

**SINOCHEM HONG KONG (GROUP) COMPANY LIMITED**  
**Interim Condensed Consolidated Financial Statements**  
**30 June 2013**

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**Report on review of interim condensed consolidated financial statements**  
**To the shareholders of Sinochem Hong Kong (Group) Company Limited**  
(Incorporated in Hong Kong with limited liability)

**Introduction**

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 26, which comprise the condensed consolidated statement of financial position of Sinochem Hong Kong (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial statements in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



Hong Kong  
30 August 2013

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$ million	2012 (Unaudited) HK\$ million Restated
REVENUE	3	192,521	198,868
Cost of sales		( 184,409)	( 193,294)
Gross profit		8,112	5,574
Other income, gains and losses, net	4	584	942
Selling and distribution expenses		( 762)	( 653)
Administrative expenses		( 1,215)	( 1,103)
Fair value changes of investment properties		583	1,379
Finance costs:			
Interest expenses		( 1,371)	( 1,475)
Transaction costs		( 32)	-
Share of results of:			
Joint ventures		55	143
Associates		169	274
PROFIT BEFORE TAX	5	6,123	5,081
Income tax expense	6	( 2,219)	( 1,344)
PROFIT FOR THE PERIOD		<u>3,904</u>	<u>3,737</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		1,100	( 432)
Gains on property revaluation, net of tax		17	-
Available-for-sale investments:			
Changes in fair value		( 647)	( 31)
Reclassification adjustments for losses included in profit or loss:			
- gain on disposal		( 44)	-
Income tax effect		-	-
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		<u>426</u>	<u>( 463)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>4,330</u>	<u>3,274</u>
Profit attributable to:			
Owners of the parent		2,425	2,600
Non-controlling interests		1,479	1,137
		<u>3,904</u>	<u>3,737</u>
Total comprehensive income attributable to:			
Owners of the parent		2,361	2,190
Non-controlling interests		1,969	1,084
		<u>4,330</u>	<u>3,274</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$ million	31 December 2012 (Audited) HK\$ million Restated
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		13,797	11,126
Land under development	7	6,675	5,408
Properties under development		27,420	12,988
Investment properties		20,392	16,661
Prepaid land lease payments		2,648	2,401
Goodwill	8	4,088	4,076
Intangible assets		2,971	3,288
Oil and gas properties	9	48,204	48,315
Investments in joint ventures	10	2,722	3,082
Investments in associates		11,814	11,474
Available-for-sale investments		4,367	5,208
Amounts due from related parties		5,175	2,114
Amounts due from non-controlling interests		126	123
Deferred tax assets		1,745	1,635
Other non-current assets		375	243
<b>Total non-current assets</b>		<b>152,519</b>	<b>128,142</b>
<b>CURRENT ASSETS</b>			
Inventories		7,665	8,495
Land under development	7	3,077	6,696
Properties under development		10,484	10,384
Properties held for sale		4,171	3,078
Prepaid land lease payments		74	66
Trade and bills receivables		17,669	16,223
Prepayments, deposits and other receivables		4,672	6,213
Amounts due from related parties		18,563	22,342
Held-for-trading investments		9	104
Tax recoverable		348	23
Derivative financial instruments		101	161
Pledged bank deposits		241	221
Restricted bank balances		419	355
Cash and cash equivalents		15,386	17,039
Other deposits	11	2,013	1,182
<b>Total current assets</b>		<b>84,892</b>	<b>92,582</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		29,447	31,491
Other payables and accruals		20,427	18,593
Dividends payables		236	-
Derivative financial instruments		21	67
Interest-bearing borrowings	12	16,567	13,690
Amounts due to related parties		13,497	14,062
Tax payable		1,351	1,591
Provision for land appreciation tax		1,683	1,045
<b>Total current liabilities</b>		<b>83,229</b>	<b>80,539</b>
<b>NET CURRENT ASSETS</b>		<b>1,663</b>	<b>12,043</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>154,182</b>	<b>140,185</b>

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# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

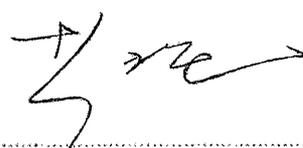
## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$ million	31 December 2012 (Audited) HK\$ million Restated
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>154,182</u>	<u>140,185</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing borrowings	12	53,559	52,870
Deferred tax liabilities		6,478	5,424
Deferred income		167	173
Other non-current liabilities		<u>2,432</u>	<u>2,411</u>
Total non-current liabilities		<u>62,636</u>	<u>60,878</u>
NET ASSETS		<u>91,546</u>	<u>79,307</u>
<b>CAPITAL AND RESERVES</b>			
Issued capital	13	20,851	19,360
Perpetual capital securities	14	4,621	-
Reserves		<u>32,790</u>	<u>31,914</u>
Equity attributable to owners of the parent		<u>58,262</u>	<u>51,274</u>
Non-controlling interests		<u>33,284</u>	<u>28,033</u>
TOTAL EQUITY		<u>91,546</u>	<u>79,307</u>

