000 as at 31 December 2015 (2014: Nil).

Xing xing New Energy entered into a syndicated loan agreement with Industrial and Commercial Bank of China Limited, China Construction Bank Limited and Bank of China Limited in June 2013 in relation to the funding requirement for the construction of the MTO production facility with a total loan amount of RMB1,600,000,000 which was guaranteed by its shareholders, Sanjiang Chemical, holding 75% of its equity interest, and Zhejiang Jiahua Group Co., Ltd., holding 12% of its equity interest, for amounts not exceeding RMB1,200,000,000 and RMB400,000,000, respectively. Xing xing New Energy had used the facility of RMB1,398,850,000 as at 31 December 2015 (2014: RMB1,500,100,000)and the facility was also secured by its leasehold land with a carrying value of approximately RMB168,568,000as at 31 December 2015 (2014: RMB172,117,000)..

Sanjiang New Material entered into a syndicated loan agreement with Industrial and Commercial Bank of China Limited and CMB in September 2014 in relation to the funding requirement for the construction of the 5th phase EO/EG production facilities with a total loan amount of RMB500,000,000 which was guaranteed by Sanjiang Chemical and Xing xing New Energy for amounts not exceeding RMB600,000,000 and RMB600,000,000, respectively. Sanjiang New Material had used the facility of RMB303,000,000 as at 31 December 2015 (2014: RMB197,000,000) and the facility was also secured by its property, plant and equipment and leasehold land with carrying values of approximately RMB431,055,000 (2014: RMB459,584,000) and RMB25,530,000(2014: RMB26,079,000) respectively.

On 10 November 2015, Sanjiang Chemical, a subsidiary of the Company, with China CITIC Banking Corp., Ltd. as the principal underwriter, issued a short term unsecured corporate bond of RMB600,000,000 to a number of financial institutions, with a maturity period of 1 year and a fixed nominal interest rate of 7.0% per annum.The principal and the interest will be repaid at the end of the term on 9 November 2016.

19 DUE FROM RELATED PARTIES

	2015	2014
	RMB'000	*RMB'000*
Mei Fu Petrochemical	910,268	1,351,142
Hangzhou Haoming Investment Co., Limited	150	300
Jiaxing Xinggang Rewang Co., Ltd.	-	46
Zhejiang Jiahua Group Co., Ltd.	93	811
Zhejiang Jiahua Import Export Co., Ltd.	283	-
Zhejiang Jiahua Energy Chemical Co., Ltd.		
- Non-current	96,451	-
- Current	58,465	164
	1,065,710	1,352,463

The amount due from related parties are unsecured, interest-free and repayable on demand except for the amount due from Mei Fu Petrochemical, which bears an annual interest rate at 5% to 10%,and are repayable within one year, which, the Group considers, is conducted on normal commercial terms.

The amount due from Zhejiang Jiahua Energy Chemical Co., Ltd. was derived solely in relation to the Sales and Purchases Agreements entered into on 19 March 2015 to dispose 51% equity interest in Zhejiang Zhapu Mei Fu Port & Storage Co. Ltd. to Zhejiang Jiahua Energy Chemical Co., Ltd.

20 DUE TO RELATED PARTIES

	2015	2014
	RMB'000	*RMB'000*
Grand Novel Developments Limited	9,299	6,310
Mei Fu Petrochemical	55,291	392
Mei Fu Port	5,077	-
Zhejiang Jiahua Energy Chemical Co., Ltd.	69,788	13,490
Jiaxing Xinggang Rewang Co., Ltd.	932	1,340
Zhejiang Jiahua Group Co., Ltd.	185,493	9
Hangzhou Haoming Investment Co., Limited	-	30
	325,880	21,571

The amount due to related parties are unsecured, interest-free and repayable on demand except for the amount due to Zhejiang Jiahua Group Co., Ltd., which bears interest at 10% per annum, which, the Group considers, is conducted on normal commercial terms.

