



China Lumena New Materials Corp.

中国旭光新材料集团有限公司

**China Lumena New Materials Corp.**

(In Provisional Liquidation)

(Incorporated in the Cayman Islands with limited liability)

**(Stock code: 67)**

**Annual Report 2013**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhang Zhigang (*Chairman*)  
Mr. Zhang Daming (*Chief Executive Officer*)  
Mr. Yu Man Chiu Rudolf (Resigned on 28 June 2013)  
Mr. Tan Jianyong (Resigned on 19 March 2015)  
Mr. Gou Xingwu (Resigned on 13 February 2015)  
Mr. Shi Jianping (Appointed on 16 September 2014)  
Mr. Au-Yeung Kwong Wah (Appointed on 16 September 2014 and resigned on 27 April 2015)

### Independent Non-executive Directors

Mr. Koh Tiong Lu, John (Resigned on 16 June 2015)  
Mr. Wong Chun Keung (Resigned on 15 June 2015)  
Mr. Xia Lichuan (Resigned on 9 January 2015)  
Mr. Au Kin Wah (Appointed on 9 January 2015 and resigned on 15 June 2015)

### Company Secretary

Mr. Wong Kui Tong (Resigned on 1 December 2016)

## JOINT PROVISIONAL LIQUIDATORS

Mr. Simon Conway (Appointed on 2 August 2016)  
Mr. Man Chun So (Appointed on 25 February 2015)  
Mr. Yat Kit Jong (Appointed on 25 February 2015)  
Mr. David Walker (Appointed on 25 February 2015 and resigned on 2 August 2016)

## MEMBERS OF THE AUDIT COMMITTEE

Mr. Koh Tiong Lu, John (*Chairman*) (Resigned on 16 June 2015)  
Mr. Wong Chun Keung (Resigned on 15 June 2015)  
Mr. Xia Lichuan (Resigned on 9 January 2015)  
Mr. Au Kin Wah (Appointed on 9 January 2015 and resigned on 15 June 2015)

## MEMBERS OF THE NOMINATION COMMITTEE

Mr. Wong Chun Keung (*Chairman*) (Resigned on 15 June 2015)  
Mr. Koh Tiong Lu, John (Resigned on 16 June 2015)  
Mr. Tan Jianyong (Resigned on 19 March 2015)

## MEMBERS OF THE REMUNERATION COMMITTEE

Mr. Au Kin Wah (Appointed as Chairman on 9 January 2015 and resigned on 15 June 2015)  
Mr. Xia Lichuan (Resigned on 9 January 2015)  
Mr. Wong Chun Keung (Resigned on 15 June 2015)  
Mr. Zhang Zhigang

# CORPORATE INFORMATION

## MEMBERS OF THE COMPLIANCE COMMITTEE

Mr. Koh Tiong Lu, John (*Chairman*) (Resigned on 16 June 2015)  
Mr. Zhang Daming  
Mr. Wong Chun Keung (Resigned on 15 June 2015)

## INDEPENDENT AUDITOR

Crowe Horwath (HK) CPA Limited  
*Certified Public Accountants*

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East, Wanchai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited  
Clifton House, 75 Fort Street  
P.O. Box 1350, Grand Cayman  
KY1-1108, Cayman Islands

## REGISTERED OFFICE

c/o PwC Corporate Finance & Recovery (Cayman) Limited  
PO Box 258, 4th Floor  
18 Forum Lane  
Grand Cayman  
Cayman Islands  
KY1-1104

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F., Prince's Building, Central, Hong Kong  
(moved from Offices Nos. 6810-6811, 68th Floor,  
The Center, 99 Queen's Road Central,  
Hong Kong with effect from 1 August 2016)

## STOCK CODE

67

# BUSINESS AND FINANCIAL REVIEW

China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) herein presents its report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 (the “Reporting Period”).

## APPOINTMENT OF THE JOINT PROVISIONAL LIQUIDATORS AND THE WINDING-UP HEARING

On 23 January 2015, Mega International Commercial Bank Co., Ltd. presented a winding-up petition to the Grand Court of the Cayman Islands (the “Grand Court”) for the winding-up of the Company. On 27 January 2015, a summons was filed with the Grand Court seeking the appointment of liquidators to the Company.

At the hearing on 25 February 2015, the Grand Court handed down the Court Order appointing Mr Man Chun So, Mr Yat Kit Jong and Mr David Walker as the joint provisional liquidators of the Company together with another Order adjourning the hearing of the Winding Up Petition to 26 May 2015. At the adjourned hearing on 26 May 2015, the Winding Up Petition was further adjourned to a date to be fixed.

On 2 August 2016, the Grand Court made a further order releasing Mr David Walker from the obligation to perform any further duties in his capacity as joint provisional liquidator and replacing him with Mr Simon Conway.

Upon the appointment of the joint provisional liquidators of the Company (the “Provisional Liquidators”) and pursuant to the powers conferred to the Provisional Liquidators in the Order, the Provisional Liquidators have sought to obtain information, books and records of the Company from relevant parties including the directors and key employees of the Company, banks and auditors as well as from site visits to the offices and operations in Hong Kong and the People’s Republic of China (“the PRC”).

The Provisional Liquidators have sought to identify and secure any assets of the Company including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting Statements of Affairs from the directors and seeking to transfer bank balances to the Provisional Liquidators’ designated accounts.

## RESTRUCTURING OF THE COMPANY

### Suspension of trading in shares of the Company

Trading in the shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been suspended with effect from 10:56 a.m. on 25 March 2014.

### First Resumption Conditions

On 20 November 2014, the Stock Exchange informed the Company that the following resumption conditions (the “First Resumption Conditions”) have been imposed on the Company to proceed with the resumption of trading in the shares of the Company:

- (a) publish an announcement addressing the allegations of Glaucus Report by Glaucus Research Group and Emerson Report by Emerson Analytics Co., Ltd., and disclosing all material information that is necessary for the market to appraise the Company’s latest operating and financial position;
- (b) publish all outstanding financial results required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and address any audit qualifications; and
- (c) demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules.

The Company is also required to comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. The Stock Exchange may modify any of the above and/or impose further conditions if the situation changes.

# BUSINESS AND FINANCIAL REVIEW

## First delisting stage

On 16 March 2015, according to the letter from the Stock Exchange dated 13 March 2015, the Stock Exchange decided to place the Company in the first delisting stage under Practice Note 17 of the Listing Rules as the Stock Exchange considers that the Company is unable to maintain a sufficient level of operations or assets required under Rule 13.24 to support a continued listing.

The first delisting stage expired on 12 September 2015. The Company was required to submit a viable resumption proposal addressing all the resumption conditions at least 10 business days before the expiry of the first delisting stage. The proposal must be clear, plausible and coherent, and contain sufficient details (including forecasts and a clear plan for future business development) for the Stock Exchange's assessment. The Company must demonstrate that it has a business of substance and that the business model is viable and sustainable. The proposal should also comply with the Listing Rules and all applicable laws and regulations.

In addition to the Resumption Conditions published on 26 November 2014, the Stock Exchange has imposed Further Resumption Conditions for the resumption of trading in the shares of the Company on the Stock Exchange, being to:

- (a) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rule obligations; and
- (b) have the winding up petition against the Company withdrawn or dismissed and the Provisional Liquidators discharged.

## Second delisting stage

On 25 September 2015, the Company announced that as no resumption proposal had been submitted before the expiry date of the first delisting stage, the Stock Exchange accordingly decided to place the Company in the second delisting stage commencing on 17 September 2015 pursuant to Practice Note 17 of the Listing Rules. The second delisting stage expired on 16 March 2016. The Company was required to provide a viable resumption proposal at least 10 business days before the second delisting stage expires (i.e. 1 March 2016) to:

- (a) demonstrate that the Company has sufficient operations or value of assets under Rule 13.24;
- (b) address the allegations of the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. and disclose all material information;
- (c) publish all outstanding financial results and address any audit qualifications;
- (d) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rule obligations; and
- (e) withdraw or dismiss the winding up petition and discharge of the Provisional Liquidators.

## Third delisting stage

On 8 April 2016, the Company announced that as no resumption proposal had been submitted before the expiry date of the second delisting stage, the Stock Exchange decided to place the Company in the third delisting stage pursuant to Practice Note 17 of the Listing Rules. The third delisting stage commenced on 8 April 2016 and will expire on 7 October 2016.

The resumption proposal to be submitted should demonstrate sufficient operations or assets as required under Rule 13.24 and to have the winding up petition against the Company withdrawn or dismissed and the Provisional Liquidators discharged.

# BUSINESS AND FINANCIAL REVIEW

The Company must also:

- (a) address the alleged irregularities mentioned in the reports published by Glaucus Research Group and Emerson Analytics Co., Ltd. and inform the market of material information;
- (b) publish all outstanding financial results and address any audit qualifications; and
- (c) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

## **Proposed Restructuring of the Company**

On 23 September 2016, the Company entered into a restructuring framework agreement (the “Restructuring Framework Agreement”) with independent third parties (the “Investors”), pursuant to which the Company will implement a restructuring of the Company’s equity and debt (“Proposed Restructuring”).

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the resumption proposal to the Stock Exchange before the expiry of the third delisting stage to seek resumption of trading of the Company’s Shares. On 24 October 2016, the Company received a letter of even date from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the resumption proposal (but not any other proposal) on or before 31 March 2017. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the resumption proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company’s listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange.

## **FINANCIAL REVIEW**

As noted in the financial statement disclosures, due to the incomplete books and records and serious doubts over the reliability of the Group’s accounting and other records, the Provisional Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. As such, the information below has been presented to the best knowledge of the Provisional Liquidators based on information made available to them to date.

### **Income**

For the year ended 31 December 2013, the revenue of the Group amounted to approximately RMB4,539.9 million (2012: RMB4,507.5 million), representing a slight increase of approximately 0.7% as compared with the previous year.

### **Gross Profit and Gross Profit Margin**

The Group recorded a gross profit of approximately RMB2,736 million for the year ended 31 December 2013 (2012: RMB2,704.5 million), representing an increase of approximately 1.2% as compared with the previous year.

The overall gross profit margin was 60.3% for the year ended 31 December 2013 (2012: 60.0%), representing a slight increase of approximately 0.3% as compared with the previous year.

# BUSINESS AND FINANCIAL REVIEW

## Finance Cost

The finance cost amounted to approximately RMB161.5 million for the year ended 31 December 2013 (2012: RMB163.6 million).

## Profit for the Year Attributable to Owners of the Company

For the year ended 31 December 2013, the profit for the year attributable to owners of the Company amounted to approximately RMB1,401.7 million (2012: RMB1,345.3 million), representing an increase of approximately 4.2% as compared with the previous year.

## Earnings per Share

For the year ended 31 December 2013, the basic earnings per share was RMB25.05 cents (2012: RMB24.05 cents).

## Final Dividend

No dividend was declared during the year ended 31 December 2013. For the year ended 31 December 2012, final dividend of HK7.49 cents per ordinary share (equivalent to approximately RMB6.01 cents per ordinary share) was paid.

## LIQUIDITY AND FINANCIAL RESOURCES

### Borrowings

The bank and other borrowings and Convertible Bonds amounted to approximately RMB5,658 million and RMB1,008.8 million respectively for the year ended 31 December 2013. The bank borrowings included secured and unsecured bank loans.

### Leverage

The gearing ratio (defined as consolidated total debts divided by consolidated total assets) as at 31 December 2013 was 27.9% (2012: 23.1%) and the net gearing ratio (defined as consolidated net debts divided by consolidated total assets) as at 31 December 2013 was 5.3% (2012: 7.4%).

### Contingent Liabilities

Due to incomplete books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to ascertain whether there are any material contingent liabilities as at 31 December 2013 (2012: nil).

### Charges on Group Assets

Due to incomplete books and records available to the Provisional Liquidators, the Provisional Liquidators were unable to ascertain whether there are any charged assets at a Group level as at 31 December 2013.

### Foreign Currency Exposure

Based on the books and records available to Provisional Liquidators, the Group and the Company did not appear to use any foreign currency derivative product to hedge our exposure to currency risk for the year ended 31 December 2013.

## OUTLOOK/PROSPECT

The Provisional Liquidators, with the assistance of their professional advisers, have submitted a resumption proposal and a new listing application to the Stock Exchange.