劉玉村

Director



Director

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent						Attributable to non-controlling interests		Total equity HK\$ million				
	Issued capital HK\$ million	Capital reserve HK\$ million (Note a)	Merger reserve HK\$ million (Note b)	Statutory reserve HK\$ million (Note c)	Investment revaluation reserve HK\$ million	Translation reserve HK\$ million	Other reserve HK\$ million (Note d)	Perpetual capital securities HK\$ million		Retained profits HK\$ million	Total HK\$ million	Share of net assets of subsidiaries HK\$ million	Share option reserve of subsidiaries HK\$ million
At 1 January 2013 (restated)	19,360	256	(3,837)	1,192	945	2,943	3,970	-	26,445	51,274	28,032	1	79,307
Profit for the period	-	-	-	-	-	-	-	-	2,425	2,425	1,479	-	3,904
Other comprehensive income for the period	-	-	-	-	(652)	-	-	-	-	(652)	5	-	(647)
Change in fair value of available-for-sale investments:	-	-	-	-	(44)	-	-	-	-	(44)	-	-	(44)
Reclassification adjustment for losses included in the profit or loss of investments	-	17	-	-	-	-	-	-	-	17	-	-	17
Gains on property revaluation, net of tax	-	-	-	-	-	615	-	-	-	615	485	-	1,100
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	17	-	(696)	615	615	-	-	2,425	2,361	1,969	-	4,330
Issue of shares (Note 13)	1,491	-	-	-	-	-	-	-	-	1,491	-	-	1,491
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	3	6	9
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(386)	-	(386)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,547	-	2,547
Perpetual convertible securities' distribution paid	-	-	-	-	-	-	-	-	-	-	(158)	-	(158)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,267	-	1,267
Capital contribution for energy saving and emission reduction projects	-	-	-	-	-	-	4	-	-	4	3	-	7
Issue of perpetual capital securities (Note 14)	-	-	-	-	-	-	-	4,621	-	4,621	-	-	4,621
Capital contribution for overseas oil and gas projects transfer (Note 13)	-	-	-	-	-	-	(1,489)	-	-	(1,489)	-	-	(1,489)
Maintenance and production fund	-	-	-	-	-	-	3	-	(3)	-	-	-	-
At 30 June 2013 (unaudited)	20,851	273*	(3,837)*	1,192*	249*	3,558*	2,488*	4,621	28,867*	58,282	33,277	7	91,546

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# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2012

	Attributable to owners of the parent					Attributable to non-controlling interests		Total equity HK\$ million				
	Issued capital HK\$ million	Capital reserve HK\$ million (Note a)	Merger reserve HK\$ million (Note b)	Statutory reserve HK\$ million (Note c)	Investment revaluation reserve HK\$ million	Translation reserve HK\$ million	Other reserve HK\$ million (Note d)		Retained profits HK\$ million	Total HK\$ million	Share of net assets of subsidiaries HK\$ million	Share option reserve of subsidiaries HK\$ million
At 1 January 2012 (restated)	18,129	252	(3,836)	960	103	3,142	2,443	23,921	45,114	25,546	5	70,665
Profit for the period	-	-	-	-	-	-	-	2,600	2,600	1,137	-	3,737
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	(30)	-	-	-	-	(30)	(1)	-	(31)
Exchange differences on translation of foreign operations	-	-	-	-	(380)	(380)	-	-	(380)	(52)	-	(432)
Total comprehensive income for the period	-	-	-	(30)	(380)	(380)	-	2,600	2,190	1,084	-	3,274
Issue of shares	1,231	-	-	-	-	-	-	-	1,231	-	-	1,231
Exercise of share options of subsidiaries	-	-	-	-	-	-	-	-	-	3	-	3
Dividend paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(191)	-	(191)
Transfer from retained profits	-	-	-	-	-	-	-	9	9	(4)	(5)	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	273	-	273
Perpetual convertible securities' distribution paid	-	-	-	-	-	-	-	-	-	(158)	-	(158)
Capital returned to non-controlling interests upon de-registration of subsidiaries	-	-	-	-	-	-	-	-	-	(9)	-	(9)
Maintenance and production fund	-	-	-	-	-	-	27	(51)	(24)	24	-	-
At 30 June 2012 (unaudited)	19,360	252	(3,836)	960	73	2,762	2,470	26,479	48,520	26,568	-	75,088

(a) The capital reserve of the Group mainly comprises (i) contributions from owners in respect of settlement of doubtful receivables which have been written off and transfer of an equity interest in a joint venture to the Group in previous years; and (ii) 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 acquirees as consideration for the group restructuring transactions.