21 SHARE CAPITAL

The movements in the authorised and issued share capital of the Company are as follows:

	Number of shares	Amount RMB'000
Issued and fully paid ordinary shares of HK$0.1 each:		
At 31 December 2014, 1 January 2015 and 31 December 2015	993,104,000	86,048

MANAGEMENT DISCUSSIONAND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Revenue

The breakdown of revenue by products and sales volume, average selling price and gross profit margin of our products and services during the years under review are set forth below:

	Full year 2015	*% of revenue*	*Full year 2014*	*% of revenue*	*Variance +/(-)*
REVENUE (RMB'000)					
Ethylene oxide	2,485,813	50%	3,211,163	88%	-22.6%
Propylene	1,061,004	21%	-	-	100.0%
Ethylene glycol	568,994	11%	-	-	100.0%
C4	239,898	5%	-	-	100.0%
Surfactants	230,718	5%	177,145	5%	30.2%
Surfactants processing services	42,756	1%	39,909	1%	7.1%
Others	337,244	7%	208,583	6%	61.7%
	4,966,427	100%	3,636,800	100%	36.6%
SALES VOLUME (MT)					
Ethylene oxide	398,697		365,481		9.1%
Propylene	214,367		-		N/A
Ethylene glycol	122,243		-		N/A
C4	57,525		-		N/A
Surfactants	31,913		18,269		74.7%
Surfactants processing services	98,462		93,873		4.9%
AVERAGE SELLING PRICE (RMB)					
Ethylene oxide	6,235		8,786		-29.0%
Propylene	4,949		-		N/A
Ethylene glycol	4,655		-		N/A
C4	4,170		-		N/A
Surfactants	7,230		9,696		-25.4%
Surfactants processing services	434		425		2.1%
GROSS PROFIT MARGIN (%)					
Ethylene oxide	12.3%		4.6%		7.7%
Propylene	-25.7%		-		N/A
Ethylene glycol	7.4%		-		N/A
C4	-0.4%		-		N/A
Surfactants	11.8%		13.7%		-1.9%
Surfactants processing services	74.0%		78.1%		-4.1%

Ethylene oxide sales

During the year under review, the revenue from EO sales decreased by approximately 22.6% when compared to 2014, which was primarily resulted from the decrease in average selling price of EO by approximately 29.0%.

Propylene sales and Ethylene glycol sales

During the year under review, the Group finished the ramp-up of two major production facilities - the MTO production facility and the 5th phase EO/EG production facilities and put them into commercial operation in Q2 and Q3 of 2015 respectively. The outputs of the MTO production facility, on a yearly basis, are expected to be approximately300,000 MT, 390,000 MT and125,000 MT for ethylene, propylene and C4respectively while the output of the 5th phase EO/EG production facilities, on a yearly basis, are expected to be approximately 100,000 MT and 300,000MT for EO and EG respectively.

Gross profit margin

Overall gross profit margin decreased by approximately 3.4%, primarily resulted from the fact that the scale of decrease in methanol pricing was less than the scale of decrease in crude oil pricing which dragged down the pricing of EO and EG while the Group was still suffered from relatively high feedstock pricing.

Administrative expenses

Administrative expenses consist mainly of staff related costs, various local taxes and educational surcharge, depreciation, amortization of land use rights, operating lease rental expenses, audit fee and miscellaneous expenses.

LIQUIDITY AND FINANCIAL RESOURCES

Financial position and bank borrowings

The Group had cash and bank balances of approximately RMB91.7 million (2014: approximately RMB398.8 million), most of which were denominated in Renminbi. The Group had interest-bearing borrowings of approximately RMB5,428.8 million as at31 December2015(2014: approximately RMB5,660.5 million). Please refer to notes 18to the consolidated financial statements of this announcement for the details of borrowings and the respective charge of assets.

The Group’s gearing, expressed as a percentage of total interest-bearing borrowings to total assets, was 50.9% as at 31 December 2015 as compared to 54.4% as at 31 December2014. The Group has a gearing guidance of not more than 66.7% on total interest-bearing borrowings to total assets basis, which management considers is a better measure when comparing to total interest-bearing borrowings to total equity basis as the Group will have rapid expansion of various production facilities in the coming years and there is a time lag of approximately 2 years between the construction period of production facilities and the profit and revenue generated from these facilities.

Working capital

The inventory turnover days maintained in a similar level during the year under review (2015: 30.0 days; 2014: 28.9 days).

The trade and notes receivables turnover days maintained at a relatively low level in both 2015 and 2014 (2015: 37.8 days; 2014: 26.5 days).

The trade and notes payables turnover days maintained at a similar level in both 2015 and 2014(2015: 97.2 days; 2014: 135.1 days).

