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**SINOCHEM HONG KONG (GROUP) COMPANY LIMITED**

**Interim Condensed Consolidated Financial Statements**

**30 June 2014**

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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 28, 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 2014 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  
29 August 2014

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$ million	2013 (Unaudited) HK\$ million
REVENUE			
Cost of sales	3	257,633 (249,349)	192,521 (184,409)
Gross profit		8,284	8,112
Other income, gains and losses, net	4	450	584
Selling and distribution expenses		(921)	(762)
Administrative expenses		(1,293)	(1,215)
Fair value changes of investment properties		2,126	583
Finance costs:			
Interest expenses		(1,688)	(1,371)
Transaction costs		(25)	(32)
Share of results of:			
Joint ventures		(124)	55
Associates		67	169
PROFIT BEFORE TAX	5	6,876	6,123
Income tax expense	6	(2,380)	(2,219)
PROFIT FOR THE PERIOD		<u>4,496</u>	<u>3,904</u>
Profit attributable to:			
Owners of the parent		2,928	2,425
Non-controlling interests		<u>1,568</u>	<u>1,479</u>
		<u>4,496</u>	<u>3,904</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$ million	HK\$ million
PROFIT FOR THE PERIOD	4,496	3,904
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	( 185)	( 647)
Reclassification adjustments for losses included in profit or loss:		
- disposal of investments	-	44)
Exchange differences on translation of foreign operations	( 791)	1,100
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	( 976)	409
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation, net of tax	26	17
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	( 950)	426
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,546	4,330
Total comprehensive income attributable to:		
Owners of the parent	2,347	2,361
Non-controlling interests	1,199	1,969
	3,546	4,330

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$ million	31 December 2013 (Audited) HK\$ million
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		16,275	15,372
Land under development	7	6,496	4,549
Properties under development		30,743	33,286
Investment properties		23,992	22,126
Prepaid land lease payments		2,700	2,749
Goodwill	8	4,091	4,097
Intangible assets		2,893	2,954
Oil and gas properties	9	47,321	47,981
Investments in joint ventures		2,330	2,494
Investments in associates		13,521	11,901
Available-for-sale investments		4,238	4,477
Amounts due from related parties		8,830	6,488
Amounts due from non-controlling interests		252	254
Deferred tax assets		1,532	1,571
Other non-current assets		316	254
Total non-current assets		<u>165,530</u>	<u>160,553</u>
<b>CURRENT ASSETS</b>			
Inventories		6,056	7,074
Land under development	7	4,649	5,163
Properties under development		14,154	10,714
Properties held for sale		6,625	5,915
Prepaid land lease payments		78	80
Trade and bills receivables		19,918	24,833
Prepayments, deposits and other receivables		7,612	8,377
Amounts due from related parties		30,739	25,643
Held-for-trading investments		9	12
Tax recoverable		568	480
Derivative financial instruments		288	158
Pledged bank deposits		1,279	303
Cash and cash equivalents		16,407	19,637
Other deposits	10	3,036	877
Total current assets		<u>111,418</u>	<u>109,266</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables		35,202	41,735
Other payables and accruals		22,862	27,460
Derivative financial instruments		316	103
Interest-bearing borrowings	11	8,580	12,623
Amounts due to related parties		20,405	18,373
Tax payable		1,769	1,844
Provision for land appreciation tax		1,867	2,193
Total current liabilities		<u>91,001</u>	<u>104,331</u>
<b>NET CURRENT ASSETS</b>			
		<u>20,417</u>	<u>4,935</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>185,947</u>	<u>165,488</u>

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# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Notes	30 June 2014 (Unaudited) HK\$ million	31 December 2013 (Audited) HK\$ million
TOTAL ASSETS LESS CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	11	74,521	58,628
Deferred tax liabilities		7,512	7,134
Amounts due to related party		252	-
Deferred income		148	156
Other non-current liabilities		2,987	2,916
Total non-current liabilities		<u>85,420</u>	<u>68,834</u>
NET ASSETS			
		<u>100,527</u>	<u>96,654</u>
CAPITAL AND RESERVES			
Issued capital		21,872	21,872
Perpetual capital securities	12	4,619	4,619
Reserves		35,092	32,862
Equity attributable to owners of the parent		<u>61,583</u>	<u>59,353</u>
Non-controlling interests		<u>38,944</u>	<u>37,301</u>
TOTAL EQUITY			
		<u>100,527</u>	<u>96,654</u>