The resumption proposal when successfully implemented, will achieve the following:

- All the existing assets of the Group are transferred to the Scheme Company or the Scheme Administrators pursuant to the terms of the Creditors Schemes, as agreed to by the Creditors, for realization for the benefits of the Creditors;
- All the liabilities of the Company are fully discharged under the Creditors Schemes;



## BUSINESS AND FINANCIAL REVIEW

- In order to fulfill the minimum public float requirement, the Investors will enter into a placing agreement with an independent third party for the placing of not less than 5% of the issued share capital of the Enlarged Group. Subsequent to the aforesaid placement, the Investors will own approximately 75% of the issued share capital of the Enlarged Group, the Subscribers will own approximately 10% of the issued share capital of the Enlarged Group and existing shareholders as a whole and the Underwriter to the Open Offer will own approximately between 5% to 10% and approximately between 0% to 5% of the issued share capital of the Enlarged Group respectively depending on the extent of the acceptance of the Open Offer;
- Upon the grant of the Whitewash Wavier by the Securities and Futures Commission (“SFC”), the Investors will not be required to make a mandatory general offer for all the issued shares of the Company pursuant to Rule 26.1 of the Takeovers Code;
- The company will wholly own the target Group which is in the business of building materials with a successful track record that meets the new listing requirements of the Stock Exchange; and
- The Provisional Liquidators will be discharged; following the Stock Exchange approving resumption of trading of the Shares and the New Shares on the Stock Exchange.

Accordingly, all the resumption conditions imposed by the Stock Exchange will be met.

For the benefit of the Shareholders and the Creditors as a whole, the Company seeks the Stock Exchange’s approval for the implementation of the new listing application, such that trading in the Shares can be resumed for the benefits of all the Shareholders, especially the minority Shareholders.

# PROFILE OF DIRECTORS

## EXECUTIVE DIRECTORS

**ZHANG Zhigang (張志剛)**, aged 55, is an executive Director and Chairman of the Group. Mr. Zhang is a director of each of Sino Polymer New Materials Co., Ltd. (“Sino Polymer”), Haton Polymer Limited (“Haton Polymer”), 四川得陽特種新材料有限公司 (Sichuan Deyang Special New Materials Co., Ltd.), 四川得陽工程塑料開發有限公司 (Sichuan Deyang Engineering Plastic Development Co., Ltd.) and 四川得陽化學有限公司 (Sichuan Deyang Chemical Co., Ltd.) (“Deyang Chemical”), all being the subsidiaries of the Company, and the chief executive officer of Sino Polymer and its subsidiaries (“Sino Polymer Group”). He joined Sino Polymer Group in 2006. Mr. Zhang has over 10 years of experience in PPS production and 25 years of experience in chemical production management. He has been the chairman of Sichuan Hua Tong Special Plastic Research Centre Co., Ltd. (四川華通特種工程塑料研究中心有限公司) and Sichuan Haton Enterprise Co., Ltd. (四川省華拓實業發展股份有限公司) since 2003 and 2006, respectively. Mr. Zhang was the deputy manager of Sichuan Haton Enterprise Co., Ltd. from 2000 to 2003, which is engaged in chemical production including PPS production. He worked as the general manager in Sichuan Huatong Wood Co., Ltd. (四川華通木業有限公司) from 1998 to 2000 and the manager of securities department in Sichuan Polymer Co., Limited (四川聚酯股份有限公司) from 1996 to 1998. Mr. Zhang was also the manager of the enterprise management department of Zigong Dongxin Electrical Carbon Co., Ltd. (自貢東新電碳股份有限公司) from 1982 to 1996. He currently serves as an adjunct professor of South Western University of Finance and Economics (西南財經大學). He was appointed as an executive Director and Chairman of the Group on 1 April 2011.

**ZHANG Daming (張大明)**, aged 68, is an executive Director and chief executive officer of the Company and its subsidiaries (the “Group”). Mr. Zhang is a senior economist and holds a master degree in Integral Management from Tao University and a bachelor degree in Political Economics from Sichuan University (四川大學). Mr. Zhang Daming worked as the department head and the deputy secretary of Sichuan Provincial Economic System Reform Committee (四川省經濟體制改革委員會) and the general manager of Chuanmei Mirabilite. In addition, he was the general manager of Top Promise Resources Limited (the “Top Promise”) and the executive director and general manager of Sichuan Chuanmei Special Glauber Salt Co., Ltd. (“Chuanmei Glauber Salt”), an indirect wholly-owned subsidiary of the Issuer. He was appointed as an executive Director and chief executive officer of the Group on 1 February 2008.

**YU Man Chiu Rudolf (余孟釗)**, aged 43, was an executive Director and the general manager of corporate development. He obtained a bachelor of science degree in Physics from Imperial College, London and a master of science degree in International Management from King’s College, London. Mr. Yu previously worked as an Equity Capital Markets banker at both BNP Paribas Capital (Asia Pacific) Limited and Credit Suisse (Hong Kong) Limited. Mr. Yu joined the Group as the general manager of corporate development department of the Issuer in 2009. He was appointed as an executive Director on 3 March 2010 and resigned on 28 June 2013.

**GOU Xingwu (苟興無)**, aged 51, was an executive Director. Mr. Gou is an engineer and holds a high diploma in chemical Industrial Mechanics from Sichuan Luzhou Chemical Industry College (四川省瀘州化工學院). Mr. Gou Xingwu worked as the deputy head of the production department, deputy factory director, factory director, assistant to general manager and the deputy general manager of Chuanmei Mirabilite and the deputy general manager of Sichuan Chuanmei Special Glauber Salt Co., Ltd. (“Chuanmei Glauber Salt”), one of the subsidiaries of the Company. Currently, he is an executive director of Sichuan Chuanmei Mirabilite Co., Ltd. (“Chuanmei Mirabilite”), one of the subsidiaries of the Company, and Chuanmei Glauber Salt. He was appointed as an executive Director of the Group on 1 April 2011 and resigned on 13 February 2015.

**TAN Jianyong (譚建勇)**, aged 47, was an executive Director. Mr. Tan is a director of each of Sino Polymer, Haton Polymer, Deyang Chemical and Deyang Materials, all being the subsidiaries of the Company. He has also been the chairman of Deyang Chemical and Deyang Materials since 28 January 2010 and 25 January 2010, respectively. Mr. Tan joined Sino Polymer Group on 10 June 2008. Prior to this, he worked as the deputy general manager in Sichuan Deyang Science & Technology Co., Ltd. (四川得陽科技股份有限公司), a company engaged in chemical production including PPS production since 2004. He also worked with Cheng Du Aeroplane Industry Company (成都飛機工業公司) from 1996 to 2004 and was responsible for production management. With his current and previous positions in Sino Polymer Group and other companies, Mr. Tan has over 10 years of experience in machinery and chemical production. Mr. Tan received a bachelor’s degree in Huabei Aero Industrial Academy in June 1996. He was appointed as an executive Director of the Group on 1 April 2011 and resigned on 19 March 2015.

## PROFILE OF DIRECTORS

**Mr. SHI JIANPING (石健平)**, aged 48, served as a non-executive director of Fushan International Energy Group Limited (Stock code: 639) between November 2008 and January 2010 and the chairman and an executive director of HyComm Wireless Limited (Stock code: 499) between July 2010 and January 2011. Mr. Shi has over 20 years' work experience in the fields of coal, chemical, power, and transportation and has rich experience in capital market operations. He was appointed as an executive Director of the Group on 16 September 2014.

**AU-YEUNG KWONG WAH (歐陽廣華)**, aged 53, obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. AuYeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 17 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. AuYeung was appointed as an independent non-executive director of Modern Media Holdings Limited (Stock code: 72) in August 2009. He was appointed as an executive Director of the Group on 16 September 2014 and resigned on 27 April 2015.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**KOH Tiong Lu, John (許忠如)**, aged 62, was an independent non-executive Director. He was a managing director and a senior advisor to The Goldman Sachs Group. He is chairman of the audit committee of the board of directors of NSL Ltd (formerly known as Natsteel Ltd), a publicly traded Singapore conglomerate. Mr. Koh Tiong Lu, John holds a degree of Bachelor of Arts and a degree of Master of Arts from University of Cambridge and is a graduate of Harvard Law School. He was appointed as an independent non-executive Director on 25 May 2009 and resigned on 16 June 2015.

**WONG Chun Keung (王振強)**, aged 48, was an independent non-executive Director. Mr. Wong Chun Keung is a practicing barrister in Hong Kong. He obtained a degree of Bachelor of Science and a degree of Master of Business Administration from the University of Hong Kong in 1991 and 1998 respectively. He also holds a degree of Bachelor of Laws from the University of London and the Postgraduate Certificate in Laws from the University of Hong Kong. He was called to the Bar in Hong Kong in 2002 and was in private practice since 2003. He was appointed as an independent non-executive Director on 25 May 2009 and resigned on 15 June 2015.

**XIA Lichuan (夏立傳)**, aged 54, was an independent non-executive Director. He graduated from Anhui University (安徽大學) with a bachelor degree of economics, obtained a master degree of economics from Graduate School of the People's Bank of China (中國人民銀行總行金融研究所) and a master degree of business administration in finance from City University London, and eventually a doctoral degree of philosophy in finance from the Sir John Cass Business School under City University London. Mr. Xia is currently the chief economist of Cypress House Asset Management Company Limited and served as the project manager of the People's Bank of China and the senior manager of the institutional brokerage department of Guotai Junan Securities (Hong Kong) Company Limited. He was appointed as an independent non-executive Director on 3 March 2010 and resigned on 9 January 2015.

**Mr. Au Kin Wah (區健華)**, aged 52, obtained a Professional Diploma in Accountancy from The Hong Kong Polytechnic University in 1988. Mr. Au is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Au has extensive experience in the commodity finance, auditing and accounting sectors. Mr. Au is currently a director of the Hong Kong Branch of a European bank and previously held senior positions in various European banks. Prior to joining the banks, Mr. Au worked in the audit division of an international accounting firm in Hong Kong. He was appointed as an independent non-executive Director on 9 January 2015 and resigned on 15 June 2015.

# CORPORATE GOVERNANCE REPORT

On 25 February 2015, the Provisional Liquidators were appointed by the Grand Court to, among others, take control and possession of the assets and books and records of the Company. As certain books and records of the Company could not be located, the corporate governance report was prepared in accordance with the limited information available to the Provisional Liquidators.

The Company appeared to comply, based on the limited information available to the Provisional Liquidators, with the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") stipulated by the Stock Exchange in Appendix 14 of the Listing Rules, except for the following:

- Code Provision A.2.7 of the CG Code states that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. Based on the information available to the Provisional Liquidators, the Provisional Liquidators are unable to ascertain whether the meeting was held during the Reporting Period.
- The latter part of Code Provision A.6.7 of the CG Code required the independent non-executive directors and other non-executive directors, as equal Board members, to attend general meetings and develop a balanced understanding of the view of shareholders. Based on the information available to the Provisional Liquidators, the Independent Non-Executive Director, Mr. Wong Chun Keung, was unable to attend the annual general meeting of the Company held on 28 June 2013.
- Pursuant to the Listing Rules 3.10(1) and (2), and 3.10A, an issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors representing at least one-third of the Board. Based on the information available to the Provisional Liquidators, there are sufficient independent non-executive directors as at 31 December 2013. However, following the resignation of Mr. Xia Lichuan on 9 January 2015, Mr. Koh Tiong Lu, John on 16 June 2015, Mr. Wong Chun Kueng and Mr. Au Kin Wah on 15 June 2015, the number of independent non-executive directors on the Board is nil as at the date of this Report.
- Pursuant to the Listing Rules 3.21, the audit committee should comprise non-executive directors only. Based on the information available to the Provisional Liquidators, there are sufficient independent non-executive directors in the audit committee as at 31 December 2013. However, following the resignation of Mr. Xia Lichuan on 9 January 2015, Mr. Koh Tiong Lu, John on 16 June 2015, Mr. Wong Chun Kueng and Mr. Au Kin Wah on 15 June 2015, the audit committee is vacant as at the date of this Report.

## DIRECTORS' SECURITIES TRANSACTIONS

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain whether the Company has adopted the Model Code for Securities Transactions of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions during the Reporting Period.

Based on the information made available to the Provisional Liquidators, the Provisional Liquidators were not able to confirm whether all directors of the Company have complied with, or whether there has been any non-compliance with, the required standards set out in the Model Code.

## BOARD OF DIRECTORS

As at 31 December 2013, the Board comprised four Executive Directors and three Independent Non-Executive Directors. Based on the information made available to the Provisional Liquidators, the roles of the Chairman of the Company and the Chief Executive Officer of the Group are not exercised by the same individual.

