

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED

(Incorporated in Hong Kong)

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013**

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

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SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
REPORT OF THE DIRECTORS FOR 2013

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited financial statements of SK Global Chemical Investment Hong Kong Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December 2013.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

Details of the principal activities and other particulars of the subsidiary and joint venture are set out in note 12 and 13 to the financial statements, respectively. There were no significant changes in the nature of the Company's principal activities during the year.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

RESULTS AND STATE OF AFFAIRS

The results of the Group for the year ended 31st December 2013 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 5 to 41.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity on page 10 respectively.

DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31st December 2013 (no final dividend for the period ended 31st December 2012).

SHARE CAPITAL

Details of changes in the Company's share capital during the year, together with the reasons thereof, are set out in note 23 to the financial statements respectively. The Group has no outstanding share options issued as at 31st December 2013.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
REPORT OF THE DIRECTORS FOR 2013

DIRECTORS

The directors during the year and up to the date of this report were:

KIM Bong Young	(Resigned on 1 January 2014)
CHA Jin Seok	(Resigned on 1 January 2014)
CHOI Joon Sung	(Resigned on 1 January 2014)
YOO Sung Hyun	(Appointed on 1 January 2014)
CHA Sung Keun	(Appointed on 1 January 2014)
SOK Chanho	(Appointed on 1 January 2014)

There being no provision in the Company's Articles of Association for retirement by rotation, all the directors continue in office.

MANAGEMENT CONTRACTS

The Company has not entered into any contract, other than a contract of service with any director or any person engaged in the full-time employment of the Company, whereby any individual, firm or body corporate undertakes the management and administration of the whole or any substantial part of any business of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

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

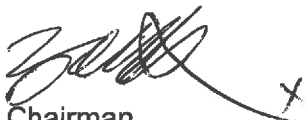
DIRECTORS' INTERESTS IN SHARES

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

AUDITORS

IL SHIN CPA Limited Certified Public Accountants retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of IL SHIN CPA Limited Certified Public Accountants as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board



Chairman
HONG KONG, 31 MAR 2014

IL SHIN CPA LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SOLE SHAREHOLDER OF SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED (Incorporated in Hong Kong with limited liability)

We have audited the financial statements of SK Global Chemical Investment Hong Kong Limited ("the Company") and its subsidiary (together "the Group") set out on pages 5 to 41, which the consolidated and company statements of financial position as at 31st December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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.

AUDITORS' 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, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE SHAREHOLDER OF SK GLOBAL CHEMICAL INVESTMENT
HONG KONG LIMITED
(Incorporated in Hong Kong with limited liability)**

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of Group's and Company's affairs as at 31st December 2013 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

IL Shin CPA Ltd.

**IL SHIN CPA Limited
Certified Public Accountants**

**CHAN TIK SANG
Practising Certificate Number P05410**

Hong Kong, 31 MAR 2014

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Turnover	5	-	-
Cost of goods sold		-	-
Gross profit		-	-
Other revenue	5	402,947	2,430
Administrative expenses		(4,340,690)	(61,042)
Foreign exchange difference, net		(1,129,562)	(71,830)
Other operating expenses		(10,991)	-
Loss from operations		(5,078,296)	(130,442)
Share of loss of a joint venture	13	(1,084,665)	-
Loss before taxation	6	(6,162,961)	(130,442)
Income tax expenses	10	1,275,561	19,786
Loss and total comprehensive income for the year / period		(4,887,400)	(110,656)
Other comprehensive income :			
Exchange difference on translation of financial statements of overseas subsidiary and joint venture		2,896,716	183,941
Total comprehensive income for the year / period		(1,990,684)	73,285
Loss for the year attributable to:			
Owners of the Company		(3,616,947)	(91,436)
Non-controlling interests		(1,270,453)	(19,220)
		(4,887,400)	(110,656)

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Notes	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Total comprehensive income for the year attributable to:			
Owners of the Company		(1,269,810)	55,717
Non-controlling interests		<u>(720,874)</u>	<u>17,568</u>
		<u>(1,990,684)</u>	<u>73,285</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2013