Director

Director



# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the parent							Attributable to non-controlling interests					
	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	Total equity HK\$ million
At 1 January 2013	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	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	-	(652)	-	-	-	-	(652)	5	-	(647)
Reclassification adjustment for losses included in the profit or loss of investments	-	-	-	-	(44)	-	-	-	-	(44)	-	-	(44)
Gains on property revaluation, net of tax	-	17	-	-	-	-	-	-	-	17	-	-	17
Exchange differences on translation of foreign operations	-	-	-	-	-	615	-	-	-	615	485	-	1,100
Total comprehensive income for the period, net of tax	-	17	-	-	(696)	615	-	-	2,425	2,361	1,969	-	4,330
Issue of shares	1,491	-	-	-	-	-	-	-	-	1,491	-	-	1,491
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	6	9
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	-	386)	-	(386)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	2,547	-	2,547
Franshion Properties (China) Limited issued 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 12)	-	-	-	-	-	-	-	4,621	-	4,621	-	-	4,621
Capital contribution for overseas oil and gas projects transfer	-	-	-	-	-	(1,489)	3	-	(3)	(1,489)	-	-	(1,489)
Maintenance and production fund	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2013 (unaudited)	20,851	273	(3,837)	1,192	249	3,558	2,488	4,621	28,867	58,262	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 2014

	Attributable to owners of the parent								Attributable to non-controlling interests					
	Issued capital HK\$ million	Capital reserve HK\$ million (Note a)	Assets revaluation reserve HK\$ million	Merger reserve HK\$ million (Note b)	Statutory reserve HK\$ million (Note c)	Investment revaluation reserve HK\$ million	Translation reserve HK\$ million	Other contribution 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	Total equity HK\$ million
At 1 January 2014	21,872	190	106	(3,837)	1,635	596	4,048	2,477	4,619	27,647	59,353	37,287	14	96,654
Profit for the period	-	-	-	-	-	-	-	-	-	2,928	2,928	1,568	-	4,496
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale investments	-	-	-	-	-	(189)	-	-	-	-	(189)	4	-	(185)
Gains on property revaluation, net of tax	-	-	26	-	-	-	-	-	-	-	26	-	-	26
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(418)	-	-	-	(418)	(373)	-	(791)
Total comprehensive income for the period, net of tax	-	-	26	-	-	(189)	(418)	-	-	2,928	2,347	1,199	-	3,546
Equity-settled share-based payment of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derecognition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	3	6	9
Transfer from retained profits	-	-	-	-	-	-	-	-	-	-	-	(25)	-	(25)
Dividends declared by subsidiaries to non-controlling interests	-	-	-	-	93	-	-	-	(93)	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(486)	-	(486)
Perpetual capital securities' distribution paid	-	-	-	-	-	-	-	-	-	-	-	1,233	-	1,233
Franshion Properties (China) Limited issued perpetual convertible securities' distribution paid	-	-	-	-	-	-	-	-	(117)	(117)	(117)	-	-	(117)
Deemed disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(159)	-	(159)
At 30 June 2014	21,872	190*	132*	(3,837)*	1,728*	407*	3,630*	2,477*	4,619	-	61,583	38,924	20	100,527