# CORPORATE GOVERNANCE REPORT

The Board members for the Reporting Period and up to the date of this report are:

*Executive Directors:*

Mr. Zhang Zhigang (Chairman)  
Mr. Zhang Daming (Chief Executive Officer)  
Mr. Yu Man Chiu Rudolf (Resigned on 28 June 2013)  
Mr. Gou Xingwu (Resigned on 13 February 2015)  
Mr. Tan Jianyong (Resigned on 19 March 2015)  
Mr. Shi Jianping (Appointed on 16 September 2014)  
Mr. Au-Yeung Kwong Wah (Appointed on 16 September 2014 and resigned on 27 April 2015)

*Independent Non-executive Directors:*

Mr. Koh Tiong Lu, John (Resigned on 16 June 2015)  
Mr. Wong Chun Keung (Resigned on 15 June 2015)  
Mr. Xia Lichuan (Resigned on 9 January 2015)  
Mr. Au Kin Wah (Appointed on 9 January 2015 and resigned on 15 June 2015)

The biographies of all the Directors are set out on pages 9 to 10 of this Report.

## BOARD MEETING AND DIRECTORS' ATTENDANCE

Based on the information available to the Provisional Liquidators, it appeared that there were 8 board meetings convened during the Reporting Period. The board conducted the following activities:–

1. Approved the interim and final results, interim and annual reports, and matters to be considered at annual general meeting of the Company; and
2. Discussed and approved financing plans of the Company.

Details of the Directors' attendance records at the board meetings during the Reporting Period are as follows:

	Attendance*
<b>Executive Directors</b>	
Mr. Zhang Zhigang ( <i>Chairman</i> )	8/8
Mr. Zhang Daming ( <i>Chief Executive Officer</i> )	8/8
Mr. Yu Man Chiu Rudolf*	4/4
Mr. Gou Xingwu	8/8
Mr. Tan Jianyong	8/8
<b>Independent Non-Executive Directors</b>	
Mr. Koh Tiong Lu, John	6/8
Mr. Wong Chun Keung	6/8
Mr. Xia Lichuan	6/8

\* Due to the limitation of incomplete books and records, the Provisional Liquidators were not able to ascertain the number of board meetings held prior to the resignation of Mr. Yu Man Chiu Rudolf. Based on the information available to the Provisional Liquidators, it appears that four board meetings were held from 1 January 2013 to the resignation date of Mr. Yu Man Chiu Rudolf on 28 June 2013.

# CORPORATE GOVERNANCE REPORT

## ANNUAL GENERAL MEETING HELD IN 2013

Based on information made available to the Provisional Liquidators, one annual general meeting of the Company was held on 28 June 2013 in Hong Kong. Details of the Directors' attendance records at the meeting are as follows:

	Attendance*
<b>Executive Directors</b>	
Mr. Zhang Zhigang ( <i>Chairman</i> )	1/1
Mr. Zhang Daming ( <i>Chief Executive Officer</i> )	0/1
Mr. Yu Man Chiu Rudolf	0/1
Mr. Gou Xingwu	0/1
Mr. Tan Jianyong	1/1
<b>Independent Non-Executive Directors</b>	
Mr. Koh Tiong Lu, John	1/1
Mr. Wong Chun Keung	0/1
Mr. Xia Lichuan	1/1

Based on the information made available to the Provisional Liquidators, the independent non-executive Directors, Mr. Wong Chun Keung did not attend the annual general meeting of the Company held on 28 June 2013 which constituted a deviation from the Code Provision A.6.7 of the CG Code. Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain the accuracy and completeness of the above disclosed information.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Reporting Period and based on the information available to the Provisional Liquidators, Mr. Zhang Zhigang was the Chairman of the Company and Mr. Zhang Daming was the Chief Executive Officer of the Company. These two roles were segregated and were not exercised by the same individual.

## BOARD COMMITTEES

Due to the limitation of incomplete books and records, the Provisional Liquidators were unable to ascertain the number and the details of board committees of the Company. Based on the information available, the Board is supported by four sub-committees (collectively the "Board Committees"), namely the Audit Committee, Nominating Committee, Remuneration Committee and Compliance Committee to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Committee has its own defined terms of reference which clearly states the corresponding roles and responsibilities.

## NOMINATION COMMITTEE

As at 31 December 2013, the Nomination Committee ("NC") comprises two Independent Non-Executive Directors and one Executive Director, namely, Mr. Wong Chun Keung ("Mr. Wong"), Mr. Koh Tiong Lu, John ("Mr. Koh") and Mr. Tan Jianyong ("Mr. Tan").

Subsequent to the appointment of the Provisional Liquidators, Mr. Wong, Mr. Koh and Mr. Tan resigned from the Board on 15 June 2015, 16 June 2015 and 19 March 2015 respectively and ceased to act as the members of the NC with effect from the same dates. As a result, the NC is vacant as at the date of this Report.

# CORPORATE GOVERNANCE REPORT

Due to the limitation of incomplete books and records, the above information was disclosed based on the information available to the Provisional Liquidators and the Provisional Liquidators were unable to ascertain the accuracy of such information.

According to the terms of reference of the NC, its principal functions are:

1. to review and recommend to the Board the structure, size, composition and diversity of the Board annually;
2. to determine the policy for nomination of directors and identify capable individuals to act as directors;
3. to assess the independence of the Independent Non-Executive Directors;
4. to review the diversity policy of the Board; and
5. to recommend to the Board regarding the appointment or re-appointment of directors and the succession plans for directors.

Due to the limitation of incomplete books and records, the Provisional Liquidators are unable to ascertain the number of NC meetings which have been held during the Reporting Period.

## REMUNERATION COMMITTEE

As at 31 December 2013, the Remuneration Committee (“RC”) comprises the Chairman and two Independent Non-Executive Directors, namely, Mr. Zhang Zhigang (“Mr. Zhang”), Mr. Wong Chun Keung and Mr. Xia Lichuan (“Mr. Xia”).

Mr. Xia resigned from the Board on 9 January 2015 and Mr. Au Kin Wah (“Mr. Au”) was appointed as the replacing Independent Non-Executive Directors and member of the RC. Subsequent to the appointment of the Provisional Liquidators, both Mr. Wong and Mr. Au have resigned from the Board on 15 June 2015 and ceased to act as members of the RC with effect from the same date. Mr. Zhang is the only member of the RC as at the date of this Report.

Due to the limitation of incomplete books and records, the above information was disclosed based on the information available to the Provisional Liquidators. The Provisional Liquidators were unable to ascertain the accuracy of such information.

According to the terms of reference of the RC, its principal functions are:

1. to recommend the remuneration policy of all directors and senior management of the Company;
2. to review and approve the management’s remuneration proposal and provide advice on the remuneration proposal;
3. to determine specific remuneration packages for any directors and senior management of the Company;
4. to make recommendation on performance evaluation procedures for determining remuneration packages of directors and senior management of the Company;
5. to review and approve compensation arrangements relating to the termination of director’s or senior management’s office and dismissal of directors for any misconduct;
6. to ensure that no directors or any of his/her associates are involved in deciding his/her remuneration; and
7. to conduct exit interviews with resigning directors or senior management to ascertain their resignation reason.

Based on the information available to the Provisional Liquidators, it appeared that there were 2 meetings convened during the Reporting Period. Details of the Directors’ attendance records are as follows:

# CORPORATE GOVERNANCE REPORT

	Attendance
<b>Executive Directors</b>	
Mr. Zhang Zhigang ( <i>Chairman</i> )	2/2
<b>Independent Non-Executive Directors</b>	
Mr. Wong Chun Keung	2/2
Mr. Xia Lichuan	2/2

## AUDIT COMMITTEE

The Audit Committee (“AC”) comprises of three Independent Non-Executive Directors, namely Mr. Koh, John, Mr. Wong and Mr. Xia.

Mr. Xia resigned from the Board on 9 January 2015 and Mr. Au Kin Wah (“Mr. Au”) was appointed as the replacing Independent Non-Executive Directors and member of the AC. Subsequent to the appointment of the Provisional Liquidators, Mr. Koh, Mr. Wong and Mr. Au resigned from the Board on 16 June 2015, 15 June 2015 and 15 June 2015 respectively and ceased to act as members of the AC with effect from the same dates. As a result, the AC is vacant as at the date of this Report. Therefore, this report was not reviewed by the audit committee and this did not comply with the requirements of the CG Code and Listing Rules.

Due to the limitation of incomplete books and records, the above information was disclosed based on the information available to the Provisional Liquidators. The Provisional Liquidators were unable to ascertain the accuracy and completeness of such information.

According to the terms of reference of the AC, its principal functions are:

1. to recommend to the Board on the appointment, reappointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors;
2. to monitor the work done by the external auditors and review the annual audit plan;
3. to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standards;
4. to develop and implement the policy on the engagement of the external auditors for supplying non-auditing services;
5. to resolve any disputes between the external auditors and the management of the Company;
6. to review the Company’s annual report, accounts and interim reports before submission to the Board;
7. to ensure the Company’s annual report, accounts and interim reports are in compliance with the accounting standards, the Listing Rules and other regulations of regulatory authorities in relation to financial reporting;
8. to consider any significant adjustments and unusual items to be reflected in the financial reports;
9. to review the Company’s financial control, internal control, risk management systems and other major financial matters;
10. to ensure the management has discharged its duty of establishing an effective internal control system and considered any findings from major investigations related to internal control matters;
11. to ensure the coordination between the internal and external auditors; and
12. to review the “management letter” from the external auditors and ensure the Board will provide a timely response to the issues raised in the “management letter”.



# CORPORATE GOVERNANCE REPORT

Based on the information available to the Provisional Liquidators, it appeared that there was 1 meeting convened during the Reporting Period. Details of the Directors' attendance records are as follows:

	Attendance
<b>Independent Non-Executive Directors</b>	
Mr. Koh Tiong Lu, John	1/1
Mr. Wong Chun Keung	1/1
Mr. Xia Lichuan	1/1

## INTERNAL CONTROL

The Compliance Committee ("CC") and the AC of the Company are responsible for monitoring the effectiveness of the internal control of the Company. Based on the information available, the Provisional Liquidators are unable to confirm whether both the CC and the AC have performed its duties diligently in accordance with its terms of reference (if any) during the Reporting Period.

## ACCOUNTABILITY AND AUDIT

BDO Limited resigned as the Company's auditors with effect from 21 December 2016 due to the limited resources to perform additional audit procedures required to complete the outstanding audits for the four years ending 31 December 2016. Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company with effect from 23 February 2017.

The responsibility of the external auditors with respect to the financial reporting and their audit opinion are set out in the "Independent Auditor's Report" on pages 24 to 25 of this Report.

## AUDITOR'S REMUNERATION

During the Reporting Period, the fees payable to the external auditors are set out as follows:

Fees payable to the current auditor	HK\$400,000
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Based on the information available, the Provisional Liquidators are not able to confirm whether the remuneration payable to the former auditor is related to audit fees or non-audit services.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to the revised CG Code, which has come into effect from 1 April 2012, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Based on the information available, the Provisional Liquidators are not able to confirm whether the Company had updated all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements from time to time to ensure compliance and enhance their awareness of good corporate governance practices, and whether the directors had participated in any training for the Reporting Period.

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

Mr. Wong Kui Tong was appointed by the Board as the Company Secretary on 1 May 2010. Based on the information available, the Provisional Liquidators are unable to confirm whether Mr. Wong Kui Tong has performed his duties diligently in accordance with the Listing Rules to assist the operations of the Company and maintain the relationship between the Company and its shareholders.

In addition, professional training records of Mr. Wong Kui Tong for the Reporting Period are not available to the Provisional Liquidators.

Subsequently, Mr. Wong Kui Tong has resigned from the Company with effect from 1 December 2016. The position of Company Secretary is vacant as at the date of this Report.

## CONVENING AN EXTRAORDINARY GENERAL MEETING OF THE COMPANY BY SHAREHOLDERS

Any one or more Shareholder holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can convene extraordinary general meetings by depositing or sending a written requisition addressed to the Board or the Company Secretary for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of the deposit of the requisition, then the requisitioner(s) himself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board will be reimbursed to the requisitioner(s) by the Company.

## SHAREHOLDERS' ENQUIRIES

Enquiries by Shareholders and the investment community to be put to the Board can be sent in writing to the principal place of business of the Company in Hong Kong. For share registration related matters, Shareholders can contact the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATION

The Company releases all necessary disclosures and corporate communication through the website of Stock Exchange in order to keep shareholders, the public and any other stakeholders informed of all major developments that affect the Company.