(c) Statutory reserve comprises the statutory reserve fund, reserve fund and enterprise expansion fund. In accordance with the relevant 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 is subject to the 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 to relevant PRC regulations on certain enterprises.

\* These reserve accounts comprise the consolidated reserves of HK\$32,790 million in the consolidated statement of financial position.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) HK\$ million	2012 (Unaudited) HK\$ million Restated
NET CASH FLOWS USED IN OPERATING ACTIVITIES		( 3,321)	( 910)
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
Placement of other deposits		( 17,673)	( 18,414)
Proceeds from withdrawal of other deposits		16,859	17,626
Purchase of oil and gas properties		( 1,656)	( 1,998)
Increase in amounts due from related parties		( 2,604)	( 2,436)
Acquisition of subsidiaries	15	( 669)	( 568)
Other investing cash flows		250	279
		( 5,493)	( 5,511)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other loans		20,820	16,516
Repayment of bank loans and other loans		( 19,653)	( 12,362)
Increase in amounts due to the immediate parent		-	1,312
Capital contribution by non-controlling interests		2,547	274
Interest paid		( 1,519)	( 1,298)
Issue of perpetual capital securities, net of expenses		4,621	-
Other financing cash flows		( 433)	( 1,455)
		6,383	2,987
NET DECREASE IN CASH AND CASH EQUIVALENTS		( 2,431)	( 3,434)
Cash and cash equivalents at beginning of the period		16,772	19,114
Effect of foreign exchange rate changes, net		195	92
CASH AND CASH EQUIVALENTS AT END OF PERIOD		14,536	15,772
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position		15,386	15,772
Time deposits with original maturity of over three months		( 850)	-
Cash and cash equivalents as stated in the statement of cash flows		14,536	15,772

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 1. CORPORATE INFORMATION

Sinochem Hong Kong (Group) Company Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at Room 4701, 47<sup>th</sup> Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. The principal activity of the Company is investment holding.

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

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### *Basis of preparation*

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

#### *Significant accounting policies*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2013.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interest in Other Entities</i>
HKFRS 12	<i>Fair Value Measurement</i>
HKFRS 13	Amendments to HKAS 1 <i>Presentation of Financial Statement – Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK (IFRIC)-Int 20	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 11 and HKFRS 13, the adoption of the new and revised HKFRSs has had no significant financial effect on the interim condensed consolidated financial statements.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly-Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 addresses two forms of joint arrangements, joint operations and joint ventures. Under HKAS 31, joint ventures included JCEs, jointly-controlled assets and jointly-controlled operations, whereas under HKFRS 11, a joint venture is only one type of joint arrangement. The Group, as the joint operator, has rights to the assets and obligations for the liabilities of the investments in Qingdao Lanhai Xingang City Properties Co., Ltd. ("Lanhai") and South Atlantic Holding B.V. ("SAHBV"). According to HKFRS 11, both of them are joint operations rather than joint ventures. The Group has joint control in the joint operations and accounts for the following:

- 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 operations
- Its share of revenue from the sale of the output by the joint operations
- Its expenses, including its share of any expenses incurred jointly

The adoption of HKFRS 11 had an effect on the financial position of the Group by replacing the equity method used to account for the joint operations of Lanhai and SAHBV by recognising its assets, liabilities, revenue and expenses, and/or its shares of assets, liabilities, revenues and expenses incurred jointly. HKFRS 11 is effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application. The effect of HKFRS 11 is described in more detail in note 10, which includes quantification of the effect on the financial statements.

HKFRS 13 establishes a single source of guidance under HKFRSs for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRSs when fair value is required or permitted. The application of HKFRS 13 has not materially had an effect on the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures of fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group provides these disclosures in note 20.

The Group has not early applied any new standard, interpretation or amendment that has been issued but is not yet effective for the current accounting period.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 3. BUSINESS ANALYSIS

The Group analyses 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:

	Oil and Gas HK\$ million	Fertilisers HK\$ million	Real Estate HK\$ million	Others HK\$ million	Elimination HK\$ million	Consolidated HK\$ million
<u>Six months ended 30 June 2013</u>						
REVENUE						
External sales	151,156	25,583	11,118	4,664	-	192,521
Inter-segment sales	<u>300</u>	<u>-</u>	<u>14</u>	<u>1,998</u>	<u>(2,312)</u>	<u>-</u>
Total	<u>151,456</u>	<u>25,583</u>	<u>11,132</u>	<u>6,662</u>	<u>(2,312)</u>	<u>192,521</u>
Segment profit	1,555	512	4,901	1,047	(930)	7,085
Interest income						217
Share of results of:						
Joint ventures						55
Associates						169
Finance costs						<u>(1,403)</u>
Profit before tax						<u>6,123</u>
	Oil and Gas HK\$ million	Fertilisers HK\$ million	Real Estate HK\$ million	Others HK\$ million	Elimination HK\$ million	Consolidated HK\$ million
<u>Six months ended 30 June 2012 (restated)</u>						
REVENUE						
External sales	163,353	27,743	3,607	4,165	-	198,868
Inter-segment sales	<u>478</u>	<u>-</u>	<u>11</u>	<u>1,374</u>	<u>(1,863)</u>	<u>-</u>
Total	<u>163,831</u>	<u>27,743</u>	<u>3,618</u>	<u>5,539</u>	<u>(1,863)</u>	<u>198,868</u>
Segment profit	2,130	894	2,875	366	(293)	5,972
Interest income						167
Share of results of:						
Joint ventures						143
Associates						274
Finance costs						<u>(1,475)</u>
Profit before tax						<u>5,081</u>

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

SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2013 HK\$ million	2012 HK\$ million Restated
<u>Other income</u>		
Bank interest income	140	150
Interest on other advances	77	17
Dividend income from available-for-sale investments	5	157
Government grants (Note i)	24	45
Compensation received	16	-
Sales of scrapped materials	6	13
Sundry income, net	63	36
	<u>331</u>	<u>418</u>
<u>Gains and losses</u>		
Gain on disposal of held-for-trading investments	52	-
Gain on bargain purchase (Note i)	143	-
Reversal of impairment losses on trade receivables	106	111
Fair value gains/(losses), net:		
Held-for-trading investments	( 2)	49
Derivative financial instruments	-	299
Net exchange gains/(losses)	( 37)	58
Other gains/(expenses)	( 9)	7
	<u>253</u>	<u>524</u>
Other income, gains and losses, net	<u>584</u>	<u>942</u>

Note:

- (i) Government grants mainly comprised payments from the government to support the development of the business of group entities in accordance with applicable regulations in the PRC.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013 HK\$ million	2012 HK\$ million Restated
Allowance for obsolete inventories (included in cost of sales)	134	257
Amortisation of other long-term assets	9	14
Amortisation of prepaid land lease payments	37	46
Amortisation of intangible assets	73	13
Depreciation of oil and gas properties	1,606	979
Depreciation of property, plant and equipment	<u>320</u>	<u>381</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 6. INCOME TAX

	Six months ended 30 June	
	2013 HK\$ million	2012 HK\$ million Restated
Hong Kong profits tax:		
Current tax	<u>2</u>	<u>6</u>
PRC tax:		
PRC enterprise income tax	1,150	417
Land appreciation tax ("LAT")	<u>680</u>	<u>156</u>
	1,830	573
Other jurisdictions:		
Current tax	329	479
Over provision in prior year	<u>(1)</u>	<u>-</u>
	328	479
Deferred taxation	<u>59</u>	<u>286</u>
	<u>2,219</u>	<u>1,344</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain PRC subsidiaries is 25%.

PRC corporate income tax has been provided at the rate of 25% (2012: 25%) on the taxable profits of the Group's PRC subsidiaries during the period.

A non-wholly-owned subsidiary of the Group incorporated in the Macao SAR is exempted from income tax.

Corporate income tax for other jurisdictions has been provided at rates ranging from 17% to 50%.

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 sale of properties less deductible expenditures including borrowing costs and all property development expenditures.

### 7. LAND UNDER DEVELOPMENT

Land under development represents the project cost, the land requisition cost, compensation cost and other preliminary infrastructure costs incurred by Franshion Properties (China) Limited ("Franshion"), a subsidiary of the Company, in relation to the Changsha Meixi Lake and Sanya Yazhouwan (the "Projects") which are situated in Mainland China. Though Franshion does not have the ownership title or land use rights to such land, it is given the right to carry out construction and preparation works in respect of land infrastructure and ancillary public facilities in the Projects. When the land plots are sold by the local government, Franshion is entitled to receive from the local authorities the land development fee.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 8. GOODWILL

	HK\$ million
At 1 January 2012:	
Cost	3,741
Accumulated impairment	( 320)
Net carrying amount	<u>3,421</u>
Cost at 1 January 2012, net of accumulated impairment	3,421
Acquisition of a subsidiary	<u>655</u>
Net carrying amount at 31 December 2012	<u>4,076</u>
At 31 December 2012:	
Cost	4,076
Accumulated impairment	-
Net carrying amount	<u>4,076</u>
Cost at 1 January 2013, net of accumulated impairment	4,076
Exchange realignment	<u>12</u>
Net carrying amount at 30 June 2013	<u>4,088</u>
At 30 June 2013:	
Cost	4,088
Accumulated impairment	-
Net carrying amount	<u>4,088</u>