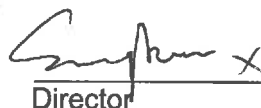
	Notes	2013 US\$	2012 US\$
NON-CURRENT ASSETS			
Land lease premium	18	7,893,869	7,618,371
Property, plant and equipment	17	90,663,300	-
Intangible assets	19	225,821	-
Deferred tax assets	11	1,315,783	20,035
Investment in a joint venture	13	8,177,459	-
		<u>108,276,232</u>	<u>7,638,406</u>
CURRENT ASSETS			
Inventories	14	7,426	-
Amount due from a fellow subsidiary	15	350,404	-
Prepayments and other receivables	15	27,807	1,500,030
Cash and bank balances	21	173,512,858	13,988,004
		<u>173,898,495</u>	<u>15,488,034</u>
CURRENT LIABILITIES			
Trade payables	16	5,971	-
Accruals and other payables	16	17,948,708	5,584
		<u>17,954,679</u>	<u>5,584</u>
NET CURRENT ASSETS		<u>155,943,816</u>	<u>15,482,450</u>
NON-CURRENT LIABILITY			
Interest-bearing borrowings	22	155,951,626	-
NET ASSETS		<u>108,268,422</u>	<u>23,120,856</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31ST DECEMBER 2013

	Notes	2013 US\$	2012 US\$
CAPITAL AND RESERVES			
Share capital	23	89,981,948	19,040,000
Reserves	24(a)	<u>(1,214,093)</u>	<u>55,717</u>
Total equity attributable to equity shareholders of the Company		88,767,855	19,095,717
Non-controlling interests		<u>19,500,567</u>	<u>4,025,139</u>
TOTAL EQUITY		<u>108,268,422</u>	<u>23,120,856</u>

Approved and authorised for issue by the
board of directors on 31 MAR 2014

 x
Director

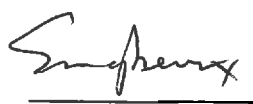
 x
Director

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER 2013

	Notes	2013 US\$	2012 US\$
NON-CURRENT ASSETS			
Investment in a subsidiary	12	80,834,548	17,587,059
Investment in a joint venture	13	9,117,377	-
Loan to a subsidiary	8	156,940,000	-
		<u>246,891,925</u>	<u>17,587,059</u>
CURRENT ASSETS			
Amount due from a subsidiary	15	1,994,090	-
Prepayments and other receivables	15	260	29
Cash and bank balances	21	132,428	1,443,309
		<u>2,126,778</u>	<u>1,443,338</u>
CURRENT LIABILITIES			
Accruals and other payables	16	3,186,034	5,584
		<u>3,186,034</u>	<u>5,584</u>
NET CURRENT (LIABILITIES) / ASSETS		<u>(1,059,256)</u>	<u>1,437,754</u>
NON-CURRENT LIABILITY			
Interest-bearing borrowings	22	155,951,626	-
		<u>155,951,626</u>	<u>-</u>
NET ASSETS		<u>89,881,043</u>	<u>19,024,813</u>
CAPITAL AND RESERVES			
Share capital	23	89,981,948	19,040,000
Reserves	24(b)	(100,905)	(15,187)
TOTAL EQUITY		<u>89,881,043</u>	<u>19,024,813</u>

Approved and authorised for issue by the
board of directors on 31 MAR 2014


Director


Director

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Equity attributable to owners of the Company			Non-controlling interest	Total equity
	Share capital US\$	Exchange translation reserve US\$	Accumulated loss US\$	US\$	US\$
Issuance of share capital	19,040,000	-	-	-	19,040,000
Capital contribution by non-controlling interest	-	-	-	4,007,571	4,007,571
Loss for the period	-	-	(91,436)	(19,220)	(110,656)
Exchange difference on translation of financial statements of overseas subsidiary and joint venture	-	147,153	-	36,788	183,941
At 31st December 2012	19,040,000	147,153	(91,436)	4,025,139	23,120,856
Issuance of share capital	70,941,948	-	-	-	70,941,948
Capital contribution by non-controlling interest	-	-	-	16,196,302	16,196,302
Loss for the year	-	-	(3,616,947)	(1,270,453)	(4,887,400)
Exchange difference on translation of financial statements of overseas subsidiary and joint venture	-	2,347,137	-	549,579	2,896,716
At 31st December 2013	<u>89,981,948</u>	<u>2,494,290</u>	<u>(3,708,383)</u>	<u>19,500,567</u>	<u>108,268,422</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(6,162,961)	(130,442)
Adjustments for :-		
Depreciation	12,185	-
Amortisation for land lease premium	158,661	-
Amortisation for intangible assets	4,860	-
Share of loss of a joint venture	1,084,665	-
Interest income	(387,028)	(2,430)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(5,289,618)	(132,872)
Changes in working capital :-		
Increase in inventories	(7,426)	-
Decrease/ (Increase) in prepayments and other receivables	1,472,223	(1,500,030)
Increase in amount from a fellow subsidiary	(350,404)	-
Increase in trade and other payables	17,949,095	5,584
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	13,773,870	(1,627,318)
FINANCING ACTIVITIES		
Issuance of share capital	87,138,250	23,047,571
Issuance of interest-bearing borrowings	155,951,626	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	243,089,876	23,047,571
INVESTING ACTIVITIES		
Payment of intangible assets	(227,264)	-
Payment of land lease premium	(210,273)	(7,523,419)
Payment of property, plant and equipment	(75,551)	-
Purchase of construction in progress	(89,265,982)	-
Proceeds paid for investment in a joint venture	(9,117,377)	-
Interest received	387,028	2,430
NET CASH USED IN INVESTING ACTIVITIES	(98,509,419)	(7,520,989)
NET INCREASE IN CASH AND CASH EQUIVALENTS	158,354,327	13,899,264