The annual general meeting provides a valuable forum for direct communication between the Company and the Shareholders. The annual general meeting circulars are distributed to all Shareholders at least 20 clear business days before the meeting. Separate resolutions are proposed at general meetings on each separate issue and voting of which are taken by poll pursuant to the Listing Rules. Any results of the poll are published on the Stock Exchange's website.

After the Proposed Restructuring, the proposed directors will review the Company's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in the Company's corporate governance report, which will be included in the Company's annual reports subsequent to the completion of the Proposed Restructuring.

# REPORT OF THE PROVISIONAL LIQUIDATORS

Based on the information available to the Provisional Liquidators, the Provisional Liquidators were not able to ascertain the accuracy and completeness of the information in this report.

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company's former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

## PRINCIPAL ACTIVITIES

The Company's principal activity is investment holding. The Group is principally engaged in the processing and sale of powder thenardite, specialty thenardite and medical thenardite and in the manufacture and sale of PPS products as at the date of the Provisional Liquidator's appointment.

## DIVIDENDS

Based on the available books and records to the Provisional Liquidators, the Company did not recommend any dividend for the Reporting Period.

## PROPERTY, PLANT AND EQUIPMENT

Net book value of the property, plant and equipment of the Group during Reporting Period is calculated based on the books and records available to the Provisional Liquidators of the Company. Details are set out in note 13 to the audited financial statements.

## BORROWINGS

Particulars of borrowings of the Group as at 31 December 2013 are set out in note 26 to the financial statements.

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 30 to the audited financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2013 are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

## MAJOR CUSTOMERS AND SUPPLIERS

On the basis that the relevant books and records are incomplete, the Provisional Liquidators were unable to ascertain the information in relation to the major customers and suppliers.

## DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

### Executive Directors

Mr. Zhang Zhigang (Chairman)

Mr. Zhang Daming (Chief Executive Officer)

Mr. Yu Man Chiu Rudolf (Resigned on 28 June 2013)

Mr. Tan Jianyong (Resigned on 19 March 2015)

Mr. Gou Xingwu (Resigned on 13 February 2015)

Mr. Shi Jianping (Appointed on 16 September 2014)

Mr. Au-Yeung Kwong Wah (Appointed on 16 September 2014 and resigned on 27 April 2015)

# REPORT OF THE PROVISIONAL LIQUIDATORS

## **Independent Non-executive Directors**

Mr. Koh Tiong Lu, John (Resigned on 16 June 2015)

Mr. Wong Chun Keung (Resigned on 15 June 2015)

Mr. Xia Lichuan (Resigned on 9 January 2015)

Mr. Au Kin Wah (Appointed on 9 January 2015 and resigned on 15 June 2015)

## **DIRECTORS' SERVICE CONTRACTS**

As at the date of this report, there are three directors, namely Mr. Zhang Zhigang, Mr. Zhang Daming and Mr. Shi Jianping. According to the available service contracts of the existing three directors, the contractual periods of these aforesaid service contracts have expired and the Provisional Liquidators were unable to ascertain if there were any renewals or amendments to these aforesaid service contracts due to the limitation of incomplete books and records of the Company.

## **DIRECTORS' REMUNERATION**

To the best knowledge of the Provisional Liquidators, the Board has the general power of determining the Directors' remuneration, subject to the authorization of the Shareholders given at the annual general meeting of the Company each year.

Due to incomplete books and records, the Provisional Liquidators were unable to ascertain information about emoluments of Directors, including emolument policy, long-term incentive schemes (if any), and the basis of determining the emolument payables to the Directors, and the employees.

## **DIRECTORS' BIOGRAPHIES**

Biographical details of the Directors are set out on pages 9 to 10.

## **DIRECTORS' INTERESTS IN CONTRACTS**

To the best knowledge of the Provisional Liquidators and the available information to the Provisional Liquidators, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

To the best knowledge of the Provisional Liquidators and the available information to the Provisional Liquidators, during the year ended 31 December 2013 and up to the date of this report, the Provisional Liquidators are not aware of any Director being considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules

## **INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 31 December 2013, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code") are listed as follows:

# REPORT OF THE PROVISIONAL LIQUIDATORS

## Long positions in share options of the Company

Under the pre-IPO share option scheme adopted pursuant to the written resolutions of the Shareholders dated 30 April 2008 (the "Pre-IPO Share Option Scheme")

Name of Director	Date of grant	Number of Shares subject to the share options	Exercise price
Mr. Zhang Daming	30 April 2008	4,218,000	HK\$2.00
Mr. Gou Xingwu	30 April 2008	953,000	HK\$2.00

Under the share option scheme adopted pursuant to the written resolutions of the Shareholders dated 26 May 2009 (the "Share Option Scheme")

Name of Director	Date of grant	Number of Shares subject to the share options	Exercise price
Mr. Zhang Zhigang	14 January 2011	7,600,000	HK\$3.28
	14 July 2011	12,000,000	HK\$3.01
Mr. Zhang Daming	28 July 2009	10,000,000	HK\$3.59
	14 July 2011	12,000,000	HK\$3.01
Mr. Yu Man Chiu Rudolf	23 April 2010	10,000,000	HK\$2.64
	14 July 2011	12,000,000	HK\$3.01
Mr. Gou Xingwu	14 July 2011	9,000,000	HK\$3.01
Mr. Tan Jianyong	14 January 2011	6,000,000	HK\$3.28
	14 July 2011	9,000,000	HK\$3.01

Save as disclosed above, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 362 of the SFO, or are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Note:

The information above is based on the latest public information and the available books and records of the Company. No representation is made by the Company and the Provisional Liquidators as to the accuracy and completeness of the information.

## Substantial Shareholders' Interests in the Share Capital of the Company

As at 31 December 2013, based on the information available to the Provisional Liquidators, the Shareholders, other than the Directors or the chief executive of the Company, who had registered any interest or short position in the shares or the underlying shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company, as recorded in the register kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of Shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of shareholding as at 31 December 2013
Mr. Suo Lang Duo Ji	Interest of a controlled corporation	1,875,846,510	33.53%
Ascend Concept Technology Limited ("Ascend")	Beneficial Owner	1,068,445,707	19.09%
Rich Pass International Ltd.	Interest of a controlled corporation	1,068,445,707	19.09%
Nice Ace Technology Limited ("Nice Ace")	Beneficial Owner	807,396,731	14.43%

# REPORT OF THE PROVISIONAL LIQUIDATORS

Note:

- (1) Under the provisions of the SFO, Mr. Suo Lang Duo Ji is deemed to have an interest in 1,875,846,510 Shares of which 1,068,445,707 shares are shares held by Ascend (a company incorporated in the BVI and a wholly owned subsidiary of Rich Pass International Ltd of which its entire share capital is owned by Mr. Suo Lang Duo Ji) and 807,396,731 shares are shares held by Nice Ace Technology Limited (a company incorporated in the BVI of which its entire share capital is owned by Mr. Suo Lang Duo Ji) respectively.

Save as disclosed above, as at 31 December 2013, so far as is known to the Directors or the chief executive of the Company, no other person (who is not a Director or the chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under Section 336 of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

The information above is based on the latest public information and the available books and records of the Company. No representation is made by the Company and the Provisional Liquidators as to the accuracy and completeness of the information.

## Compliance with Non-Competition Undertaking

On 28 May 2009, Mr. Suo Lang Duo Ji (the ultimate controlling Shareholder) and Nice Ace (the then controlling Shareholder which is wholly owned by Mr. Suo Lang Duo Ji) executed in favour of the Company, a deed of non-competition undertaking (the "Non-competition Undertaking").

Under the Non-competition Undertaking, each of Mr. Suo Lang Duo Ji and Nice Ace undertakes to the Company (for itself and for the benefit of its subsidiaries), among others, that he or it would not, and would procure that his or its affiliates (except any members of the Group) would not, during the validity of the Non-competition Undertaking, directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time.

The information above is based on the latest public information and the available books and records of the Company. No representation is made by the Company and the Provisional Liquidators as to the accuracy and completeness of the information.

## SHARE OPTIONS

Based on the information available to the Provisional Liquidators, the Company has adopted the Pre-IPO Share Option Scheme on 30 April 2008 and the Share Option Scheme on 26 May 2009.

On the basis that the relevant books and records are incomplete, no representation is made by the Provisional Liquidators and the Company as to the completeness, existence, rights and obligations, and valuation of the share option outstanding as at 31 December 2013 for the Company as of the date of publication of these consolidated financial statements.

### A. Pre-IPO Share Option Scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by instalments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

# REPORT OF THE PROVISIONAL LIQUIDATORS

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51-HKD0.59
Exercise price at the date of grant	HKD1.659

The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

## B. Share Option Scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (1) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Company at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Based on the available information to the Provisional Liquidators, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the year ended 31 December 2013 and up to the date of this report.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands.

# REPORT OF THE PROVISIONAL LIQUIDATORS

## RELATED PARTY TRANSACTIONS

Due to incomplete books and records, the Provisional Liquidators were unable to ascertain information about related party transactions to be disclosed during the period. On the basis that the relevant books and records are incomplete, no representation is made by the Provisional Liquidators and the Company as to the completeness, occurrence and accuracy of the related party transactions.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the date of this report, to the best knowledge of and based on the information available, the Provisional Liquidators have no information regarding whether the Directors, the Shareholders and their respective associates had any interest in a business which causes or may cause a significant competition with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is available to the Company and within the knowledge of the Provisional Liquidators and the Directors, as at the date of this report, the Company has complied with the sufficiency of public float requirement under the Listing Rules.

## CORPORATE GOVERNANCE

A detailed Corporate Governance Report is set out on pages 11 to 17 of the Annual Report.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Due to the limitation of incomplete books and records, the Provisional Liquidators are unable to ascertain whether any annual confirmations were made by each of the independent non-executive directors to the Company during the Reporting Period.

## EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 33 to the audited financial statements.

## AUDITOR

Crowe Horwath (HK) CPA Limited has been appointed as the new auditors of the Company with effect from 23 February 2017 to fill the casual vacancy following the resignation of BDO Limited with effect from 21 December 2016.

The financial statements for the years ended 31 December 2013 were audited by Crowe Horwath (HK) CPA Limited, which was appointed as the auditors of the Company with effect from 23 February 2017.

**For and on behalf of**  
**China Lumena New Materials Corp.**  
**(In Provisional Liquidation)**

*Joint Provisional Liquidators*  
*Acting as agents of the Company without liability and recourse*

Hong Kong, 28 July 2017



## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF CHINA LUMENA NEW MATERIALS CORP. (IN PROVISIONAL LIQUIDATION)

*(incorporated in the Cayman Islands with limited liability)*

We were engaged to audit the consolidated financial statements of China Lumena New Materials Corp. (In Provisional Liquidation) (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 66, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' AND PROVISIONAL LIQUIDATORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors and the provisional liquidators (acting as agents of the Company without liability and recourse) (the "Provisional Liquidators") of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### BASIS FOR DISCLAIMER OF OPINION

#### Scope limitation due to incomplete books and record

Up to the date of this report, given the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators of the Company believe that it is almost impossible, and not practical, to ascertain the correct revenue and profit or loss (and the resultant assets and liabilities) for the current year for inclusion in the consolidated financial statements of the Group. Also, due to incomplete books and records, the Provisional Liquidators of the Company could not prepare the consolidated statement of cash flows and calculate the diluted earnings per share for the year ended 31 December 2013 and they believe that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group and financial statements of the Company for the past years and, in particular prior to the appointment of the Provisional Liquidators on 25 February 2015. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence, valuation, classification and disclosures of the transactions of the Group and the Company.

Given these circumstances, which are more fully disclosed in note 2 to the consolidated financial statements, there were no practicable audit procedures that we could perform to satisfy ourselves that the information and documents presented to us for the purpose of our audit are complete and accurate in all material respects, nor to quantify the extent of adjustments that might be necessary in respect of the Group's and the Company's financial information.

As a result, in performing our audit on the consolidated financial statements of the Group for the year ended 31 December 2013, there were no practicable audit procedures that we could perform to satisfy ourselves whether the balances of assets, liabilities, contingent liabilities, commitments and reserves as at 1 January 2012 and 31 December 2013 were fairly stated.