For the purposes of impairment testing, goodwill has been allocated to two groups of cash-generating units relating to the fertilisers division and real estate division. The carrying amount of goodwill as at 30 June 2013 and 31 December 2012 allocated to these divisions are as follows:

	30 June 2013 HK\$ million	31 December 2012 HK\$ million
Fertilisers division	2,089	2,077
Real estate division	<u>1,999</u>	<u>1,999</u>
	<u>4,088</u>	<u>4,076</u>

#### 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 costs used in the cash flow forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. 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. The growth rates for the first three years from 2014 are based on the relevant cash-generating units' past performance and management's expectation for the market development and are based on steady growth rates for the following years.

The value in use calculated is higher than the carrying amount for each cash-generating unit, and accordingly, no impairment of goodwill was recognised for the period ended 30 June 2013 (for the corresponding period in 2012: nil).

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 9. OIL AND GAS PROPERTIES

During the six months ended 30 June 2013, additions to the Group's oil and gas properties amounted to approximately HK\$1,413 million (2012: HK\$4,845 million).

Emerald Energy Plc ("EEP"), a wholly-owned subsidiary of the Company, owns a 50% working interest and is a contractor of Block 26 in North East Syria ("Block 26"). There are approximately HK\$3 billion oil and gas properties in EEP.

On 2 December 2011, the European Union's ("EU") Official Journal announced the decision of the EU Council made on 1 December 2011 in relation to additional sanctions against Syria. Among the new measures included in that decision are the prohibition on the supply of key equipment and technology to the oil and gas industry in Syria and the addition of General Petroleum Corporation ("GPC") of Syria to the list of proscribed organisations. GPC is the Syrian government's representative and effectively the Group's partner in the production of oil from Block 26.

Gulfsands Petroleum Ltd. ("Gulfsands"), the operator of Block 26, declared force majeure in respect of Block 26 production operations on 11 December 2011, in response to the decision the EU Council made on 1 December 2011 against Syria. EEP has agreed to the issuing of this declaration of force majeure.

The recoverable amount for Block 26 has been calculated based upon estimated future cash flows for impairment testing purpose. The estimated discounted future net cash flow is based on the management's best estimate by taking into account the current exceptional circumstances in Syria. According to the result of the discounted future net cash flow, in the opinion of the directors, no impairment charge was considered necessary as at 30 June 2013 (31 December 2012: nil).

There is a high degree of subjectivity inherent in the discounted future cash flow due to the unknown duration of the sanctions and the eventual outcome of events in Syria. Accordingly the estimated discounted future net cash flow may change materially in future periods depending on a wide range of factors. The directors will keep monitoring the changes and assess the potential impairment on a timely basis.

### 10. INVESTMENTS IN JOINT VENTURES

The Group has a 50% interest in Lanhai, that engages in development of a land area of 200 mu in Mainland China, and a 40% interest in SAHBV, that registered in the Netherlands and leases out floating production storage and offloading units, platforms and drilling rigs. Under HKAS 31 *Interests in Joint Ventures* (prior to the transition to HKFRS 11), the Group's interests in Lanhai and SAHBV were classified as jointly-controlled entities and accounted for using the equity method. Upon adoption of HKFRS 11, the Group, as the joint operator, has rights to the assets and obligations for the liabilities of the interests in Lanhai and SAHBV. The Group has determined these interests to be joint operations and to be accounted for by recognising its assets, liabilities, revenue and expenses, and/or its shares of assets, liabilities, revenues and expenses incurred jointly. The effect of applying HKFRS 11 is as follows:

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 10. INVESTMENTS IN JOINT VENTURES (continued)

Impact on the income statement	For the six months ended 30 June 2012 HK\$ million
Increase in the revenue	5
Decrease in the cost of sales	372
Increase in gross profit	377
Decrease in other income, gains and losses	( 3)
Increase in selling and distribution expenses	( 13)
Increase in administrative expenses	( 6)
Increase in finance costs	( 76)
Increase in operating profit	279
Decrease in share of results of joint ventures	( 216)
Increase in profit before tax	63
Increase in income tax expense	( 63)
Net impact on profit after tax	<u>          -</u>
Impact on the statement of financial position	As at 31 December 2012 HK\$ million
Decrease in net investment in joint ventures	( 9,487)
Increase in property, plant and equipment	5
Increase in properties under development (non-current)	1,860
Increase in oil and gas properties	7,898
Increase in deferred tax assets	10
Increase in other non-current assets	156
Decrease in inventories	( 2)
Increase in properties under development (current)	1,401
Increase in trade and bills receivables	247
Increase in prepayments, deposits and other receivables	23
Decrease in amounts due from related parties	( 1,783)
Increase in restricted bank balances	4
Increase in cash and cash equivalents	<u>323</u>
Impact to assets	<u>655</u>
Increase in trade and bills payables	209
Increase in other payables and accruals	497
Decrease in other non-current liabilities	( 51)
Impact to liabilities	<u>655</u>
Net impact on equity	<u>          -</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 11. OTHER DEPOSITS