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2013

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR / PERIOD	13,988,004	-
Effect of foreign exchange rate changes, net	<u>1,170,527</u>	<u>88,740</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR / PERIOD	<u>173,512,858</u>	<u>13,988,004</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>173,512,858</u>	<u>13,988,004</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

1 GENERAL

The Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is located at Unit 602C, 6/F, Tower I Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The principal activity of the Company is investment holding.

Details of the principal activities and other particulars of the subsidiary and joint venture are set out in note 12 and 13 to the financial statements. There were no significant changes in the nature of the Company's principal activities during the year.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies were consistently applied during the year.

(a) Basis of preparation

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where otherwise indicated.

The HKICPA has issued a number of new and revised HKFRS and amendments of HKFRS that are effective for the current accounting period of the Group and Company. There have been no significant changes to the accounting policies applied in these financial statements as a result of these developments.

The Group and the Company has not early adopted the new standards or interpretations that have been issued but are not yet effective. The Group and the Company is in progress of making an assessment of the impact of these new and revised HKFRS upon initial application but is not yet in a position to state whether these new and revise HKFRS would have a significant impact on its results of operations and financial position.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to 31st December each year. The results of subsidiary acquired or disposed of during the year are included in the consolidated profit or loss from or to the date of their acquisition or disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of the Group. All material intercompany transactions and balances are eliminated on consolidation.

The acquisition of the subsidiary during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

(c) Subsidiaries

Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

In the Company's statement of financial position, investment in the subsidiary is stated at cost. The results of subsidiary are accounted by the Company on the basis of dividend received and receivable.

(d) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, investment in a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Under the equity method, the Group's investment in the joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the joint venture for the year.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Joint venture (Continued)

When the Group's share of losses in a joint venture equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. For this purpose, the Group's interest in the joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

(e) Foreign currency translation

The consolidated financial statements are presented in United States Dollars ("US\$"), while the functional currency of the Company is Renminbi ("RMB"). The functional currency of the subsidiary incorporated in the People's Republic of China (the "PRC") is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into United States dollars. Assets and liabilities have been translated into United States dollars at the closing rate at the reporting date. Income and expenses have been converted into United States dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

(f) Impairment of assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of assets (Continued)

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price 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 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. 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 assets) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment losses 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 the profit or loss in the year in which the reversals are recognised.

(g) Trade and other receivables

Trade and other receivables are stated at estimated realisable value after each debt has been considered individually. Where a debt becomes doubtful, a provision is made and charged to the profit or loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group and the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flows statements.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant, and equipment to its residual value over its estimated useful life.

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

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

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

(j) Trade and other payables

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

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to raising of the borrowings. They are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest rate method.

(l) Taxation

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 the profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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 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 differences which arise on initial recognition of assets and liabilities, 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.

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 reporting period. Deferred tax assets and liabilities are not discounted.

(m) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions and contingent liabilities (Continued)

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 uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the Company and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows :-

Interest income is recognised as it accrues using the effective interest method.

(o) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in the Group's and the Company's financial statements 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 value.