# INDEPENDENT AUDITOR'S REPORT

Included in the Company's statement of financial position are interests in subsidiaries of RMB9,095,812,000 and RMB10,613,432,000 and loans to subsidiaries of RMB2,385,848,000 and RMB2,424,270,000 as at 31 December 2013 and 31 December 2012 respectively. Due to the scope limitations as mentioned above, we are unable to satisfy ourselves as to the fairness of the amounts carried as interests in subsidiaries and loans to subsidiaries in the Company's financial statements or to determine whether any provision for impairment loss is necessary in respect of the above. Any adjustments would have a consequential effect on the net assets of the Company as at 31 December 2013 and 31 December 2012 and of its net loss for the years then ended and the related disclosures in the Company's financial statements.

Any adjustments found to be necessary in respect thereof had we obtained sufficient appropriate audit evidence would have had a consequential effect on the net assets of the Group as at 1 January 2012, 1 January 2013 and 31 December 2013, and on its profit for the years ended 31 December 2013 and 2012, and the related disclosures thereof in the consolidated financial statements.

## NON-COMPLIANCE WITH IFRSs AND OMISSION OF DISCLOSURES

As explained in note 2 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared by the Company's former management and the Provisional Liquidators have presented these financial statements based on incomplete books and records, the Provisional Liquidators believe it is almost impossible and not practicable to ascertain the correct amounts and prepare the consolidated statement of cash flows and calculate the diluted earnings per share. Consequently, the Provisional Liquidators of the Company were unable to confirm that the consolidated financial statements comply with IFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in note 2, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN BASIS

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis of preparation of these consolidated financial statements.

## DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit for the year then ended in accordance with IFRSs and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

## OTHER MATTERS

The Provisional Liquidators were appointed on 25 February 2015. The Provisional Liquidators have recovered only limited books and records of the Company and they have used their reasonable endeavours to present the consolidated financial statements based on the information prepared by the former management of the Company available to them to date and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015 to fulfil the Company's responsibilities for the preparation of the consolidated financial statements in accordance with IFRSs.

### **Crowe Horwath (HK) CPA Limited**

Certified Public Accountants

Hong Kong, 28 July 2017

Chan Wai Dune, Charles

Practising Certificate Number P00712

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>Revenue</b>	5	4,539,886	4,507,475
Cost of sales		(1,803,859)	(1,802,991)
<b>Gross profit</b>		2,736,027	2,704,484
Other revenue and gains	6	64,415	81,040
Selling and distribution expenses		(11,197)	(14,437)
Other operating expenses		(911,329)	(435,599)
Impairment loss on property, plant and equipment		–	(318,000)
Impairment loss on land use rights		–	(7,000)
Impairment loss on a mining right		–	(17,000)
Loss on early redemption of fixed rate senior notes		–	(131,436)
Finance costs	7	(161,453)	(163,622)
<b>Profit before income tax</b>	8	1,716,463	1,698,430
Income tax expense	9	(314,800)	(353,099)
<b>Profit for the year</b>		1,401,663	1,345,331
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of financial statements of foreign operations		73,297	48,680
Other comprehensive income for the year, net of tax		73,297	48,680
<b>Total comprehensive income for the year</b>		1,474,960	1,394,011
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Earnings per share</b>	10		
– Basic		25.05	24.05

The notes on pages 31 to 66 form an integral part of these financial statements. Details of dividends payable to owners of the company attributable to profit for the year are set out in note 11.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	9,734,694	8,616,584
Investment properties	14	107,100	104,700
Land use rights	15	248,734	275,145
Goodwill	16	5,737,139	5,745,525
Mining rights	17	298,544	335,074
Other intangible assets	18	912,493	1,021,586
Deposits and prepayments	19	24,244	23,086
Deferred tax assets	29	217,850	85,500
		<b>17,280,798</b>	<b>16,207,200</b>
<b>Current assets</b>			
Inventories	21	71,670	73,517
Trade and other receivables	22	1,126,892	1,279,303
Pledged deposits		–	34,000
Cash and bank balances	24	5,399,485	3,264,432
		<b>6,598,047</b>	<b>4,651,252</b>
<b>Current liabilities</b>			
Trade and other payables	25	942,030	837,020
Borrowings	26	1,929,791	1,247,042
Convertible bonds	28	1,008,750	–
Tax payable		124,117	194,036
		<b>4,004,688</b>	<b>2,278,098</b>
<b>Net current assets</b>		<b>2,593,359</b>	<b>2,373,154</b>
<b>Total assets less current liabilities</b>		<b>19,874,157</b>	<b>18,580,354</b>
<b>Non-current liabilities</b>			
Borrowings	26	3,727,903	2,712,894
Convertible bonds	28	–	849,653
Deferred tax liabilities	29	354,045	386,058
		<b>4,081,948</b>	<b>3,948,605</b>
<b>Net assets</b>		<b>15,792,209</b>	<b>14,631,749</b>
<b>EQUITY</b>			
Share capital	30	383	383
Reserves	31(b)	15,791,826	14,631,366
<b>Total equity</b>		<b>15,792,209</b>	<b>14,631,749</b>

Based on the information made available to the Company, the consolidated financial statements on pages 26 to 66 were authorised for issue by the Company on 28 July 2017 and are signed on its behalf by:

For and on behalf of  
**China Lumena New Materials Corp.**  
(In Provisional Liquidation)

For and on behalf of  
**China Lumena New Materials Corp.**  
(In Provisional Liquidation)

Man Chun So  
Joint Provisional Liquidator  
Acting as agent of the Company  
without liability and recourse

Yat Kit Jong  
Joint Provisional Liquidator  
Acting as agent of the Company  
without liability and recourse

The notes on pages 31 to 66 form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interests in subsidiaries	20	9,095,812	10,613,432
<b>Current assets</b>			
Other receivables	22	18,388	27,263
Loans to subsidiaries	23	2,385,848	2,424,270
Cash and bank balances	24	32,416	21,231
		2,436,652	2,472,764
<b>Current liabilities</b>			
Other payables	25	11,846	96,432
Borrowings	26	1,141,843	784,035
Convertible bonds	28	1,008,750	–
Amounts due to subsidiaries	23	97,461	64,308
		2,259,900	944,775
<b>Net current assets</b>		176,752	1,527,989
<b>Total assets less current liabilities</b>		9,272,564	12,141,421
<b>Non-current liabilities</b>			
Borrowings	26	2,498,173	2,466,977
Convertible bonds	28	–	849,653
		2,498,173	3,316,630
<b>Net assets</b>		6,774,391	8,824,791
<b>EQUITY</b>			
Share capital	30	383	383
Reserves	31(a)	6,774,008	8,824,408
<b>Total equity</b>		6,774,391	8,824,791

Based on the information made available to the Company, the statement of financial position was authorised for issue by the Company on 28 July 2017 and are signed on its behalf by:

For and on behalf of  
**China Lumena New Materials Corp.**  
(In Provisional Liquidation)

For and on behalf of  
**China Lumena New Materials Corp.**  
(In Provisional Liquidation)

Man Chun So  
Joint Provisional Liquidator  
Acting as agent of the Company  
without liability and recourse

Yat Kit Jong  
Joint Provisional Liquidator  
Acting as agent of the Company  
without liability and recourse

The notes on pages 31 to 66 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Employee share-based compensation reserve* RMB'000	Capital contribution* RMB'000	Convertible equity reserve* RMB'000	General reserve* RMB'000	Statutory reserve* RMB'000	Translation reserve* RMB'000	Dividend reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
<b>At 31 December 2012 and 1 January 2013</b>	383	10,181,675	5	196,548	103,539	39,255	(413,367)	572,749	201,807	336,332	3,412,823	14,631,749
Recognition of share-based payments	-	-	-	9,826	-	-	-	-	-	-	-	9,826
Dividend paid for 2012	-	12,006	-	-	-	-	-	-	-	(336,332)	-	(324,326)
<b>Transactions with owners</b>	-	12,006	-	9,826	-	-	-	-	-	(336,332)	-	(314,500)
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	1,401,663	1,401,663
<b>Other comprehensive income</b>												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	73,297	-	-	73,297
Total comprehensive income for the year	-	-	-	-	-	-	-	-	73,297	-	1,401,663	1,474,960
Appropriations to statutory reserves	-	-	-	-	-	-	-	148,450	-	-	(148,450)	-
Lapse of share options	-	-	-	(12,560)	-	-	-	-	-	-	12,560	-
<b>At 31 December 2013</b>	383	10,193,681	5	193,814	103,539	39,255	(413,367)	721,199	275,104	-	4,678,596	15,792,209

\* These reserve accounts comprised the consolidated reserves of approximately RMB15,791,826,000 (2012: RMB14,631,366,000) in the consolidated statement of financial position.

The notes on pages 31 to 66 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital RMB'000	Share premium* RMB'000	Capital redemption reserve* RMB'000	Employee share-based compensation reserve* RMB'000	Capital contribution* RMB'000	Convertible equity reserve* RMB'000	General reserve* RMB'000	Statutory reserve* RMB'000	Translation reserve* RMB'000	Dividend reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
<b>At 31 December 2011 and 1 January 2012</b>	383	10,518,007	5	165,362	103,539	39,255	(413,367)	428,284	153,127	119,709	2,193,359	13,307,663
Recognition of share-based payments	-	-	-	49,784	-	-	-	-	-	-	-	49,784
Dividend paid for 2011	-	-	-	-	-	-	-	-	-	(119,709)	-	(119,709)
Proposed final dividend (note 12)	-	(336,332)	-	-	-	-	-	-	-	336,332	-	-
<b>Transactions with owners</b>	-	(336,332)	-	49,784	-	-	-	-	-	216,623	-	(69,925)
<b>Profit for the year</b>	-	-	-	-	-	-	-	-	-	-	1,345,331	1,345,331
<b>Other comprehensive income</b>												
Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	-	-	-	48,680	-	-	48,680
Total comprehensive income for the year	-	-	-	-	-	-	-	-	48,680	-	1,345,331	1,394,011
Appropriations to statutory reserves	-	-	-	-	-	-	-	144,465	-	-	(144,465)	-
Lapse of share options	-	-	-	(18,598)	-	-	-	-	-	-	18,598	-
<b>At 31 December 2012</b>	383	10,181,675	5	196,548	103,539	39,255	(413,367)	572,749	201,807	336,332	3,412,823	14,631,749

\* These reserve accounts comprised the consolidated reserves of approximately RMB 14,631,366,000 (2011: RMB13,307,280,000) in the consolidated statement of financial position.

The notes on pages 31 to 66 form an integral part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 1. GENERAL INFORMATION

China Lumena New Materials Corp. (In Provisional Liquidation) (the “Company”) was incorporated in the Cayman Islands on 12 April 2007 as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The current address of the Company’s registered office is c/o PwC Corporate Finance & Recovery (Cayman) Limited, Po Box 258, 4th Floor, 18 Forum Lane, Grand Cayman, Cayman Islands, KY1-1104 and its current principal place of business is situated at 22/F., Prince’s Building, Central, Hong Kong.

The Company and its subsidiaries (collectively the “Group”) were engaged in the following principal activities during the year:

- Manufacturing and selling of polyphenylene sulfide (“PPS”) products including PPS resin, PPS fibre and PPS compounds; and
- Processing and selling of powder thenardite, specialty thenardite and medical thenardite.

## 2. BASIS OF PREPARATION

The Provisional Liquidators have presented in these financial statements the financial information prepared by the Company’s former management and based on all available information to the extent provided to them in their capacity as Provisional Liquidators subsequent to their appointment on 25 February 2015. The Provisional Liquidators note that the historical information in respect of the Company prior to such appointment date as provided to them may not be complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators provide no assurance for the financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the listing requirements. The Provisional Liquidators do not accept or assume responsibility for these financial statements for any purpose or to any person to whom these financial statements are shown or into whose hands they may come.

### **Suspension of trading of the Company’s shares**

Trading in the shares of the Company on the Stock Exchange has been suspended since 25 March 2014.

### **Winding up Petition**

On 29 January 2015, the board (the “Board”) of directors (the “Directors”) of the Company received a winding up petition dated 19 January 2015 filed by Mega International Commercial Bank Co., Ltd. (the “Petitioner” or “MICB”) against the Company (the “Winding Up Petition”) with the Grand Court of the Cayman Islands (the “Grand Court”) which was served at the Company’s registered office in the Cayman Islands.