Other deposits represent principal-protected financial products issued by financial institutions in the PRC, which carried fixed interest rates from 4% to 9% (31 December 2012: 2.25% to 4.88%) per annum. Included in other deposits as at 30 June 2013 were balances of approximately HK\$1,949 million (31 December 2012: HK\$987 million) which were restricted and can only be withdrawn upon maturity. The directors of the Company consider the other deposits as current assets since the maturity dates are all within one year at the end of the reporting period.

### 12. INTEREST-BEARING BORROWINGS

	30 June 2013 HK\$ million	31 December 2012 HK\$ million
Current:		
Bank loans, secured	2,926	2,989
Bank loans, guaranteed	103	103
Bank loans, unsecured	6,618	9,963
Guaranteed notes, unsecured	4,114	-
Commercial paper (Note i)	1,551	-
Other loans, unsecured	-	635
Short-term financial bonds (Note ii)	1,255	-
	<u>16,567</u>	<u>13,690</u>
Non-current:		
Bank loans, secured	12,542	11,617
Bank loans, guaranteed	10,497	10,542
Bank loans, unsecured	4,301	495
Guaranteed senior notes, unsecured	23,073	23,044
Guaranteed notes, unsecured	-	4,109
Bonds, guaranteed	3,119	3,063
Other loans, unsecured	27	-
	<u>53,559</u>	<u>52,870</u>
Carrying amounts repayable:		
Within one year	16,567	13,690
More than one year, but not more than five years	24,000	23,714
More than five years	29,559	29,156
	<u>70,126</u>	<u>66,560</u>

#### Notes:

- (i) Sinochem CP Co., Ltd., a wholly-owned subsidiary of the Group, issued commercial paper in the United States which were guaranteed by the Group. As at 30 June 2013, the issued commercial paper amounted to US\$200 million (equivalent to HK\$1,551 million).
- (ii) Sinofert Holding Limited ("Sinofert"), a subsidiary of the Group, issued a one-year financing bond amounting to RMB1,000 million (equivalent to HK\$1,255 million) to corporate investors in the PRC debenture market on 25 April 2013. This bond bears a fixed interest rate of 4.08% per annum and interest is paid annually. Interest payable for the current period was included in other payables.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 13. ISSUED CAPITAL

	Number of shares		Nominal value	
	30 June 2013 million	31 December 2012 million	30 June 2013 HK\$ million	31 December 2012 HK\$ million
Ordinary shares of HK\$1 each				
Authorised, issued and fully paid:				
At the beginning of the year/period	19,360	18,129	19,360	18,129
Issue of shares	1,491	1,231	1,491	1,231
At the end of the year/period	<u>20,851</u>	<u>19,360</u>	<u>20,851</u>	<u>19,360</u>

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 in the Company 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 period was satisfied by a transfer from other reserve amounting to HK\$1,489 million which was then credited into the share capital account of the Company and the exchange rate impact amounting to HK\$2 million. The additional capital was used to finance the Group's overseas oil and gas investments.

### 14. 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 million (approximately HK\$4,654 million), which are guaranteed on a subordinated basis by the Group. The direct transaction costs attributable to the perpetual capital securities amounted to HK\$33 million.

The perpetual capital securities have no fixed maturity, and confer a right 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 not more than ten nor less than five business days prior to a scheduled distribution payment date. Sinochem Global Capital Co., Ltd. is not subject to any limits as to the number of times distributions and arrears of distribution may be deferred.

In the opinion of the Group, it 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.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 15. ACQUISITION OF SUBSIDIARIES

On 4 February 2013, Franshion acquired a 51% interest in Leading Holdings Limited from Bateson Investment Limited. Leading Holdings Limited and its subsidiaries (the "Leading Group") are engaged in the development, construction and operation of a real estate project in Nanjing, the PRC. The purchase consideration for the acquisition was in the form of cash, with RMB181 million (equivalent to HK\$224 million) paid at the acquisition date and the remaining RMB635 million (equivalent to HK\$784 million) to be paid upon the fulfillment of certain conditions as agreed between Franshion and Bateson Investment Limited.

Franshion has elected to measure the non-controlling interest in the Leading Group at the non-controlling interest's proportionate share of the Leading Group's identifiable net assets.