(ii) Pension scheme

Pursuant to the relevant regulations of the government of the PRC, the subsidiary in the PRC has each participated in a local municipal government retirement benefit scheme (the "Scheme"). Pursuant to which the subsidiary in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiary in the PRC. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme mentioned above. Contributions under the Scheme are charged to profit or loss as incurred. There are no provision under the Scheme whereby forfeited contributions may be used to reduce future contributions.

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NOTES TO THE FINANCIAL STATEMENTS
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group and the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including land lease premium under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimate useful lives of the assets. The finance costs of such leases are charged to the profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

Land lease premium under operating leases are initially stated at cost and subsequently recognised on the straight line basis over the lease terms.

(q) Borrowing costs

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has a control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

- (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 same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(s) Segment report

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Segment report (Continued)

- share of profit or loss of joint venture accounted for using the equity method
- finance costs
- income tax
- corporate income and expenses which are not directly attributable to the business activities of any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interest in a joint venture. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include borrowings attributable to the Group's headquarters.

3 FINANCIAL RISK MANAGEMENT AND POLICIES

- Financial risk factors

The Group's activities expose it to a variety of financial risks: credit, liquidity, market risk (including interest rate and currency risks).

The Group's overall risk management programme focuses on the unpredictability and volatility of financial markets and seeks to minimize potential adverse effects on these risks. No derivative financial instruments are used to hedge any exposures of these risks.

(a) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade and other receivables. The Group and the Company has no significant concentration of credit risk. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the consolidated financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

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3 FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Liquidity risk

The Group and the Company's policy is to regularly monitor its liquidity requirements and its compliance with the lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
<u>2013</u>						
Trade payables	5,971	5,971	5,971	-	-	-
Accruals and other payables	17,948,708	17,948,708	17,948,708	-	-	-
Interest-bearing borrowings	155,951,626	174,821,061	6,473,775	6,473,775	161,873,511	-
	<u>173,906,305</u>	<u>192,775,740</u>	<u>24,428,454</u>	<u>6,473,775</u>	<u>161,873,511</u>	<u>-</u>

2012

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
Accruals and other payables	5,584	5,584	5,584	-	-	-
	<u>5,584</u>	<u>5,584</u>	<u>5,584</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
<u>2013</u>						
Accruals and other payables	3,186,034	3,186,034	3,186,034	-	-	-
Interest-bearing borrowings	155,951,626	174,821,061	6,473,775	6,473,775	161,873,511	-
	<u>159,137,660</u>	<u>178,007,095</u>	<u>9,659,809</u>	<u>6,473,775</u>	<u>161,873,511</u>	<u>-</u>

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3 FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
<u>2012</u>						
Accruals and other payables	5,584	5,584	5,584	-	-	-
	<u>5,584</u>	<u>5,584</u>	<u>5,584</u>	<u>-</u>	<u>-</u>	<u>-</u>

(c) Market risk

(i) Interest rate risk

At the end of reporting period, the Group and the Company did not have significant interest rate risk exposure.

Loans and borrowings issued at fixed rates expose the Group and the Company to cash flow interest rate risk. The interest rates and terms of repayment of the loans and borrowings are disclosed in note 23 to the financial statements.

Except for the loans and borrowings, the Group and the Company has no significant interest bearing assets and liabilities. Cash at banks earns interest at floating rates based on daily bank deposits rates.

Sensitivity analysis

At 31st December 2013, it is estimated that a general increase/(decrease) of 25 basis points in interest rates, will all other variables held constant, would increase/(decrease) the Group and the Company's loss before tax and accumulated losses by approximately US\$392,350 (2012: Nil).

(ii) Currency risk

The Group is exposed to currency risk primarily through transactions that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Renminbi.

The Group closely and continuously monitors the exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related. The Company enters into derivative instruments to reduce currency risks of foreign currency denominated borrowings.

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3 FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

As at the end of reporting period, the carrying amounts of the Group's monetary assets and liabilities denominated in currency other than United States Dollars and expressed in United States Dollars are as follows:

2013	Renminbi US\$
Prepayments and other receivables	27,547
Cash and bank balances	141,240,035
Trade and other payables	(15,977,249)
Interest-bearing borrowings	(155,951,626)
	<u>(30,661,293)</u>
2012	Renminbi US\$
Prepayments and other receivables	1,500,000
Cash and bank balances	3,994,393
	<u>5,494,393</u>

Sensitivity analysis

The following indicates the approximate change in the Group's loss before taxation and accumulated losses and other components of equity in response to reasonably possible changes in the foreign exchange rate to which the Company has significant exposure at the balance sheet date.