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

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

For the six months ended 30 June 2014

- (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 the 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, each of the Group's PRC subsidiaries is required to transfer an amount of its profit after income tax to the statutory reserve fund, until the accumulated total of the fund reaches 50% of its registered capital. The appropriations to the reserve fund and enterprise expansion fund are determined by the articles of association of the Company's subsidiaries and are 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\$35,092 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 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$ million	2013 (Unaudited) HK\$ million
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Cash generated from operations	( 4,021)	( 1,473)
Income tax paid	( 1,679)	( 1,848)
	<u>( 5,700)</u>	<u>( 3,321)</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Placement of other deposits	( 10,321)	( 17,673)
Proceeds from withdrawal of other deposits	8,149	16,859
Purchase of oil and gas properties	( 1,382)	( 1,656)
Increase in amounts due from related parties	( 5,389)	( 2,604)
Increase in restricted bank deposits	( 976)	510
Acquisition of a subsidiary	-	( 669)
Deemed disposal of subsidiaries	( 1,380)	-
Additions to investment in associates	( 530)	-
Entrusted loan to non-controlling shareholders	( 1,004)	( 8)
Other investing cash flows	( 101)	( 252)
	<u>( 12,934)</u>	<u>( 5,493)</u>
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank loans and other loans	66,633	20,820
Repayment of bank loans and other loans	( 50,188)	( 19,653)
Capital contribution by non-controlling interests	1,233	2,547
Interest paid	( 1,947)	( 1,519)
Issue of perpetual capital securities, net of expenses	-	4,621
Other financing cash flows	( 505)	( 433)
	<u>15,226</u>	<u>6,383</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	( 3,408)	( 2,431)
Cash and cash equivalents at beginning of the period	19,637	16,772
Effect of foreign exchange rate changes, net	178	195
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>16,407</u>	<u>14,536</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents as stated in the statement of	16,407	15,386
Time deposits with original maturity of over three months	-	( 850)
Cash and cash equivalents as stated in the statement of	<u>16,407</u>	<u>14,536</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 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 47th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

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 were 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 2014 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 2013.

#### *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 2013, except in relation to the following revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> – <i>Offsetting Financial Assets and Financial Liabilities</i>
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets</i> – <i>Recoverable Amount Disclosures for Non-Financial Assets</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>
HK (IFRIC)-Int 21	<i>Leases</i>

The adoption of 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 2014

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

#### Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no material impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.

#### Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no material impact on the Group.

#### Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*

These amendments remove the unintended consequences of HKFRS 13 *Fair Value Measurement* on the disclosures required under HKAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no material impact to the Group's interim financial report.

#### Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no material impact to the Group as the Group has not novated its derivatives during the current or prior periods.

#### HK(IFRIC) - 21 *Levies*

HK(IFRIC) - 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation.

The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements. The amendments have no material impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

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 2014

### 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 2014</u>						
REVENUE						
External sales	218,296	20,073	13,805	5,459	-	257,633
Inter-segment sales	<u>174</u>	<u>-</u>	<u>14</u>	<u>3,078</u>	<u>( 3,266)</u>	<u>-</u>
Total	<u>218,470</u>	<u>20,073</u>	<u>13,819</u>	<u>8,537</u>	<u>( 3,266)</u>	<u>257,633</u>
Segment profit	1,320	208	6,537	2,064	( 1,874)	8,255
Interest income						391
Finance costs						( 1,713)
Share of results of:						
Joint ventures						( 124)
Associates						<u>67</u>
Profit before tax						<u>6,876</u>
	Oil and gas HK\$ million	Fertilisers HK\$ million	Real estate HK\$ million	Others HK\$ million	Elimination HK\$ million	Consolidated HK\$ million

#### Six months ended 30 June 2013

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
Finance costs						( 1,403)
Share of results of:						
Joint ventures						55
Associates						<u>169</u>
Profit before tax						<u>6,123</u>

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



# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2014	2013
	HK\$ million	HK\$ million
<u>Other income</u>		
Bank interest income	194	140
Interest on other advances	78	77
Interest on other financial assets	68	-
Interest on other deposits	39	-
Interest on financial lease contract	12	-
Dividend income from available-for-sale investments	4	5
Government grants (Note i)	2	24
Compensation received	2	16
Sales of scrapped materials	8	6
Sundry income, net	83	63
	<u>490</u>	<u>331</u>
<u>Gains and losses</u>		
Gain on disposal of held-for-trading investments	-	52
Gain on disposal of available-for-sale investments	15	-
Gain on deemed disposal of a subsidiary	2	-
Gain on bargain purchase (Note 13)	-	143
Write-off of non-demand payables	13	-
Reversal of impairment losses on trade receivables	13	106
Reversal of impairment losses on other receivables	2	-
Fair value losses on held-for-trading investments	( 3)	( 2)
Net exchange losses	( 55)	( 37)
Other expenses	( 27)	( 9)
	<u>( 40)</u>	<u>253</u>
Other income, gains and losses, net	<u>450</u>	<u>584</u>

Note:

- (i) Government grants mainly comprised grants from the PRC government to support the development of the businesses 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 2014

### 5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014	2013
	HK\$ million	HK\$ million
Allowance for obsolete inventories (included in cost of sales)	13	134
Amortisation of other long-term assets	6	9
Amortisation of prepaid land lease payments	39	37
Amortisation of intangible assets	53	73
Depreciation of oil and gas properties	1,865	1,606
Depreciation of property, plant and equipment	<u>341</u>	<u>320</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 6. INCOME TAX

	Six months ended 30 June	
	2014	2013
	HK\$ million	HK\$ million
Hong Kong profits tax:		
Current tax	<u>3</u>	<u>2</u>
PRC tax:		
PRC enterprise income tax	1,153	1,150
Land appreciation tax ("LAT")	<u>331</u>	<u>680</u>
	1,484	1,830
Other jurisdictions:		
Current tax	448	329
Overprovision in prior year	<u>-</u>	<u>(1)</u>
	448	328
Deferred taxation	<u>445</u>	<u>59</u>
	<u>2,380</u>	<u>2,219</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.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for both periods.

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 this 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 2014

### 8. GOODWILL

	HK\$ million
At 1 January 2013:	
Cost	
Accumulated impairment	4,076
Net carrying amount	<u>-</u>
	<u>4,076</u>
Cost at 1 January 2013, net of accumulated impairment	
Exchange realignment	4,076
Net carrying amount at 31 December 2013	<u>21</u>
	<u>4,097</u>
At 31 December 2013:	
Cost	
Accumulated impairment	4,097
Net carrying amount	<u>-</u>
	<u>4,097</u>
Cost at 1 January 2014, net of accumulated impairment	
Exchange realignment	4,097
Net carrying amount at 30 June 2014	<u>(6)</u>
	<u>4,091</u>
At 30 June 2014:	
Cost	
Accumulated impairment	4,091
Net carrying amount	<u>-</u>
	<u>4,091</u>

Goodwill has been allocated to two groups of cash-generating units relating to the fertilisers division and the real estate division. The carrying amounts of goodwill as at 30 June 2014 and 31 December 2013 allocated to these divisions are as follows:

	30 June 2014 HK\$ million	31 December 2013 HK\$ million
Fertilisers division	2,091	2,097
Real estate division	<u>2,000</u>	<u>2,000</u>
	<u>4,091</u>	<u>4,097</u>

#### Impairment testing of goodwill

According to the Group's accounting policy, the goodwill impairment test will be performed annually. In the opinion of directors, there was no impairment of goodwill recognised for the six months period ended 30 June 2014 (for the corresponding period in 2013: nil). The Company will perform impairment test on goodwill at year-end of 2014 and determine if further impairment is necessary.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 9. OIL AND GAS PROPERTIES

During the six months ended 30 June 2014, the Group acquired items of oil and gas properties amounted to approximately HK\$1,382 million (the six months ended 30 June 2013: HK\$1,502 million), and disposed of or wrote off items of oil and gas properties with a carrying amount of HK\$157 million (the six months ended 30 June 2013: nil).

#### Oil and gas properties in Syria

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 carried the announcement of a 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 2014.

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.

#### Impairment of exploration and evaluation asset

Sinochem Petroleum Netherlands Cooperatief U.A., a wholly-owned subsidiary of the Company, purchased five blocks of Brazilian deep water oil and gas properties from Perenco Assets in 2012. In the opinion of the directors, no impairment of these oil and gas properties was recognised for the six months period ended 30 June 2014 (for the corresponding period in 2013: nil). The Company will perform impairment test on these blocks at year-end of 2014 and determine if impairment charge is necessary.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 10. OTHER DEPOSITS

Other deposits of Sinofert Holding Limited ("Sinofert"), a subsidiary of the Company, amounting to HK\$2,365 million (31 December 2013: HK\$854 million) represent principal-protected financial products issued by financial institutions in the PRC, which carried fixed interest rates from 2.25% to 5.50% (31 December 2013: 2.25% to 6%) per annum. In addition, other deposits of Franshion amounting to HK\$671 million (2013: HK\$23 million) represent financial products with original maturity within three months when acquired from banks.