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

	Six months ended 30 June 2013 Fair value recognised on acquisition HK\$ million
Property, plant and equipment	2,220
Investment properties	2,790
Prepaid land lease payments	234
Intangible assets	5
Properties held for sale	483
Inventories	2
Trade and bills receivables	16
Prepayments, deposits and other receivables	344
Tax recoverable	35
Restricted bank balances	573
Cash and cash equivalents	46
Trade and bills payables	( 205)
Other payables and accruals	( 1,003)
Interest-bearing borrowings	( 2,293)
Tax payable	( 35)
Deferred tax liabilities	( 794)
Total identifiable net assets at fair value	2,418
Non-controlling interests	( 1,267)
Gain on bargain purchase recognised in other income and gains in the condensed consolidated statement of comprehensive income	( 143)
	<u>1,008</u>
Satisfied by:	
Cash	224
Other payables	784
	<u>1,008</u>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK\$15,617,000 and HK\$46,948,000, 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.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 15. ACQUISITION OF SUBSIDIARIES (continued)

Franshion incurred transaction costs of HK\$1,479,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of comprehensive income.

Franshion recognised a gain on bargain purchase of approximately HK\$142,912,000 in the condensed consolidated statement of comprehensive income for the period ended 30 June 2013, which was, in the opinion of the directors of Franshion, primarily attributable to Franshion's ability in negotiating the agreed terms of the transaction with Bateson Investment Limited, as Franshion has a good reputation and rich experience in the property development and management of residential properties, commercial buildings and hotel properties, and 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:

	Six months ended 30 June 2013 HK\$ million
Cash consideration	( 224)
Cash and bank balances acquired	<u>46</u>
Net outflow of cash and cash equivalents included in cash flows from investing activities	( 178)
Transaction costs of the acquisition included in cash flows from operating activities	<u>( 1)</u>
	<u>179</u>

Since the acquisition, the Leading Group contributed HK\$136,644,000 to Franshion's turnover and HK\$52,748,000 to the consolidated profit for the period ended 30 June 2013.

Had the combination taken place at the beginning of the year, the revenue and the profit of Franshion for the period would have been HK\$11,260,607,000 and HK\$2,707,645,000, respectively.

#### Information on prior year acquisition

On 8 January 2012, Sinofer Holding Limited ("Sinofer"), a subsidiary of the Company, entered into a share purchase agreement with Sichuan Lomon Corporation and Tibet Longsheng Investment Management Co., Ltd. in relation to the acquisition of the entire 100% equity interest of Xundian Lomon Phosphorus Chemical Co., Ltd. ("Xundian Lomon")(the "Acquisition"). The Acquisition was completed on 19 March 2012. Xundian Lomon was renamed as Sinochem Yunlong Co., Ltd. ("Sinochem Yunlong"). During the six months ended 30 June 2013, a total of RMB395 million (equivalent to HK\$491 million) was paid out under this agreement.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 16. CAPITAL COMMITMENTS

	30 June 2013 HK\$ million	31 December 2012 HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	624	194
Properties under development	6,126	8,870
Land under development	<u>360</u>	<u>398</u>
	<u>7,110</u>	<u>9,462</u>
Authorised, but not contracted for:		
Property, plant and equipment	2,161	2,268
Oil and gas properties	<u>3,939</u>	<u>5,416</u>
	<u>6,100</u>	<u>7,684</u>
	<u>13,210</u>	<u>17,146</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013 HK\$ million	2012 HK\$ million
The ultimate parent:		
Purchase of fertilisers	280	165
Sales of fertilisers	10	34
Other operating expenses	2	-
Rental income	5	4
The immediate parent:		
Rental income	39	38
Property management fee income	7	7
Fellow subsidiaries:		
Sale of crude oil and petroleum products	-	33
Sale of chemical products	788	968
Construction contracts revenue	-	37
Purchase of chemical products	151	48
Purchase of fertilisers	-	8
Interest expense	6	-
Rental income	100	84
Rental expense	-	13
Property management fee income	7	7
Interest income	11	-
Management fee expense	18	8
Storage fee expense	2	3
Service fee expense	-	11
Purchase of crude oil and petroleum products	324	-
Associates:		
Sale of crude oil and petroleum products	6,951	9,986
Sale of fertilisers	1	1
Sales of chemical products	15	-
Purchase of fertilisers	885	263
Rental expense	40	19
Service fee expense	-	2
Storage fee expense	62	10
Other income	5	-
Joint ventures:		
Sale of fertilisers	194	308
Purchase of fertilisers	1,152	738
Purchase of crude oil and petroleum products	691	-

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 17. RELATED PARTY TRANSACTIONS (continued)

- (b) At the end of the reporting period, certain bank borrowings granted to the Group are guaranteed by a letter of guarantee, a letter of comfort or a letter of awareness from its ultimate parent.
- (c) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the PRC government.

