



# GLAUCUS RESEARCH GROUP 格勞克斯研究

*"A lie can travel halfway around the world while the truth is putting on its shoes."* - **Mark Twain**

*THIS RESEARCH REPORT EXPRESSES OUR OPINIONS. Use Glaucus Research Group California, LLC's research opinions at your own risk. This is not investment advice nor should it be construed as such. You should do your own research and due diligence before making any investment decisions with respect to the securities covered herein. We are short APR and therefore stand to realize significant gains in the event that the price of APR's stock declines. Please refer to our full disclaimer on page three of this report.*

COMPANY: Asia Plastic Recycling Holding Limited | TWSE: 1337  
INDUSTRY: Plastic Recycling

On April 24, 2014, we published our investment opinion on ASIA PLASTIC RECYCLING HOLDING LIMITED ("APR" or the "Company"), a People's Republic of China ("PRC") based producer of EVA (foam rubber) products. On April 27, 2014, APR issued a written response to our report (the "APR Response").

We believe that in this case, APR's response is completely unsatisfactory and fails to address the publicly available, independent evidence indicating that APR has made material misrepresentations to Taiwanese regulators and investors about the scale and profitability of its business.

## **I. OVERSTATED CAPITAL EXPENDITURES**

### *1) Fujian Land Purchase*

APR claims to have spent RMB 126 million in 2011 to acquire 137 mu of additional land for the expansion of the Fujian facility (RMB 919,700 per mu). However, in our report, we presented publicly available land records posted on soudi.cn, which showed that APR purchased this land at auction from the Land and Resources Bureau of Jinjiang for only RMB 31 million, which is 75% less than the RMB 126mm in acquisition cost reported to Taiwan investors and regulators.

In the APR Response, the Company agreed with Glaucus that the cost of the land for the Fujian Expansion Project was only RMB 31 million (RMB 226,000 per mu), but argues that the government records do not reflect the full purchase price of the land because it fails to include payments made by the Company to farmers and infrastructure fees paid to the local government.

土地購入費用人民幣1.26億元(同12,600萬)的組成如下：	137 畝金額共計
1、村民手中購入一畝約45萬元	\$ 6,165.00
2、失地養老保險金一畝約3萬元	\$ 411.00
3、土地青苗補償費一畝約0.4萬元	\$ 54.80
4、政府“八通一平”費用一畝約15萬元	\$ 2,055.00
5、國有土地出讓金一畝22.6萬元	\$ 3,096.20
6、契稅、印花稅等一畝約0.91萬元	\$ 124.67
7、村委會辦理雜費一畝約5.09萬元	\$ 697.33
<b>總計</b>	<b>\$ 12,604.00</b>

Source: Company response, p.1

APR states that it paid an additional RMB ~20 million (RMB 145,985 per mu) in ‘infrastructure fees’ to the Jinjiang government. But this explanation is not consistent with the official guidelines on infrastructure fees published by the Jinjiang Government:

一、凡在晋江市行政区域范围内进行各类工程建设（包括新建、扩建和改建）的单位和個人，均应按本规定繳交城市基础设施配套费（以下简称“配套费”）。

二、配套费主要用于建设项目以外的市政公用配套设施，包括城市主次干道、给排水、供电、供气、路灯、公共交通、环境卫生和园林绿化等项目的建设和维护，是市政基础设施建设资金的补充，与各项城市建设资金统筹安排使用。城市基础设施配套费由市建设行政主管部门会同财政部门、市政建设主管部门编制年度资金使用计划，报市人民政府批准实施。

Source: <http://www.jinjiang.gov.cn/htm/2014-03-12/59849.html>

According to the Jinjiang official pricing guidelines, the maximum infrastructure fee for an industrial project is RMB 35 per square meter, or **RMB 23,334 per mu**, which is **84% less than the infrastructure fee of RMB 150,000 per mu that the Company claims to have paid in the APR response.**

## 晋江市城市基础设施配套费征收标准

类 区	征 收 标 准
1. 中心市区规划控制区 2. 晋江市经济开发区位于中心市区所 辖园区 3. 泉州市出口加工区	住宅：一、二、三类区分别征收60元/平方米、40元/平方 米、20元/平方米； 商业（含写字楼）：一、二、三类区分别征收80元/平方 米、60元/平方米、40元/平方米； 工业项目：一、二、三类区分别征收35元/平方米、25元/平 方米、15元/平方米。
1. 小城镇试点镇 2. 晋江市经济开发区位于小城镇试点 镇所辖园区	住宅：一、二、三类区分别征收40元/平方米、25元/平方 米、15元/平方米； 商业（含写字楼）：一、二、三类区分别征收45元/平方 米、35元/平方米、25元/平方米； 工业项目：一、二、三类区分别征收25元/平方米、15元/平 方米、10元/平方米。
1. 其他建制镇 2. 晋江市经济开发区位于其他建制镇 所辖园区	住宅：一、二、三类区分别征收30元/平方米、20元/平方 米、10元/平方米； 商业（含写字楼）：一、二、三类区分别征收35元/平方 米、25元/平方米、15元/平方米； 工业项目：一、二、三类区分别征收20元/平方米、10元/平 方米、5元/平方米。

Source: <http://www.jinjiang.gov.cn/hm/2014-03-12/59849.html>

The Jinjiang government infrastructure fee guidelines state that in connection with the Fujian land acquisition, APR's infrastructure fees would not be more than **RMB 23,334 per mu**. This **directly contradicts** APR's explanation to Taiwanese regulators and investors that it paid RMB 145,985 per mu.