	Increase/ (decrease) in foreign exchange rate %	Effect on loss after tax and accumulated losses US\$	Effect on other components of equity US\$
2013 Renminbi	<u>5%</u>	<u>(1,533,065)</u>	<u>-</u>
2012 Renminbi	<u>5%</u>	<u>274,720</u>	<u>-</u>

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3 FINANCIAL RISK MANAGEMENT AND POLICIES (CONTINUED)

(b) Market risk (Continued)

(iii) Price risk

The Group and the Company is not exposed to equity or commodity price risks.

- Capital risk management

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and the Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analyses.

The Group and the Company is not subject to either internally or externally imposed capital requirements.

- Fair value estimation

All financial instruments are carried at amounts not materially different from fair values as at 31st December 2013.

4 CRITICAL ACCOUNTING ESTIMATE AND JUDGEMENTS

The presentation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates and judgements in applying the accounting policies. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
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5 REVENUE AND SEGMENT REPORT

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Turnover		
Sales	-	-
Other revenue	-	-
Bank interest income	387,028	2,430
Sundry income	15,919	-
Total revenue	402,947	2,430

The directors have identified the Group's services lines as reportable segment as follows :

- (a) Ethylene Propylene Diene Monomer ("EPDM") industry : Manufacturing of EPDM products through a plant in the PRC and sale to the international and the PRC markets
- (b) Corporate and others : This segment comprises investment in equity, corporate income, expenses items, corporate costs and liabilities.

2013

	Production of EPDM US\$	Corporate and others US\$	Total US\$
Segment results	(4,196,109)	664	(4,195,445)
<u>Reconciliation:</u>			
Interest income			386,364
Corporate and other unallocated expenses			(2,353,880)
Loss before tax from continuing operations			(6,162,961)
Segment assets	273,869,885	132,428	274,002,313
<u>Reconciliation:</u>			
Corporate and other unallocated assets			8,172,414
Total assets			282,174,727

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5 REVENUE AND SEGMENT REPORT (CONTINUED)

<u>2013</u> (Continued)	Production of EPDM US\$	Finance and others US\$	Total US\$
Segment liabilities	171,928,875	1,977,430	173,906,305
<u>Reconciliation:</u> Corporate and other unallocated liabilities			-
Total liabilities			<u>173,906,305</u>
Other segment information:			
Share of loss of a joint venture	-	(1,084,665)	(1,084,665)
Depreciation and amortisation	(175,706)	-	(175,706)
Investment in a joint venture	-	8,177,459	8,177,459
<u>2012</u>	Production of EPDM US\$	Finance and others US\$	Total US\$
Segment results	(115,926)	2,392	(113,534)
<u>Reconciliation:</u> Interest income			39
Corporate and other unallocated expenses			<u>(16,947)</u>
Loss before tax from continuing operations			<u>(130,442)</u>
Segment assets	21,683,102	1,443,309	23,126,411
<u>Reconciliation:</u> Corporate and other unallocated assets			29
Total assets			<u>23,126,440</u>
Segment liabilities	-	5,584	5,584
<u>Reconciliation:</u> Corporate and other unallocated liabilities			-
Total liabilities			<u>5,584</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5 REVENUE AND SEGMENT REPORT (CONTINUED)

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Hong Kong (domicile)	-	-	8,177,458	-
PRC	-	-	100,098,774	7,638,406
	<u>-</u>	<u>-</u>	<u>108,276,232</u>	<u>7,638,406</u>

The executive directors determine the Group is domiciled in Hong Kong, which is the location of the Group's principal office.

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

6 LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Auditors' remuneration	19,480	5,195
Depreciation	12,185	-
Amortisation of land lease premium	158,661	-
Amortisation of intangible assets	4,860	-
Staff cost: (including directors' remuneration (note 7)):		
Wages and salaries	2,720,572	-
Other employee benefits	181,345	-
Foreign exchange difference, net	<u>1,129,562</u>	<u>71,830</u>

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7 DIRECTORS' REMUNERATION

Details of directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Fees	-	-
Other emoluments	-	-
	<u>-</u>	<u>-</u>

8 LOAN TO A SUBSIDIARY

	2013 US\$	2012 US\$
Interest bearing loan	<u>156,940,000</u>	<u>-</u>

The loan to a subsidiary is unsecured, bears interest of 4.83% per annum and repayable in 2016.