During the period, the Group had transactions with other state-controlled entities including, but not limited to, borrowings, deposits, sale of properties developed, provision of property lease and management service, the provision of sub-contracting services, sale of fertilisers, purchase of fertilisers and sale of crude oil and petroleum products. The Group consider that these transactions with other state-controlled entities 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 state-controlled entities 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 state-controlled entities.

### 18. NOTES TO THE STATEMENT OF CASH FLOWS

- (a) During the period ended 30 June 2013, the Company issued share capital of HK\$1,491 million to its immediate parent. The consideration for the new shares issued during the period was satisfied by a transfer from other reserve amounting to HK\$1,489 million which was then credited into the share capital account of the Company and the exchange rate impact amounting to HK\$2 million. The additional capital was used to finance the Group's overseas oil and gas investments.
- (b) During the period ended 30 June 2013, a non-wholly-owned subsidiary of the Company declared dividends of HK\$236 million to its non-controlling shareholder. The amount remained unpaid as at 30 June 2013.

### 19. CONTINGENT LIABILITIES

At the end of the reporting period, Franshion has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately HK\$3,652 million (31 December 2012: HK\$1,638 million).

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY

#### Financial instruments fair value

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2013:

	Six months ended 30 June 2013	
	Carrying amount HK\$ million	Fair value HK\$ million
Financial assets:		
Available-for-sale investments	4,367	4,367
Amounts due from related parties	23,738	23,738
Amounts due from non-controlling interests	126	126
Financial assets included in other non-current assets	42	42
Trade and bills receivables	17,669	17,669
Financial assets included in prepayments, deposits and other receivables	2,340	2,340
Held-for-trading investments	9	9
Derivative financial instruments	101	101
Pledged bank deposits	241	241
Restricted bank balances	419	419
Cash and cash equivalents	15,386	15,386
Other deposits	<u>2,013</u>	<u>2,013</u>
	<u>66,451</u>	<u>66,451</u>
Financial liabilities:		
Trade and bills payables	29,447	29,447
Financial liabilities included in other payables and accruals	5,101	5,101
Derivative financial instruments	21	21
Interest-bearing borrowings	70,126	70,408
Amounts due to related parties	<u>13,497</u>	<u>13,497</u>
	<u>118,192</u>	<u>118,474</u>

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:

Cash and cash equivalents, restricted bank balances, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of amounts due from/to related parties and the current portion of interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of amounts due from non-controlling interests, financial assets included in other non-current assets, the non-current portion of amounts due from related parties and the non-current portion of interest-bearing borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of listed equity investments in available-for-sale investments, held-for-trading investments and derivative financial instruments are based on quoted market prices or valuation techniques.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

#### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

Fair value	30 June 2013 HK\$ million	Level 1 HK\$ million	Level 2 HK\$ million	Level 3 HK\$ million
Financial assets:				
Listed equity investments in available-for-sale investments	3,951	3,951	-	-
Held-for-trading investments	9	9	-	-
Derivative financial instruments	101	-	101	-
Financial assets included in other non-current assets	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
	<u>4,103</u>	<u>3,960</u>	<u>101</u>	<u>42</u>
Financial liabilities:				
Derivative financial instruments	<u>21</u>	<u>-</u>	<u>21</u>	<u>-</u>
	<u>21</u>	<u>-</u>	<u>21</u>	<u>-</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

### 21. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new and revised HKFRSs during the current period, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current period's presentation and accounting treatment.

### 22. EVENTS AFTER THE REPORTING PERIOD

- (a) On 16 August 2013, a wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement (the "Agreement") with Petróleo Brasileiro S.A. and its Dutch subsidiaries (together the "Petrobras"), whereby the Group agreed to purchase a 35% interest held by Petrobras in Block BC-10 at a consideration of US\$1,543 million. On 20 August 2013, the Agreement was officially notified to Shell Brazil Ltda. ("Shell"), the operator of Block BC-10 with 50% participating interest and ONGC Campos Ltda. ("ONGC") which holds 15% participating interest. According to the joint operation agreement among Petrobras, Shell and ONGC, Shell and ONGC have pre-emptive rights which may be exercised within 30 days of the notification. The completion of the transaction is also subject to the approvals of the relevant authorities.
- (b) On 27 August 2013, Franshion Brilliant Limited, a wholly-owned subsidiary of Franshion, issued US\$200 million 6.40% guaranteed notes due 2022 (the "2022 Notes"). The 2022 Notes are unsecured and guaranteed by Franshion. The 2022 Notes bear interest at a rate of 6.40% per annum and will mature on 27 April 2022.

### 23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2013.