In addition to the cost of the land, APR states that it spent an additional RMB 61 million (RMB 450,000 per mu) to buy the land from farmers. APR wants investors to believe that it paid RMB 61 million to purchase the land from farmers, and then paid **an additional RMB 31 million to buy the same land from the government.**

But APR's Response **directly contradicts the official records of the Land and Resources Bureau of Jinjiang**, which clearly states that the Company **did not buy the additional Fujian land from farmers**, but purchased the land, in an auction, from the government:

会员登陆:  请输入手机号  会员注册 试用登陆  手机找地 全国免费服务电话: **400-682-1288**

**中国搜地** www.soudi.cn **找地专家 拿地顾问**

会员信息: 土地公告 | 地块信息 | 土地成交 | 土地排行 | 现场直播 | 土地调研 | 地产数据 | 市场统计 | 供地计划 | 地产杂志  
 新闻信息: 城市规划 | 地产聚焦 | 地产文摘 | 项目动态 | 地产新闻 | 房产新闻 | 金融新闻 | 政策法规  
 其它信息: 基准地价 | 地产文库 | 试用专区 | 会员服务 | 增值服务 | 土地转让

土地公告搜索 地块信息搜索 成交结果搜索 成交排行搜索 搜地信息搜索

**Fujian Quanzhou Jinjiang Municipal Bureau of Land And Resources Lists to Sell Six State-Owned Land Use Rights ([2012] Number 105) From March 12 to March 22.**

**福建省泉州市晋江国土资源局3月13日至3月22日挂牌出让六幅(工[2012]105号)国有土地使用权**

信息发布: 中国搜地网 www.soudi.cn 土地公告 发布时间: 2012-2-22 浏览次数: 524

地块名称:	陈埭镇江头村地块, 晋江市GY2012-1号地块	Chendai Jiangtou Village Land, Jinjiang CY2012-#1 Land
Land Name		
地块位置:	陈埭镇江头村	Chendai Jiangtou Village
Land Location		
成交日期:	2012-3-22	03/22/2012
Transaction Date		
出让单位:	晋江市国土资源局	Jinjiang Municipal Bureau
Seller		
成交楼面价:	- 元/平方米	of Land And Resources
起价位:	22.68 万/亩	Starting Price 226,800/mu
容积率:	2.7	Plot Ratio
竞得总价:	3113万	31.13 million
Total Bid Price		
竞得单位:	三斯达(福建)塑胶有限公司	Winning Bidder: Sansd (Fujian) Plastic Co., Ltd.

Source: click on this [link](#).

The above records, available to any investor online, clearly state that the seller was not a group of farmers, but the Land and Resources Bureau of Jinjiang! APR now claims that it paid both the farmers and the government, but the government records directly contradict this assertion.

In our view, the evidence clearly shows that APR bought the Fujian land for RMB 31mm from the government (not farmers), at a cost which was 75% less than the figure reported to Taiwanese investors and regulators.

## 2) Jiangsu Land Purchase

In 2012, APR reportedly acquired 150 mu of land for RMB 57.9mm (average of RMB 386,000 per mu) for the expansion of facility in the city of Jurong in Jiangsu province. But according to records from the Department of Land and Resources of Jiangsu Province, which are available to any investor online (by clicking [here](#)), APR only paid an average of RMB 163,000 per mu (a total of RMB 23.6mm) for the land purchase, **meaning that APR spent 59% less than the amount reported to Taiwan investors and regulators.**

In the APR Response, the Company stated that the government records of the land purchase did not include infrastructure fees, which APR claims were RMB 223,000 per mu.

江蘇廠購地成本同福建購地案相似。除了中國土地出讓部門網站標明的土地出讓金部分外，另外當地政府徵地、失地養老保險、青苗補助、“八通一平”的內含費用同樣需要由投資方承擔。

Source: Company response, p.2

Again, this response is completely unsatisfactory. The Jurong City Land and Resources Bureau [publishes](#) the purchase price of land in the Jurong Economic Development Zone (the same district in which APR purchased property for its facility). These purchase prices **include** infrastructure fees.