Included in other deposits as at 30 June 2014 were balances of approximately HK\$2,561 million (31 December 2013: HK\$436 million) which were restricted and can only be withdrawn at 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.

### 11. INTEREST-BEARING BORROWINGS

	30 June 2014 HK\$ million	31 December 2013 HK\$ million
Current:		
Bank loans, secured	1,144	2,737
Bank loans, guaranteed	103	103
Bank loans, unsecured	6,948	4,142
Guaranteed notes, unsecured (Note i)	-	4,114
Short term financial bonds (Note ii)	-	1,272
Other loans, unsecured	385	255
	<u>8,580</u>	<u>12,623</u>
Non-current:		
Bank loans, secured	16,456	12,987
Bank loans, guaranteed	10,387	10,443
Bank loans, unsecured	6,290	4,936
Guaranteed senior notes, unsecured (Note iii)	37,775	26,935
Bonds, guaranteed	3,134	3,162
Other loans, unsecured	479	165
	<u>74,521</u>	<u>58,628</u>
Carrying amounts repayable:		
Within one year	8,580	12,623
More than one year, but not more than five years	47,487	27,723
More than five years	27,034	30,905
	<u>83,101</u>	<u>71,251</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 11. INTEREST-BEARING BORROWINGS (continued)

Notes:

- (i) Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, issued RMB3,500 million 1.8% guaranteed notes due 2014 (the "2014 Notes") on 11 January 2011. The 2014 Notes were unsecured and guaranteed by the Group. The 2014 Notes have been repaid on 10 January 2014, at a price equal to 100% of the principal amount thereof.
- (ii) One of the Sinofer's subsidiaries issued a one-year commercial paper amounting to RMB1,000 million to corporate investors in the PRC debenture market on 25 April 2013. This commercial paper bore a fixed interest rate of 4.08% per annum and interest was payable annually. Sinofer has fully settled the commercial paper on 25 April 2014.
- (iii) In the six months ended 30 June 2014, the Group have issued some new notes, details are listed as below:

Sinochem Offshore Capital Company Limited, a wholly-owned subsidiary of the Company, established a US\$3,000 million Medium Term Note Programme (the "Programme") on 17 April 2014. According to the Programme, the notes to be issued under the Programme are unsecured and guaranteed on an unsubordinated basis by the Company. On 29 April 2014 and 13 May 2014, Sinochem Offshore Capital Company Limited issued an US\$500 million 3.25% senior guaranteed notes (due 2019) and a RMB2,500 million 3.55% senior guaranteed notes (due 2017) under this Programme, respectively.

Franshion Brilliant Limited, a wholly-owned subsidiary of Franshion, issued US\$500 million 5.75% notes due 2019 on 12 March 2014. The notes are unsecured and guaranteed on an unsubordinated basis by Franshion.

### 12. PERPETUAL CAPITAL SECURITIES

On 2 May 2013, Sinochem Global Capital Co., Ltd., a wholly-owned subsidiary of the Company, 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\$35 million.

The perpetual capital securities have no fixed maturity, and confer to the holders 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. The Group 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 directors, the Group is able to control the delivery of cash or other financial assets to the holders of perpetual capital securities other than an unforeseen liquidation of the Group or Sinochem Global Capital Co., Ltd.. Accordingly, the perpetual capital securities are classified as equity instruments.



# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13. ACQUISITION OF A SUBSIDIARY

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) is to be paid upon the fulfilment 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:

	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 payables	( 205)
Other payables and accruals	( 1,003)
Interest-bearing bank and other borrowings	( 2,293)
Provision for land appreciate tax	( 35)
Deferred tax assets	13
Deferred tax liabilities	( 807)
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 were 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 2014

### 13. ACQUISITION OF A SUBSIDIARY (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 for the six months ended 30 June 2013.