It was alleged in the Winding Up Petition that the Company was indebted to and had failed to satisfy the Lenders (as defined below) of such debt in the total sum of US\$89,764,378.88 as at 16 January 2015, comprising the principal amount of a loan of US\$85,000,000 (the “Loan”), accrued unpaid interest thereon of US\$880,436.38 and accrued unpaid default interest thereon of US\$3,883,942.50. Pursuant to the Winding Up Petition, the aforesaid amounts were owed pursuant to a loan agreement dated 22 April 2013 (the “Loan Agreement”) entered into by (i) the Company (as borrower), (ii) the Petitioner, Cathay United Bank, China Development Industrial Bank, Ta Chong Bank Ltd., Taipei Fubon Commercial Bank Co., Ltd., Taishin International Bank Co., Ltd., Taiwan Business Bank and Bank of East Asia, Limited (as lenders) (collectively, the “Lenders”), and (iii) the Petitioner (as arranger and agent for the Lenders) in respect of the Loan.

Under the Winding Up Petition, the Petitioner sought to wind up the Company and to appoint liquidators.

### **Appointment of the Provisional Liquidators**

On 25 February 2015, Mr. Man Chun So, Mr. Yat Kit Jong and Mr. David Walker were appointed as the Provisional Liquidators of the Company with the power to act jointly and severally pursuant to the Order made by the Grand Court until further notice.

On 2 August 2016, the Grand Court made a further Order releasing Mr David Walker from the obligation to perform any further duties in his capacity as the Provisional Liquidator and replacing him with Mr Simon Conway.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (CONTINUED)

### **Appointment of the Provisional Liquidators (continued)**

Since the appointment, the Provisional Liquidators of the Company have been investigating into the affairs of the Group and have taken all necessary actions to preserve the assets. The Provisional Liquidators have recovered limited books and records from the Company's head office principal place of business in Hong Kong. None of the directors of the Company have advised the Provisional Liquidators of the whereabouts of the statutory books and records, or books and records of the Group including the subsidiaries incorporated in the People's Republic of China (the "PRC").

### **Proposed Restructuring of the Group**

On 23 September 2016, the Company entered into the Restructuring Framework Agreement with the Investors, pursuant to which the Company will implement a restructuring of the Company's equity and debt.

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the Open Offer; (iv) the Subscription; (v) the Acquisition; (vi) Reverse Takeover; and (vii) Whitewash Waiver.

Following the entering into of the Restructuring Framework Agreement, the Company submitted the Resumption Proposal to the Stock Exchange before the expiry of the third delisting stage to seek the resumption of trading of the Company's shares. On 24 October 2016, the Company received a letter of even date from the Stock Exchange, which stated that the Stock Exchange agreed to allow the Company to submit a new listing application relating to the Resumption Proposal (but not any other proposal) on or before 31 March 2017. If the Company fails to submit a new listing application by 31 March 2017, or the transactions proposed in the Resumption Proposal fail to proceed for any reason, the Stock Exchange will proceed with cancelling the Company's listing on the Stock Exchange.

On 31 March 2017, a new listing application was submitted to the Stock Exchange.

### **Proposed Capital Reorganisation**

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders, the capital reorganisation. The capital reorganisation will comprise the share consolidation, the authorised share capital cancellation and the authorised share capital increase.

### **Creditors Schemes**

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Schemes will be implemented after approval has been granted by the High Court of Hong Kong (the "High Court"), the Grand Court and the creditors.

Upon completion of the Creditors Schemes, all the claims of the creditors against the Company, and liabilities of the Company will be discharged and released in full. All existing assets of the Group will be transferred to the scheme company or scheme administrators of the Creditors Schemes, such that the only assets of the Company will be the target group on completion.

### **The Open Offer**

Subject to the capital reorganisation becoming effective, the Company will implement the Open Offer of new shares on the basis of one offer share for every new share held on the Open Offer record date by the qualifying shareholders. A total of 560,385,939 offer shares will be allotted and issued by the Company at the offer price of HK\$0.08 cash for each offer share and the gross proceeds raised via the issuance of the offer shares will be approximately HK\$44.8 million. The Open Offer is only available to qualifying shareholders. The Open Offer will be conditional upon completion of the Proposed Restructuring. The Open Offer will be fully underwritten by an underwriter, being an independent third party and not acting in concert with the Concert Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (CONTINUED)

### The Subscription

Pursuant to the Restructuring Framework Agreement, the subscribers will subscribe for 1,120,771,878 subscription shares at the price of HK\$0.08 per subscription shares for an aggregate subscription price of HK\$89.7 million.

### The Acquisition

Under the Restructuring Framework Agreement, the Company will purchase the sale equity interest from the Investors. Upon the completion of the Acquisition, the target group will become wholly owned subsidiaries of the Company.

The consideration is approximately HK\$717.3 million and was arrived at after arm's length negotiations between the parties to the Restructuring Framework Agreement and was determined by reference to (i) the unaudited combined net asset value of the target group as at 31 December 2015; (ii) the profitability of the target group based on the unaudited financial information of the target group provided by the Investors; (iii) the business prospects of the target group; (iv) the earning multiples of companies engaged in a similar line of business to the target group located in Singapore and Malaysia; and (v) the market leader position and significant presence of the target group in the precast hollow-core concrete wall panel industry in Singapore.

The consideration shall be satisfied by the issuance and allotment of 8,966,175,024 consideration shares at the consideration price of HK\$0.08 each upon the completion of the Acquisition.

The completion of the Subscription, the Acquisition and the Open Offer, which form part of the Proposed Restructuring, will be inter-conditional upon each other.

### Reverse Takeover

The Acquisition constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the new listing application of the Company by the Listing Committee.

### Whitewash Waiver

Upon the completion of the Acquisition, the Concert Group will, in aggregate, hold approximately 80.0% of the share capital of the Company after the capital reorganisation and as enlarged by the offer shares, the subscription shares and the consideration shares. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the concert group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the SFC. The Investors will make an application to the SFC for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code.

### Incomplete books and records

Due to the limited information available, the Company was unable to obtain sufficient documentary information regarding the completeness of books and records and the treatment of various balances as included in the consolidated financial statements for the year ended 31 December 2013 and have formed the opinion as follows:

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Company, the Company is unable to represent that all transactions entered into by the Group for the year ended 31 December 2013 have been properly reflected in the consolidated financial statements. As such, the Provisional Liquidators of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of the financial statements in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The Provisional Liquidators have recovered only limited books and records of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 2. BASIS OF PREPARATION (CONTINUED)

### Going concern

The Group has received a winding up petition filed by the Petitioner against the Company and it was alleged in the Winding Up Petition that the Company was indebted to and failed to satisfy the Lenders. In preparing these consolidated financial statements, the Company has given careful consideration to the impact of the current and anticipated future liquidity of the Group and the Company and the ability of the Group and the Company to generate a profit and attain positive cash flows from operations in the immediate and longer term.

Based on the cash flow projections of the Group and having taken into account the assumption that the Proposed Restructuring of the Company, as mentioned above, will be successfully completed, the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Statement of compliance

Except for the matters referred to in note 2, including the omission of a consolidated statement of cash flows and certain disclosures as required under International Financial Reporting Standards (the "IFRSs"), Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), these financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards (the "IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance and Listing Rules. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3.26 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

### 3.2 Basis of consolidation

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (collectively referred to as the "Group").

The functional currency of the Company is Hong Kong dollars ("HKD"), while the financial statements are presented in Renminbi ("RMB"). As the major subsidiaries of the Group are operating in the PRC and the functional currency of the major subsidiaries is RMB, the Company consider that it will be more appropriate to adopt RMB as the Group's and the Company's presentation currency.

The consolidated financial statements have been prepared under historical cost basis except for investment properties and convertible bonds which are measured at fair value as explained in the accounting policies set out below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Basis of consolidation (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

### 3.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

#### 3.4.1 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carry forwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with IAS 12 Income Taxes;
- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4.1 Business combination (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

### 3.4.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Construction-in-progress ("CIP") and asset under construction ("AUC") represent buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost comprises direct costs of construction and acquisition, as well as borrowing costs capitalized during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed.

No depreciation is provided on CIP and AUC until it is completed and ready for intended use.

Building and mining structures (including leasehold improvements)	4 to 30 years
Furniture, machinery and equipment	5 to 20 years
Motor vehicles	5 to 12 years

The assets' estimated useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated in the consolidated statement of financial position at fair value, unless they are still in the course of construction or development at the end of reporting period and their fair value cannot be reliably measured at that time. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

### 3.7 Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### 3.7.1 Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### 3.7.2 Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3.5. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3.10. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

#### 3.7.3 Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Leased assets (continued)

#### 3.7.4 Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

### 3.8 Intangible assets (other than goodwill)

#### Trademark acquired in a business combination

Trademark acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset. It is measured on initial recognition at cost which is the fair value as at the date of acquisition. Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Such intangible assets are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable.

#### Customer relationship, patents and technical know-how acquired in a business combination

The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### 3.9 Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment loss and are amortised on a straight-line basis over the estimated useful life, which is the shorter of the contractual period and the estimated period of extraction (based on the total proven and probable reserves of the mines), from the date such mine is available for use.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets

#### 3.10.1 Other receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (continued)

#### 3.10.2 Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- other intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (continued)

#### 3.10.3 Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

### 3.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

### 3.12 Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 3.10.1).

### 3.13 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### 3.14 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### 3.15 Convertible bonds

The convertible bonds of U.S. dollars ("USD") 120 million issued by the Company that contain both the liability and conversion option are classified separately into their respective items on initial recognition. As the convertible bonds can be converted to equity share capital at the option of the bondholders, where the number of shares that would be issued on conversion and the value of consideration would be received at that time do not vary, these are accounted for as an equity instrument.

The liability component of the convertible bonds of USD120 million is determined using a market rate for an equivalent non-convertible bond. The equity component of the convertible bonds of USD120 million is then the residual after deducting the fair value of liability from the fair value of the convertible bonds of USD120 million. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Convertible bonds (continued)

The liability component is subsequently carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The interest expenses recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the convertible bonds are converted, redeemed or matured.

If the convertible bonds are converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the convertible bonds equity reserve is released directly to retained profits.

Upon issuance of the convertible bonds, the bondholders were also granted an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100 million (the "loan commitment"). The option is exercisable during the period commencing on the date of completion of the subscription for the convertible bonds and ending on the first anniversary of such date.

If it is probable that the Group will enter into a specific lending arrangement and the loan commitment is not within the scope of IAS 39, the loan commitment fees received is regarded as compensation for the ongoing involvement with the issuance of a financial instrument and is deferred and recognised as an adjustment to the effective interest rate. If the loan commitment expires without the Group making the loan, the fee is recognised as revenue on expiry.

If it is not probable that the Group will enter a specific lending arrangement, and the loan commitment is not within the scope of IAS 39, the loan commitment fees received are recognised as revenue on a time proportion basis over the commitment period.

Loan commitments within the scope of IAS 39 are accounted for as derivatives and measured at fair value.

### 3.16 Employee benefits

#### 3.16.1 Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Defined contribution retirement plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to defined contribution plans are recognised in the financial year when they are due.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.16 Employee benefits (continued)

#### 3.16.1 Short term employee benefits and contributions to defined contribution retirement plans (continued)

A liability for a termination benefit is recognised at the earlier when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

#### 3.16.2 Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binominal Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### 3.17 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3.6, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.18 Financial guarantees issued, provisions and contingent liabilities

#### 3.18.1 Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3.18.3 if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

#### 3.18.2 Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3.18.3. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 3.18.3.

#### 3.18.3 Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in normal course of business, net of goods returns, discounts and sales related taxes.

#### Sale of goods

Revenue from sales of goods is recognized when goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the seller has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the seller; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the recipient and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### Rental income

Rental income under operating leases on investment properties is recognized on straight-line basis over the lease terms.

### 3.20 Foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates prevailing at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates prevailing at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Renminbi at the closing foreign exchange rates prevailing at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.20 Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

### 3.21 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

### 3.23 Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### 3.24 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purpose unless the segments have similar characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3.25 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.25 Related parties (continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### 3.26 Application of new and revised International Financial Reporting Standards

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") that are first effective for the current accounting period.

IFRS 1 Amendments	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Government Loans
IFRS 7 Amendments	Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance
IFRS 13	Fair Value Measurement
IAS 1 Amendments	Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
IAS 19 (Revised)	Employee Benefits
IAS 27 (Revised)	Separate Financial Statements
IAS 28 (Revised)	Investments in Associates and Joint Ventures
IFRIC – Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Except that certain presentation and disclosure of financial statement items have been revised, the adoption of these new and revised IFRSs did not have any significant effect on the financial position or performance of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

### i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.10. The recoverable amounts of CGU have been determined based on fair value less costs to sell calculations. These calculations require the use of estimates.