9 LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately US\$3,616,947 (2012: US\$91,436), a loss of approximately US\$85,718 (2012: US\$15,187) has been dealt with in the financial statements of the Company.

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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10 INCOME TAX IN THE PROFIT OR LOSS

No provision for the Hong Kong Profits Tax has been made as the Group and the Company has no estimated assessable profit for the year / period.

Reconciliation between income tax charge and accounting loss at applicable tax rates :

2013

	US\$
Loss before taxation for the Group	<u>(6,162,961)</u>
Tax at the statutory tax rates	(1,448,365)
Tax effect on non-deductible expenses	24,964
Loss attributable to a joint venture	178,970
Tax effect on deductible temporary differences not recognised	(1,275,561)
Tax effect of unrecognised tax losses	1,244,431
Income tax credit for the Group	<u>(1,275,561)</u>

2012

	US\$
Loss before taxation for the Group	<u>(130,442)</u>
Tax at the statutory tax rates	(31,320)
Tax effect on deductible temporary differences not recognised	(19,786)
Tax effect of unrecognised tax losses	31,320
Income tax credit for the Group	<u>(19,786)</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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11 DEFERRED TAXATION

Deferred taxation is calculation on temporary differences under the liability method using the applicable tax rates at reporting date.

The deferred tax assets arising from temporary differences are as follows:

	2013 US\$	2012 US\$
Origination and reversal of temporary differences	<u>1,315,783</u>	<u>20,035</u>

12 INVESTMENT IN A SUBSIDIARY

	2013 US\$	2012 US\$
Unlisted shares in a subsidiary, at cost	<u>80,834,548</u>	<u>17,587,059</u>

Particulars regarding the subsidiary are as follows:

Name of company	Place of incorporation	Principal activities	Particulars of issued capital	Interest held by the Company directly
Ningbo SK Performance Rubber Co., Limited 寧波愛思開合成橡膠有限公司 *	People's Republic of China	Development and wholesale of rubber products	RMB630,000,000	80%

* Not audited by IL Shin CPA Limited Certified Public Accountants

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13 INVESTMENT IN A JOINT VENTURE

	The Group		The Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Unlisted shares in an associate, at cost	9,117,377	-	9,117,377	-
Share of loss	(1,084,665)	-	-	-
Exchange realignment	144,747	-	-	-
	<u>8,177,459</u>	<u>-</u>	<u>9,117,377</u>	<u>-</u>

Particulars regarding to the joint venture are as follows:

Name of company	Place of incorporation	Principal activities	Particulars of issued capital	Interest held by the Company directly
SK-SVW (Chongqing) Chemical Co., Ltd. 重慶川維SK化工有限公司*	People's Republic of China	Investment holding	RMB113,052,000	50%

* Not audited by IL Shin CPA Limited Certified Public Accountants

Summary of financial information on share of net assets and results of joint venture is as follows:

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Total assets	20,006,036	-
Total liabilities	(3,651,118)	-
Net assets	<u>16,354,918</u>	<u>-</u>
Net assets attributable to the Group	<u>8,177,459</u>	<u>-</u>
Revenue	<u>9,421</u>	<u>-</u>
Expenses	<u>(2,178,750)</u>	<u>-</u>
Loss for the year	<u>(2,169,329)</u>	<u>-</u>
Loss for the year attributable to the Group	<u>(1,084,665)</u>	<u>-</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
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14 INVENTORIES

	The Group		The Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Raw materials	<u>7,426</u>	<u>-</u>	<u>-</u>	<u>-</u>

15 PREPAYMENT AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Amount due from a fellow subsidiary (note 20)	350,404	-	-	-
Amount due from a subsidiary*	-	-	1,994,090	-
Other receivables	<u>27,807</u>	<u>1,500,030</u>	<u>260</u>	<u>29</u>
	<u>378,211</u>	<u>1,500,030</u>	<u>1,994,350</u>	<u>29</u>

* The amount due from a subsidiary is unsecured, interest-free and is repayable on demand.