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:

	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	( 1)
	<u>( 179)</u>

### 14. CAPITAL COMMITMENTS

	30 June 2014 HK\$ million	31 December 2013 HK\$ million
Contracted, but not provided for:		
Property, plant and equipment	559	1,320
Properties under development	12,696	7,885
Land under development	<u>174</u>	<u>308</u>
	<u>13,429</u>	<u>9,513</u>
Authorised, but not contracted for:		
Property, plant and equipment	1,153	1,540
Oil and gas properties	<u>3,576</u>	<u>4,909</u>
	<u>4,729</u>	<u>6,449</u>
	<u>18,158</u>	<u>15,962</u>



# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 15. 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	
	2014 HK\$ million	2013 HK\$ million
The ultimate parent:		
Sales of fertilisers	20	10
Purchase of fertilisers	129	280
Other operating expenses	3	2
Interest income	21	-
Interest expense	2	-
Rental income	5	5
The immediate parent:		
Rental income	40	39
Property management fee income	8	7
Fellow subsidiaries:		
Sale of chemical products	1,067	788
Purchase of chemical products	216	151
Interest expense	18	6
Rental income	126	100
Property management fee income	10	7
Interest income	44	11
Management fee expense	17	18
Storage fee expense	-	2
Ship rental expense	203	-
Purchase of crude oil and petroleum products	272	324
Associates:		
Sale of crude oil and petroleum products	10,768	6,951
Sale of fertilisers	-	1
Sales of chemical products	5	15
Purchase of fertilisers	528	885
Rental expense	-	40
Storage fee expense	-	62
Dividend income	-	-
Transportation income	145	-
Interest income	33	5
Joint ventures:		
Sale of fertilisers	207	194
Purchase of fertilisers	736	1,152
Purchase of crude oil and petroleum products	465	691

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 15. RELATED PARTY TRANSACTIONS (continued)

- (b) At the end of the reporting period, certain bank borrowings granted to the Group were 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 ("SOEs"). In addition, the Group itself is part of a larger group of companies under Sinochem Group which is controlled by the PRC government. Apart from the transactions with Sinochem Group and fellow subsidiaries and other related parties disclosed above, the Group also conducts business with other SOEs. The directors consider those SOEs are independent third parties so far as the Group's business transactions with them are concerned.

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

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

During the period ended 30 June 2014, a non-wholly-owned subsidiary of the Company declared dividends of HK\$323 million to its non-controlling shareholder. The amount remained unpaid as at 30 June 2014.

### 17. CONTINGENT LIABILITIES

At the end of the reporting period, Franshion provided guarantees in respect of mortgage facilities amounting to approximately HK\$6,639 million (31 December 2013: HK\$5,158 million) for certain purchasers of Franshion's properties.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 18. FAIR VALUE AND FAIR VALUE HIERARCHY

#### Financial instruments fair value

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

	<u>30 June 2014</u>		<u>31 December 2013</u>	
	Carrying amount HK\$ million	Fair value HK\$ million	Carrying amount HK\$ million	Fair value HK\$ million
Financial liabilities:				
Interest-bearing borrowings	<u>83,101</u>	<u>85,150</u>	<u>71,251</u>	<u>72,274</u>

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

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

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

The fair values of interest-bearing bank and other borrowings except for bonds and notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of bonds and notes are based on quoted market prices.

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

The fair value of call option included in derivative financial instruments has been estimated using the residual method. The residual method measures the fair value of a property by deducting the estimated development costs including outstanding construction costs, marketing expenses and developer profit from the gross development value assuming that it was completed as at the valuation date. The fair value of other non-current assets has been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, are reasonable and that they were the most appropriate values at the end of the reporting period.

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 18. 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).

#### Assets measured at fair value:

As at 30 June 2014

	Fair value measurement using			Total HK\$ million
	Quoted prices in active markets (Level 1) HK\$ million	Significant observable inputs (Level 2) HK\$ million	Significant unobservable inputs (Level 3) HK\$ million	
Listed available-for-sale investments	3,883	-	-	3,883
Held-for-trading investments	9	-	-	9
Derivative financial instruments	-	79	209	288
Financial assets included in other non-current assets	-	-	42	42
	<u>3,892</u>	<u>79</u>	<u>251</u>	<u>4,222</u>

As at 31 December 2013

	Fair value measurement using			Total HK\$ million
	Quoted prices in active markets (Level 1) HK\$ million	Significant observable inputs (Level 2) HK\$ million	Significant unobservable inputs (Level 3) HK\$ million	
Listed available-for-sale investments	4,067	-	-	4,067
Held-for-trading investments	12	-	-	12
Derivative financial instruments	-	49	109	158
Financial assets included in other non-current assets	-	-	42	42
	<u>4,079</u>	<u>49</u>	<u>151</u>	<u>4,279</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