### ii) Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. When fair value less costs to sell calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

### iii) Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgement. A considerable amount of judgement is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtor. Management will reassess the provision at each reporting date. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

### iv) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for the property, plant and equipment of the Group. This estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

### v) Estimate of fair value of investment properties

As disclosed in note 3.6, the investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

### vi) Provision for reclamation and closure cost

Provision for reclamation and closure cost is estimated based on management's interpretation of current regulatory requirements and their past experiences. Provision set up, if any, is reviewed regularly by management to ensure it properly reflects the obligation arising from mining and exploration activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 5. REVENUE

Revenue, which is also the Group's turnover, represents the net amounts received and receivable for goods sold, less value-added tax and sales returns, for the year. The amount of each significant category of the revenue recognised is as follows:

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
<b>Revenue from PPS business</b>		
– Coating-grade PPS resin	155,932	200,448
– Injection-moulding-grade PPS resin	268,941	228,414
– Film-grade PPS resin	80,417	79,778
– PPS fibre	415,612	432,618
– PPS compounds	2,172,746	1,991,111
	<b>3,093,648</b>	2,932,369
<b>Revenue from mining and thenardite business</b>		
– Powder thenardite	32,134	53,428
– Medical thenardite	915,947	871,787
– Specialty thenardite	498,157	649,891
	<b>1,446,238</b>	1,575,106
<b>Revenue</b>	<b>4,539,886</b>	4,507,475

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the revenue of the Group as of the date of publication of these consolidated financial statements and no disclosure of the segment information is available.

## 6. OTHER REVENUE AND GAINS

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Other revenue and gains	64,415	81,040

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the other revenue and gains of the Group as of the date of publication of these consolidated financial statements.

## 7. FINANCE COSTS

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Total finance costs	161,453	163,622

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging and (crediting) the following items:

	2013 RMB'000	2012 RMB'000
Auditor's remuneration	4,374	1,723
Amortisation of land use rights (note (i))	5,411	5,496
Amortisation of mining rights (note (i))	13,530	14,322
Amortisation of other intangible assets (note (i))	109,093	109,093
Cost of inventories recognised as an expense	1,803,859	1,802,991
Depreciation of property, plant and equipment	363,662	412,902
(Reversal of impairment) of trade receivables	–	(141)
Write-off of property plant and equipment	–	230
Operating lease charges on rented premises	11,844	13,525
Outgoings in respect of investment properties	401	401
Research expenses	69	455
Staff costs (including directors' remuneration (note (ii)))		
– Wages, salaries and bonus	87,385	105,378
– Equity-settled share-based payment (note 32)	9,826	49,784
– Contribution to defined contribution pension plans	12,002	11,788
	<b>109,213</b>	166,950

Notes:

- (i) Amounts have been included in other operating expenses in the consolidated statement of profit or loss and comprehensive income.
- (ii) Due to incomplete books and records, the Provisional Liquidators were unable to ascertain information about the five highest paid individuals during the Reporting Period.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of profit before taxation of the date of publication of these consolidated financial statements.

## 9. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Total income tax expenses	314,800	353,099

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the income tax expenses of the Group as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 10. EARNINGS PER SHARE

### Basic

The calculation of basic earnings per share is based on the profit for the year of approximately RMB1,401,663,000 (2012: RMB1,345,331,000) and the weighted average number of 5,595,968,600 (2012: 5,593,962,007) ordinary shares in issue during the year.

### Diluted

On the basis that the relevant books and records are either lost or are incomplete, there is no accurate information to calculate the diluted earnings per share for the year ended 31 December 2013. Therefore, no diluted earnings per share is presented for the year ended 31 December 2013.

For the year ended 31 December 2012, the calculation of diluted earnings per share has been based on the earnings of approximately RMB1,415,543,000 after accounting for the interest on convertible bonds of RMB70,212,000 and weighted average number of ordinary shares of 5,926,025,007 after adjustment of the effect of convertible bonds of 332,063,000 ordinary shares.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of earnings per share as of the date of publication of these consolidated financial statements.

## 11. DIVIDENDS

	2013 RMB'000	2012 RMB'000
Proposed final dividend of Nil (2012: HK7.49 cents per ordinary share (equivalent to approximately RMB6.01 cents per ordinary share))	–	336,332

No dividend was declared during the year. For the year ended 31 December 2012, the final dividend proposed after the reporting date has not been recognised as a liability at the reporting date, but reflected as an appropriation of share premium and retained profits. In addition, the final dividend is subject to the shareholders' approval at the annual general meeting of the Company.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of dividends as of the date of publication of these consolidated financial statements.

## 12. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance (Cap. 32) is as follows:

	2013 RMB'000	2012 RMB'000
Directors' fee	2,317	934
Salaries allowance and bonus	85,069	5,119
Contribution to pension plans	12,002	58
Equity-settled share-based payments	9,826	4,871
Total	109,214	10,982

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the accuracy, completeness, occurrence, cut-off and classification of the directors' remuneration and senior management's emoluments as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 13. PROPERTY, PLANT AND EQUIPMENT – GROUP

	2013 RMB'000	2012 RMB'000
Net carrying amount at 31 December	9,734,694	8,616,584

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the property, plant and equipment of the Group as of the date of publication of these consolidated financial statements.

## 14. INVESTMENT PROPERTIES – GROUP

	2013 RMB'000	2012 RMB'000
Fair value		
At 1 January	104,700	101,900
Change in fair value recognised in profit or loss	2,400	2,800
At 31 December	107,100	104,700

Investment properties represent buildings and land use rights located in the PRC. The land use rights were acquired with the lease period of 50 years. At 31 December 2013, the land use rights had a remaining lease period of 43 years.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the investment properties of the Group as of the date of publication of these consolidated financial statements.

## 15. LAND USE RIGHTS – GROUP

	2013 RMB'000	2012 RMB'000
Net carrying amount at 31 December	248,734	275,145

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the land use rights of the Group as of the date of publication of these consolidated financial statements.

## 16. GOODWILL – GROUP

	2013 RMB'000	2012 RMB'000
Acquisition of Chuanmei Mirabilite – Thenardite products CGU	–	8,386
Acquisition through business combination – PPS products CGU	5,737,139	5,737,139
Net carrying amount	5,737,139	5,745,525

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 16. GOODWILL – GROUP (CONTINUED)

Note:

Goodwill arose from the acquisition of Chuanmei Mirabilite in 2004 and the acquisition of Sino Polymer New Materials Co., Ltd. in 2011.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the goodwill of the Group as of the date of publication of these consolidated financial statements.

## 17. MINING RIGHTS – GROUP

	2013 RMB'000	2012 RMB'000
Net book value	298,544	335,074

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the mining rights of the Group as of the date of publication of these consolidated financial statements.

## 18. OTHER INTANGIBLE ASSETS – GROUP

	2013 RMB'000	2012 RMB'000
Net carrying amount at 31 December	912,493	1,021,586

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the other intangible assets of the Group as of the date of publication of these consolidated financial statements.

## 19. DEPOSITS AND PREPAYMENTS – GROUP

	2013 RMB'000	2012 RMB'000
Total deposits and prepayments at 31 December	24,244	23,086

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deposits and prepayments of the Group as of the date of publication of these consolidated financial statements.

## 20. INTERESTS IN SUBSIDIARIES – COMPANY

	2013 RMB'000	2012 RMB'000
Total investment in and amounts due from subsidiaries at 31 December	9,095,812	10,613,432



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 20. INTERESTS IN SUBSIDIARIES – COMPANY (CONTINUED)

The following list contains the particulars of the principal subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	Country/place of incorporation/ establishment and type of legal entity	Particulars issued and fully paid share capital/ registered capital	Effective interest held by the Company	Principal activities
<i>Interests held directly</i>				
Rich Light International Limited	Incorporated in the British Virgin Islands (the "BVI"), limited liability company	USD100	100%	Investment holding
Sino Polymer New Materials Co., Ltd.	Incorporated in the Cayman Islands, limited liability company	USD100,000,000	100%	Investment holding
<i>Interests held indirectly</i>				
Top Promise Resources Limited	Incorporated in Hong Kong, limited liability company	One ordinary share	100%	Investment holding
Sichuan Chuanmei Mirabilite Co., Ltd. 四川省川眉芒硝有限責任公司	Established in the People's Republic of China (the "PRC"), foreign investment enterprise	RMB142,077,000	100%	Processing and sale of powder thenardite and medical thenardite
Sichuan Chuanmei Special Glauber Salt Co., Ltd. 四川川眉特種芒硝有限公司	Established in the PRC, wholly foreign-owned enterprise	USD75,000,000	100%	Processing and sale of specialty thenardite
Haton Polymer & Fibre Limited	Incorporated in the BVI, limited liability company	USD0.1	100%	Investment holding
Haton Polymer Limited	Incorporated in Hong Kong limited liability company	One ordinary share	100%	Investment holding
Sichuan Deyang Chemical Co., Ltd. 四川得陽化學有限公司	Established in the PRC, foreign-owned enterprise	RMB190,000,000	100%	Manufacturing and selling of PPS resin including coating resin, injection resin, fibre resin and PPS compounds
Sichuan Deyang Special New Materials Co., Ltd. 四川得陽特種新材料有限公司	Established in the PRC, foreign-owned enterprise	USD104,000,000	100%	Manufacturing and selling of PPS resin including coating resin, injection resin, fibre resin, film-grade resin, PPS fibre and PPS compounds
Sichuan Deyang Engineering Plastic Development Co., Ltd. 四川得陽工程塑料開發有限公司	Established in the PRC, foreign-owned enterprise	RMB1,000,000	100%	Engineering plastics development and technology consulting services

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the interests in subsidiaries of the Company and amounts due from subsidiaries as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 21. INVENTORIES – GROUP

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
At 31 December	<b>71,670</b>	73,517

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the inventories of the Group as of the date of publication of these consolidated financial statements.

## 22. TRADE AND OTHER RECEIVABLES

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <b>RMB'000</b>	2012 RMB'000	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Net carrying amount at 31 December	<b>1,126,892</b>	1,279,303	<b>18,388</b>	27,263

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other receivables as of the date of publication of these consolidated financial statements.

## 23. LOANS TO SUBSIDIARIES/AMOUNTS DUE TO SUBSIDIARIES – COMPANY

The loans to subsidiaries are unsecured, bearing nil to 6% of interest per annum and repayable on demand. The amounts due to subsidiaries are unsecured, interest free and repayable on demand. The Company considered that the carrying amounts of the balances approximate to their fair values.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the loans to subsidiaries and amounts due to subsidiaries of the Company as of the date of publication of these financial statements.

## 24. CASH AND BANK BALANCES

	<b>Group</b>		<b>Company</b>	
	<b>2013</b> <b>RMB'000</b>	2012 RMB'000	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Cash and bank balances as stated in the statement of financial position at 31 December	<b>5,399,485</b>	3,264,432	<b>32,416</b>	21,231

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the cash and bank balances and the underlying cash transactions at the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 31 December	942,030	837,020	11,846	96,432

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the trade and other payables as the date of publication of these consolidated financial statements.

## 26. BORROWINGS

As at 31 December 2013, the Group's and the Company's borrowings were repayable as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
<b>Current</b>	1,929,791	1,247,042	1,141,843	784,035
<b>Non-current</b>	3,727,903	2,712,894	2,498,173	2,466,977
	5,657,694	3,959,936	3,640,016	3,251,012

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the borrowings as of the date of publication of these consolidated financial statements.

## 27. FIXED RATE SENIOR NOTES

On 27 October 2009, the Company issued USD250,000,000 (equivalent to approximately RMB1,706,458,000) of 12% fixed rate senior notes (the "Notes"), which mature on 27 October 2014 for bullet repayment. The Notes bear interest from 27 October 2009 and are payable semi-annually in arrears on 27 October and 27 April of each year, commencing on 27 April 2010 (each, an "Interest Payment Date"). The Notes are listed on the Singapore Exchange Securities Trading Limited.

The Notes are direct, unsubordinated and unconditional obligations of the Company, and are guaranteed by certain subsidiaries of the Company on a senior basis, subject to certain limitations.

At any time prior to 27 October 2012, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes, plus the applicable premium as of, and accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to 27 October 2012, the Company may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 27. FIXED RATE SENIOR NOTES (CONTINUED)

At any time on or after 27 October 2012, the Company may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12-month period commencing on 27 October of any year set forth below:

Period	Redemption price
2012	106%
2013	103%

The Company gives not less than 30 days' nor more than 60 days' notice of any redemption.

The early redemption option of the Notes is regarded as an embedded derivative not closely related to the host contract (the Notes). It shall be separately accounted for as a financial instrument at fair value through profit or loss. The directors consider that the fair value of the early redemption option was insignificant on initial recognition and as at the reporting date.