16 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	2013	2012
	US\$	US\$	US\$	US\$
Trade payables	5,971	-	-	-
Accruals and other payables	<u>17,948,708</u>	<u>5,584</u>	<u>3,186,034</u>	<u>5,584</u>
	<u>17,954,679</u>	<u>5,584</u>	<u>3,186,034</u>	<u>5,584</u>

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17 PROPERTY, PLANT AND EQUIPMENT

The Group

	Equipment, tools and furniture US\$	Construction in progress US\$	Total US\$
Cost:			
At 30th April 2012 (Date of incorporation), 31st December 2012 and 1st January 2013	-	-	-
Additions	75,551	89,265,982	89,341,533
Exchange realignment	<u>1,161</u>	<u>1,332,978</u>	<u>1,334,139</u>
At 31st December 2013	<u>76,712</u>	<u>90,598,960</u>	<u>90,675,672</u>
Accumulated depreciation:			
At 30th April 2012 (Date of incorporation), 31st December 2012 and 1st January 2013	-	-	-
Charge for the year	12,185	-	12,185
Exchange realignment	<u>187</u>	<u>-</u>	<u>187</u>
At 31st December 2013	<u>12,372</u>	<u>-</u>	<u>12,372</u>
Net book value:			
At 31st December 2013	<u>64,340</u>	<u>90,598,960</u>	<u>90,663,300</u>
At 31st December 2012	<u>-</u>	<u>-</u>	<u>-</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

18 LAND LEASE PREMIUM

The Group

Cost:	US\$
At 30th April 2012 (Date of incorporation)	-
Additions	7,523,419
Exchange realignment	<u>94,952</u>
At 31st December 2012 and 1st January 2013	7,618,371
Additions	210,273
Exchange realignment	<u>226,324</u>
At 31st December 2013	<u>8,054,968</u>
Accumulated amortisation:	
At 30th April 2012 (Date of incorporation), 31st December 2012 and 1st January 2013	-
Amortisation during the year	158,661
Exchange realignment	<u>2,438</u>
At 31st December 2013	<u>161,099</u>
Net book value:	
At 31st December 2013	<u>7,893,869</u>
At 31st December 2012	<u>7,618,371</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

19 INTANGIBLE ASSETS

The Group

Cost:	US\$
At 30th April 2012 (Date of incorporation), 31st December 2012 and 1st January 2013	-
Additions	227,264
Exchange realignment	<u>3,492</u>
At 31st December 2013	<u>230,756</u>
Accumulated amortisation:	
At 30th April 2012 (Date of incorporation), 31st December 2012 and 1st January 2013	-
Amortisation during the year	4,860
Exchange realignment	<u>75</u>
At 31st December 2013	<u>4,935</u>
Net book value:	
At 31st December 2013	<u><u>225,821</u></u>
At 31st December 2012	<u><u>-</u></u>

20 AMOUNT DUE FROM A FELLOW SUBSIDIARY

	2013 US\$	2012 US\$
愛思開希恩希系統(北京)有限公司	<u>350,404</u>	<u>-</u>

The amount is unsecured, interest-free and repayable on demand (note 15). The maximum amount outstanding during the year is US\$350,404 (2012: nil).

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

21 CASH AND BANK BALANCES

The Group had cash and bank balances denominated in RMB of approximately RMB854,963,894 (2012: RMB24,887,185) and the remittance of these funds out of the PRC was subject to the exchange control restrictions imposed by the PRC government. The Company did not have cash and bank balances denominated in RMB as at 31st December 2013 (2012: Nil).

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22 INTEREST-BEARING BORROWINGS

The analysis of the carrying amount of interest-bearing borrowings is as follows :

The Group and the Company

	2013 US\$	2012 US\$
RMB denominated bond	<u>155,951,626</u>	<u>-</u>

The interest-bearing borrowings are carried at amortised cost. None of interest-bearing borrowings is expected to be settled within one year.

Terms and conditions of the bond as follows :

	Currency	Nominal Interest rate	Year of maturity	Face value	Carrying amount
Bond, secured	RMB	4.125%	2016	<u>950,000,000</u>	<u>944,017,108</u>

At 26th September 2013, the Group and the Company issued 4.125% Guaranteed Notes due 26th September 2016 through Singapore Exchange in Singapore.

At 31st December 2013, the bond was guaranteed by the immediate holding company. The proceeds from the bond issued was used to furnish the loan to the subsidiary (Note 15).