#### Fair value hierarchy (continued)

#### Liabilities measured at fair value:

As at 30 June 2014

	Fair value measurement using			Total HK\$ million
	Quoted prices in	Significant	Significant	
	active markets	observable inputs	unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	HK\$ million	HK\$ million	HK\$ million	
Derivative financial instruments	<u>212</u>	<u>104</u>	<u>-</u>	<u>316</u>

As at 31 December 2013

	Fair value measurement using			Total HK\$ million
	Quoted prices in	Significant	Significant	
	active markets	observable inputs	unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	HK\$ million	HK\$ million	HK\$ million	
Derivative financial instruments	<u>9</u>	<u>94</u>	<u>-</u>	<u>103</u>

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

	30 June 2014 HK\$ million	31 December 2013 HK\$ million
Other financial assets:		
At 1 January	151	41
Purchase	101	109
Disposals	-	-
Exchange realignment	(1)	1
At 30 June/31 December	<u>251</u>	<u>151</u>

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2013: nil).

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

#### Fair value hierarchy (continued)

#### Assets for which fair values are disclosed:

The Group did not have any financial assets that were not measured at fair value in the statement of financial position but for which the fair value were disclosed as at 30 June 2014 (2013: nil).

#### Liabilities for which fair values are disclosed:

As at 30 June 2014

	Fair value measurement using			Total HK\$ million
	Quoted prices in	Significant	Significant	
	active markets	observable inputs	unobservable inputs	
	(Level 1) HK\$ million	(Level 2) HK\$ million	(Level 3) HK\$ million	
Interest-bearing borrowings	<u>42,958</u>	<u>42,192</u>	<u>-</u>	<u>85,150</u>

As at 31 December 2013

	Fair value measurement using			Total HK\$ million
	Quoted prices in	Significant	Significant	
	active markets	observable inputs	unobservable inputs	
	(Level 1) HK\$ million	(Level 2) HK\$ million	(Level 3) HK\$ million	
Interest-bearing borrowings	<u>35,234</u>	<u>37,040</u>	<u>-</u>	<u>72,274</u>

# SINOCHEM HONG KONG (GROUP) COMPANY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 19. EVENTS AFTER THE REPORTING PERIOD

- (a) On 10 March 2014, Franshion announced the proposed spin-off and separate listing of its hospitality business (the "Spin-off") by way of the listing of the share stapled units to be jointly issued by Jinmao Investments and Jinmao (China) Investments Holdings Limited (the "Jinmao Investment Group") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Spin-off was completed and the share stapled units of the Jinmao Investment Group were listed on the Stock Exchange on 2 July 2014. Following completion of the Spin-off and separate listing of the Jinmao Investment Group, Franshion holds 70% of the total issued share stapled units of the Jinmao Investment Group and continues to have control over the Jinmao Investment Group.

- (b) On 13 June 2014, Jinmao (China) Investments Holdings Limited declared a pre-IPO dividend to Franshion, which was conditional upon the completion of the Spin-off. In July 2014, Jinmao (China) Investments Holdings Limited determined and paid the pre-IPO dividend of approximately HK\$6,334,000,000 to Franshion.
- (c) In July 2014, in connection with the partial exercise of the over-allotment option by the joint global coordinators of the Spin-off (the "Exercise of Over-Allotment Option"), 69,397,000 share stapled units of the Jinmao Investment Group of HK\$0.0005 each, which were sold by Franshion, were issued at a price of HK\$5.35 per share stapled unit for a total cash consideration, before expenses, of approximately HK\$371,274,000. Immediately after the Exercise of Over-Allotment Option, Franshion's holding of the share stapled units of the Jinmao Investment Group decreased from 70% to approximately 66.53%. Further details of the transaction were set out in the announcement of Franshion dated 24 July 2014.
- (d) On 6 August 2014, China Jin Mao (Group) Co., Ltd., a non-wholly owned subsidiary of Franshion, completed the issuance of midterm notes of an amount of RMB1,000,000,000 (equivalent to approximately HK\$1,257,100,000), with a maturity period of three years and at an interest rate of 5.6% per annum.

### 20. 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 29 August 2014.