On 28 October 2012, the board of directors of the Company announced that the Company would redeem all outstanding Notes at a redemption price equal to 106% of principal amount of the Notes plus accrued and unpaid interest, if any, up to the date of redemption.

On 30 November 2012, the Company redeemed the Notes, in whole, at a redemption price equal to USD265,000,000 (equivalent to approximately RMB1,653,509,000). A loss on redemption of RMB131,436,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012. Subsequent to the redemption, the Notes were cancelled. The Notes were delisted from the official list of the Singapore Exchange Securities Trading Limited. The details of the redemption are set out in the announcements of the Company date 28 October 2012 and 30 November 2012.

The movement of the Notes is set out as follows:

	2013 RMB'000	2012 RMB'000
Carrying amount as at 1 January	–	1,537,511
Interest expenses	–	187,740
Interest paid	–	(171,847)
Exchange realignment	–	(31,331)
Early redemption	–	(1,522,073)
Carrying amount as at 31 December	–	–
Fair value of the Notes as at 31 December	–	–

The effective interest rate of the Notes is 13.52% per annum.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the fixed rate senior notes as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 28. CONVERTIBLE BONDS

On 7 April 2011, the Company entered into a subscription agreement (the "Subscription Agreement") with Stable Investment Corporation ("SIC"), a wholly-owned subsidiary of China Investment Corporation and CITIC Capital China Access Fund Limited ("CITIC Capital"). Pursuant to the Subscription Agreement, SIC and CITIC Capital agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of USD120,000,000 (equivalent to approximately RMB779,229,000) at 6% interest rate per annum (the "Convertible Bonds") with maturity on 12 May 2014 (the "Maturity Date"). In addition, the Company has granted SIC and CITIC Capital an option to subscribe for the additional convertible bonds in an aggregate principal amount of up to USD100,000,000 (the "Additional Convertible Bonds"), exercisable during the period commencing on the date of completion of the subscription for the Convertible Bonds and ending on the first anniversary of such date. The terms and conditions of the Additional Convertible Bonds will be the same as the terms and conditions of the Convertible Bonds as set out in the Subscription Agreement in all respect except for (i) the conversion price and (ii) the first payment of interest. No further bond interest had been accrued after the Maturity Date subject to the negotiation with bondholders.

Interest on the Convertible Bonds is repayable quarterly in arrear on 31 March, 30 June, 30 September and 31 December commencing on 30 September 2011.

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 148.15% of its principal amount together with accrued and unpaid interest on the Maturity Date. Based on the information available to the Company, there is no information in relation to the redemption, conversion, purchase or cancellation of the Convertible Bonds.

The fair value of the liability component of the Convertible Bonds is determined using the prevailing market interest of similar non-convertible debts. The difference between the fair value of the Convertible Bonds and the fair value assigned to the liability component, representing the option for conversion of the Convertible Bonds into equity, is included in equity as convertible bonds equity reserve. The effective interest rate of the liability component is 25.97%.

The carrying amount of the liability and equity components of the Convertible Bonds is set out below:

	<b>Group and Company</b>			
	<b>Liability component</b>		<b>Equity component</b>	
	<b>2013</b> <b>RMB'000</b>	2012 RMB'000	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Carrying amount as at 31 December	<b>1,008,750</b>	849,653	<b>39,255</b>	39,255

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 28. CONVERTIBLE BONDS (CONTINUED)

Analysed for reporting purposes as:

	<b>Group and Company</b>	
	<b>Liability component</b> RMB'000	<b>Equity component</b> RMB'000
As at 31 December 2012		
Convertible bonds included in non-current liabilities	849,653	–
Equity component included in Convertible Bonds equity reserve	–	39,255
	<b>849,653</b>	<b>39,255</b>
As at 31 December 2013		
Convertible Bonds included in current liabilities	1,008,750	–
Equity component included in Convertible Bonds equity reserve	–	39,255
	<b>1,008,750</b>	<b>39,255</b>

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the Convertible Bonds as of the date of publication of these consolidated financial statements.

## 29. DEFERRED TAX ASSETS/LIABILITIES – GROUP

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Deferred tax liabilities	<b>354,045</b>	386,058
Deferred tax assets	<b>(217,850)</b>	(85,500)
	<b>136,195</b>	300,558

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the deferred tax assets/liabilities of the Group as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 30. SHARE CAPITAL

	Number of ordinary shares	Nominal value	
		USD	RMB'000
Authorised:			
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	10,000,000,000	100,000	718
Issued and fully paid:			
At 1 January 2012, 31 December 2012, and 1 January 2013	5,593,962,007	55,941	383
Issued during the year (Note)	9,897,386	98	–
At 31 December 2013	5,603,859,393	56,039	383

Note:

The Company issued 9,897,386 shares as scrip dividend in October 2013.

## 31. RESERVES

### a) Company

The movement of the Company's reserves are as follows:

	2013 RMB'000	2012 RMB'000
At 1 January	8,824,408	9,590,792
Recognition of share-based payments	9,826	49,784
Dividend paid	(324,326)	(119,709)
Loss for the year	(1,509,172)	(726,044)
Exchange (loss)/gain on translation of financial statements of foreign operations	(226,728)	29,585
At 31 December	6,774,008	8,824,408

### b) Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

#### Employee share-based compensation reserve

Employee share-based compensation reserve is comprised of the fair value of the actual or estimated number of unvested share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based employee compensation set out in note 3.16.

#### General reserve

General reserve represents the difference between the net assets acquired by the Group and the consideration paid for the acquisition of additional interests in subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 31. RESERVES (CONTINUED)

### b) Group (continued)

#### Capital contribution

On 23 June 2007, the Company entered into a facility agreement with Credit Suisse, Singapore Branch and Credit Suisse International for an USD bank loan. On the same date, the Company and its shareholders are required to enter into another agreement in respect of an instrument constituting warrants to purchase shares in the Company for the provision of the facility. The warrants were issued by a shareholder of the Company to Credit Suisse, Singapore Branch and Credit Suisse International, the warrant holders, with a right to purchase a specified amount of the Company's shares within a specific period. Due to the fact that the facility arrangements were specially for the purpose of capital injection in Chuanmei Glauber Salt and the acquisition of mines, and these facility arrangements were secured by the warrants and guarantees provided by shareholders, accordingly, the capital contribution of the Group and the Company represented the fair value of the warrants which entitled the warrant holders to purchase for the share capital of the Company from a shareholder as well as the guarantees provided by the shareholders of the Company.

#### Statutory reserves

- Statutory surplus reserve

According to the relevant laws and regulations in the PRC, subsidiaries of the Group are required to transfer 10% of their profits after taxation after setting off the accumulated losses brought forward from prior years, as determined under PRC Accounting Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. Any further appropriation is optional. These reserves may be used to make good previous years' losses, if any, and may be converted to increase paid-up capital of the respective entities.

- Statutory public welfare fund

In accordance with the relevant laws and regulations in the PRC, the subsidiaries of the Group is required to appropriate certain portion of its profits after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory public welfare fund but the amount of appropriation is determined by the board of directors. The statutory public welfare fund shall only apply to collective welfare of staff and workers and welfare facilities remain as properties of the Group.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the reserves of the Group and Company as of the date of publication of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 32. SHARE-BASED EMPLOYEE COMPENSATION

### (i) Pre-IPO share option scheme

Pursuant to a written resolution approved by the Company's shareholders on 30 April 2008, the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") became effective. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contributions to the Group. Under the Pre-IPO Share Option Scheme, 198 individuals (the "Grantees") comprised of 3 directors, 7 senior managerial staff and 188 employees of the Group, were granted options conditionally. The exercise of the options would entitle the Grantees to purchase an aggregate of 76,000,000 shares of the Company immediately following completion of the global offering and the capitalisation issue at the offer price. The options vested on 16 June 2009, the date on which the shares of the Company were listed on the Stock Exchange (the "Listing Date"), and the Grantees remain in employment for a certain period of time. The options are exercisable by installments and up to 7 years since the Listing Date. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The Group would receive HKD1.00 for each grant under the Pre-IPO Share Option Scheme.

The fair value of the options is determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following table lists the inputs to the model used:

Expected volatility*	47.88%
Risk-free interest rate	2.544%
Dividend yield	3.93%
Expected life of option	7 years
Fair value at grant date	HKD0.51 – HKD0.59
Exercise price at the date of grant	HKD1.659

\* The expected volatility is assumed based on the historical volatilities of the share prices of the comparable companies. It is assumed that the volatility is constant throughout the option life.

### (ii) Share option scheme

In order to comply with the Listing Rules of Main Board regarding share option scheme of a Company, a share option scheme (the "Share Option Scheme") was adopted by the Company on 26 May 2009.

The Company operates the Share Option Scheme for the purpose of providing incentives and rewards to eligible participants who work for the interest of the Group. Eligible participants of the Share Option Scheme include executive directors, non-executive directors, employees, consultants, advisers and other service providers. The Share Option Scheme became effective on 26 May 2009 and, unless otherwise cancelled or amended will remain in force for 10 years from that date.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise price of the share options must be at least the highest of (i) the nominal value of an ordinary share on the date of grant; (ii) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange for the five trading days immediately preceding the date of the offer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 32. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

### (ii) Share option scheme (continued)

The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

The share options vest upon the commencement of the exercise period which is determined by the Board at the date of grant. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Share Option Scheme.

On 14 January 2011, the Company granted 175,920,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD3.28 per share. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 14 January 2011, 14 January 2012 and 14 January 2013 and expiring on 13 January 2012, 13 January 2013 and 13 January 2014 respectively. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 16 January 2011.

On 14 July 2011, the Company granted 536,600,000 share options to certain of its directors and employees for HKD1.00 consideration for each grant at an exercise price of HKD3.01 per share. The share options granted pursuant to the Share Option Scheme will be exercisable during three respective periods commencing from 14 July 2011, 14 July 2012 and 14 July 2013 and expiring on 13 July 2014. Particulars of the share options granted under the Share Option Scheme were set forth in the announcement of the Company dated 14 July 2011.

The options granted on 14 January 2011 and 14 July 2011 which were outstanding at 31 December 2012 had exercise prices of HKD3.28 and HKD3.01 respectively.

The fair values of options granted were determined using the Binomial Option Pricing Model that takes into account factors specific to the share incentive plans. The following principal assumptions were used in the valuation:

Share price grant on 14 January 2011	HKD3.22
Expected volatility*	39.20% – 53.70%
Risk-free interest rate	0.290% – 0.928%
Dividend yield	15%
Expected life of option	1 – 3 years
Fair value at 14 January 2011	HKD0.25 – HKD0.53
Exercise price at 14 January 2011	HKD3.28
Share price grant on 14 July 2011	HKD2.75
Expected volatility*	50.39%
Risk-free interest rate	0.542%
Dividend yield	15%
Expected life of option	3 years
Fair value at 14 July 2011	HKD0.33 – HKD0.38
Exercise price at 14 July 2011	HKD3.01

\* The underlying expected volatility was determined by reference to historical data, calculated based on expected life of share options. Expectations of early exercise were incorporated into the Binomial Option Pricing Model. No special features pertinent to the options granted were incorporated into measurement of fair value.

As disclosed in note 2, on the basis that the relevant books and records are incomplete, no representation is made by the Company as to the completeness, existence, rights and obligations, and valuation of the share option scheme of the Company as of the date of publication of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

## 33. EVENT AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress, and further details of which are stated in note 2 to the consolidated financial statements.

## 34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATION ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

The Group has not early applied the following new and revised IFRSs that have been issued but not yet effective:

IFRS 9 (2014)	Financial Instruments <sup>2</sup>
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of interests in Joint Operations <sup>4</sup>
IFRS 14	Regulatory Deferral Accounts <sup>6</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Lease <sup>5</sup>
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and Amendments to IFRS 9, IFRS 7 and IAS 39 <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities <sup>3</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to IAS 1	Disclosure Initiative <sup>4</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>4</sup>
IAS 19 Amendments	Amendments to IAS 19 Employee Benefits – Defined Benefit Plan: Employee Contributions <sup>3</sup>
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements <sup>4</sup>
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial liabilities <sup>5</sup>
IAS 36 Amendments	Amendments to IAS 36 Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets <sup>5</sup>
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting <sup>5</sup>
IFRIC 21	Levies <sup>5</sup>
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs issued <sup>3</sup>
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs issued <sup>3</sup>
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2019.

The Group is in the process of making an assessment of what the impact of these new and revised IFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on these consolidated financial statements.