CAPITAL COMMITMENTS

As at 31 December 2015, the Group had capital commitments amounted to approximately RMB412.6 million which was primarily related to the procurement of plant and machinery for the constructions of additional production capacities.

CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2015	2014
	RMB'000	*RMB'000*
Guarantees given to banks in connection with facilities granted to:		
- Joint venture (Mei Fu Petrochemical)	1,022,500	1,398,801
- Joint operation (Sanjiang Honam)	167,773	80,315
	1,190,273	1,479,116

As at 31 December 2015, the banking facilities granted to a joint venture and a joint operation subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB499,819,000 (2014: RMB299,932,000) and RMB128,461,000 (2014: RMB80,315,000), respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed a total of 995full-time employees. For the year ended 31 December 2015, the employee benefit expense was approximately RMB85.9million. The Group's employee benefits included housing subsidies, shift subsidies, bonuses, allowances, medical check-up, staff quarters, social insurance contributions and housing fund contributions. The remuneration committee of the Company reviews such packages annually, or when the occasion requires. The executive Directors, who are also employees of the Company, receive remuneration in the form of fees, salaries, bonuses and other allowances.

DIVIDEND

The Board will not recommend the payment of a dividend for the year ended 31 December 2015.

OTHER INFORMATION

CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Code of Corporate Governance Practices (to be renamed as the Corporate Governance Code effective from 1st April 2012) ("**CG Code**"), including any revisions and amendments from time to time, as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2015 and up to the date of this annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors and senior management. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2015 and up to the date of this annual results announcement.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of three members, namely Messrs. Shen Kaijun, Mui Ho Cheung, Gary and Ms. Pei Yu, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Shen Kaijun. The primary responsibilities of the Audit Committee include, among others, reviewing and supervising the financial reporting process and internal control system of the Group, nominating and monitoring external auditors and providing advice and comments to the Board.

During the year ended 31 December 2015 and up to the date of this annual results announcement, the Audit Committee reviewed the interim results of the Group for the six months ended 30 June 2015 and the annual results of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group, and the Group's internal control functions.

REMUNERATION COMMITTEE

As at the date of this announcement, the Remuneration Committee consists of three members, namely Messrs. Mui Ho Cheung, Gary, Guan Jianzhong and Ms. Pei Yu of whom Mr. Mui Ho Cheung, Gary and Ms. Pei Yu are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The chairman of the Remuneration Committee is Mr. Mui Ho Cheung, Gary. The primary responsibilities of the Remuneration Committee include, among others, evaluating the performance and making recommendation on the remuneration package of the Directors and senior management, and evaluating and making recommendation on the share award plan of the Company.

NOMINATION COMMITTEE

As at the date of this announcement, the Nomination Committee consists of three members, namely Messrs. Guan Jianzhong and Shen Kaijun and Ms. Pei Yu, of whom Mr. Shen Kaijun and Ms. Pei Yu are independent non-executive Directors and Mr. Guan Jianzhong is the Chairman of the Board and an executive Director. The primary responsibilities of the Nomination Committee include, among others, considering and recommending to the Board suitably qualified persons to become the member of the Board and reviewing the structure, size and composition of the Board on a regular basis and as required.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

During the year under review,neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of theCompany's listed securities during the year ended 31 December2015.

ANNUAL GENERAL MEETING

The forthcoming 2016 annual general meeting ("**AGM**") of the Company will be held at Hong Kong on Friday, 3 June 2016.Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 1June2016 to Friday,3 June 2016, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at AGM. In order to qualify for the right to attend and vote at the forthcoming AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrars, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May2016.

PUBLICATION OF ANNUAL REORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's Annual Report for the year ended 31 December 2015 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.chinasanjiang.com) in due course.

By order of the Board
China Sanjiang Fine Chemicals Company Limited
GUAN Jianzhong
Chairman and executive Director

People's Republic of China, 24th March 2016

As at the date of this announcement, the Board comprises four executive Directors: Mr. GUAN Jianzhong, Ms. HAN Jianhong, Mr. NIU Yingshan, Mr. HAN Jianping and three independent non-executive Directors: Mr. SHEN Kaijun, Mr. MUI Ho Cheung, Gary and Ms. PEI Yu.

In this announcement, if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names or any descriptions in Chinese which are marked with "" is for identification purpose only.*