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

23 SHARE CAPITAL

	2013 US\$	2012 US\$
Authorised, issued and fully paid: 89,981,948 (2012: 19,040,000) ordinary shares of US\$1 each	<u>89,981,948</u>	<u>19,040,000</u>

On 25th February 2013, the authorized share capital was increased by 21,100,562 ordinary shares of US\$1 each and at the same time, 21,100,562 ordinary shares of US\$1 each were issued at par. On 20th May 2013, the authorized share capital was increased by 9,117,376 ordinary shares of US\$1 each and at the same time, 9,117,376 ordinary shares of US\$1 each were issued at par. On 27th May 2013, the authorized share capital was increased by 38,693,377 ordinary shares of US\$1 each and at the same time, 38,693,377 ordinary shares of US\$1 each were issued at par. On 29th May 2013, the authorized share capital was increased by 2,030,633 ordinary shares of US\$1 each and at the same time, 2,030,633 ordinary shares of US\$1 each were issued at par.

24 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

(b) Company

	Note	Accumulated losses US\$
At 30th April 2012 (Date of incorporation)		-
Loss and total comprehensive income for the period		<u>(15,187)</u>
At 31st December 2012 and 1st January 2013		(15,187)
Loss and total comprehensive income for the year		<u>(85,718)</u>
At 31st December 2013		<u>(100,905)</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

25 OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and plants under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to ten years.

At 31 December 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2013 US\$	2012 US\$	2013 US\$	2012 US\$
Within one year	218,351	-	-	-
In second to fifth years, inclusive	86,079	-	-	-
After five years	-	-	-	-
	<u>304,430</u>	<u>-</u>	<u>-</u>	<u>-</u>

26 CAPITAL COMMITMENTS

Details of capital commitments for investment in a subsidiary at the end of the reporting year / period were as follows:

	2013 US\$	2012 US\$
Contracted but not provided for	73,421,653	-
	<u>73,421,653</u>	<u>-</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

27 RELATED PARTY TRANSACTIONS

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

	Notes	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Fellow subsidiaries:			
Construction fee		7,042,976	-
ERP system fee		355,549	-
The ultimate holding company:			
Construction fee		<u>2,519,694</u>	<u>-</u>

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

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Short term employee benefits	921,421	-
Post-employment benefits	<u>-</u>	<u>-</u>
Total compensation paid to key management personnel	<u>921,421</u>	<u>-</u>

Further details of directors' emoluments are included in note 7 to the financial statements.

28 ULTIMATE AND IMMEDIATE CONTROLLING PARTY

At 31st December 2013, the directors consider the ultimate and immediate controlling party of the Group to be SK Global Chemical Co., Limited, which is a listed company incorporated in the Republic of Korea.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 31 MAR 2014

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
 DETAILED INCOME STATEMENT
 FOR THE YEAR ENDED 31ST DECEMBER 2013
 (For management purpose only)

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
Turnover		
Sales	-	-
Cost of goods sold	-	-
Gross profit	-	-
Other revenue		
Bank interest income	664	2,391
Loan interest income	1,994,090	-
Reimbursement income	457,764	-
Sundry income	15,919	-
	<u>2,468,437</u>	<u>2,391</u>
Total net income	2,468,437	2,391
Administrative expenses	(243,115)	(17,575)
Foreign exchange difference, net	<u>1,244</u>	<u>(3)</u>
Profit / (loss) from operations	<u>2,226,566</u>	<u>(15,187)</u>
Finance costs		
Loan interest expenses	(1,810,258)	-
Guarantee fee	<u>(247,713)</u>	<u>-</u>
	<u>(2,057,971)</u>	<u>-</u>
Profit / (loss) before taxation	168,695	(15,187)
Income tax expenses	<u>(254,313)</u>	<u>-</u>
Loss after taxation	<u>(85,718)</u>	<u>(15,187)</u>

SK GLOBAL CHEMICAL INVESTMENT HONG KONG LIMITED
 DETAILED INCOME STATEMENT (CONTINUED)
 FOR THE YEAR ENDED 31ST DECEMBER 2013
 (For management purpose only)

	Year ended 31st December 2013 US\$	Period from 30th April 2012 (Date of incorporation) to 31st December 2012 US\$
<u>ADMINISTRATIVE EXPENSES</u>		
Auditors' remuneration	19,480	5,195
Accounting fee	3,571	1,039
Bank charges	1,598	443
Business registration fee	58	-
Company secretarial fee	519	-
Exchange loss	-	-
Legal and professional fee	13,156	10,481
Printing and stationery	1,170	417
Sundry expenses	112	-
Tax and dues	203,451	-
	<u>243,115</u>	<u>17,575</u>