表三 句容市城区工业区段基准地价表

地价区段	区段名称	监测点个数	开发程度	地面地价 (元/m <sup>2</sup> )	
				2012年度	(元/m <sup>2</sup> ) 2011年度
01001G	城区工业区段	1	五通一平	535	530
01002G	东昌南路工业区段	2	五通一平	175	175
01003G	文昌路区段	2	五通一平	275	270
01004G	句容开发区东段	2	五通一平	290	285
01005G	句容开发区西段	2	五通一平	195	190
01006G	北三环区段	2	五通一平	185	180
01007G	城南工业区段	2	五通一平	185	180

Source: <http://www.jrmlr.gov.cn/tdsc/tdjg/3733.html>

The list price of the two properties highlighted above, **which includes six types of infrastructure fees**, is RMB 195-290 per square meter, or RMB 130,000-193,000 per mu. This is much lower than the RMB **386,000 per mu** that APR claims to have spent on the acquisition. It also suggests, in our opinion, that APR explanation that it paid RMB 223,000 per mu in infrastructure fees is false!

## II. TAXES

The Jinjiang city (Fujian province) government publishes an annual list, [available to any investor online](#), which ranks the top taxpaying businesses operating in Chendai county, Jinjiang city. APR, whose headquarters, production base and only meaningful PRC operating subsidiary are based in Chendai, reported to Taiwanese investors and regulators that it paid RMB 381mm in PRC income taxes and (we estimate) RMB 302mm in VAT from 2010 through 2013. Yet according to the Jinjiang government, APR only paid **between RMB 28mm and RMB 80 mm** in total taxes from 2010 through 2013, which is only **4% to 12% of the amount reported to Taiwanese investors and regulators** during that period. This suggests that APR has vastly exaggerated the scale and profitability of its business.

In its first press conference on April 25, 2014, responding to our report, APR stated that the Company reported a lower level of tax payments to the Jinjiang government because it did not want to ‘advertise’ the profitability of its business to its rivals.

This explanation is ludicrous, because APR is a **publicly listed company and its financial statements (including its profitability and revenue figures)** are available online at the TWSE website! Any competitor can review APR financial statements, making the Company’s explanation that it wanted to conceal its profitability by reporting lower taxes simply absurd.

APR then changed its story again a few days later. In the APR Response, the Company claims that the data on the official government website of Jinjiang City government is not accurate, because it comes from Communist Party members who work at these companies, and not every Communist Party member knows the actual amount of taxes paid.

2

該網站揭示企業今年約當之納稅範圍，非實際金額。該網站經由在各企業任職之黨工回報其母企業今年約當之納稅範圍，並非每位黨員能知道公司報稅正確資料。

Source: Company response, p.5

This explanation is likewise poor. Why would the Jinjiang government publish tax rankings that are inaccurate? Why would a Communist Party member, who works at APR and is therefore most likely familiar with the earnings of the Company, report an incorrect amount? APR’s explanation might be more credible if its ranking on the Jinjiang government tax lists were only slightly different from its reported taxes paid, or if a company employee reported an incorrect number **in one or two years**.

But, as we showed in our initial report, Sansd Fujian (APR’s only major tax paying subsidiary) is ranked far lower than it should be **every year**. It does not even appear on the 2013 rankings. In blue we have highlighted the tier in which Sansd Fujian **should appear** based on the income taxes it reported paying in its public filings and its estimated VAT payments. In **red**, we have highlighted the tier in which Sansd Fujian **actually appears** on the government’s tax lists.

**Chendai County (Jinjiang City) Tax Lists**

*Figures are in RMB'million*

	2010	2011	2012	2013
Tier 1	600<X	600<X	500<X	1,000<X
Tier 2	100<X≤600	200<X≤600	300<X≤500	500<X≤800
Tier 3	50<X≤100	100<X≤200	200<X≤300	300<X≤500
Tier 4	30<X≤50	50<X≤100	100<X≤200	100<X≤300
Tier 5	20<X≤30	30<X≤50	60<X≤100	50<X≤100
Tier 6	10<X≤20	20<X≤30	50<X≤60	30<X≤50
Tier 7	8<X≤10	10<X≤20	40<X≤50	-
Tier 8	5<X≤8	8<X≤10	30<X≤40	-
Tier 9	3<X≤5	5<X≤8	20<X≤30	-
Tier 10	2<X≤3	3<X≤5	10<X≤20	-
Tier 11	-	2<X≤3	8<X≤10	-
Tier 12	-	-	5<X≤8	-
Tier 13	-	-	3<X≤5	-
Tier 14	-	-	2<X≤3	-
Does not appear				
<b>APR Should Appear</b>				
<b>APR Actually Appears</b>				

*Jinjiang City Tax List Links: [2010](#); [2011](#); [2012](#); [2013](#).*

APR's explanation that they underreported their taxes by telling the Jinjiang government that they paid "more than RMB 10mm" is not credible, because the Jinjiang government tax rankings divide companies into multiple tiers or buckets. From 2010 to 2013, there are multiple tax buckets between where APR actually appears and where it should appear if its Taiwanese financials are accurate.

The government tax records indicate that, contrary to the income statements in its Prospectus and subsequent annual reports, that **APR's net income was actually between 4% and 12% of the figures reported to Taiwanese investors between 2010 and 2013.**

### III. CONCLUSION

Ultimately, we believe that the APR Response fails in any meaningful way to address the independent and publicly available evidence raised by our report. APR has changed its story, in some cases between the time it held an initial press conference and issued the APR Response, in an attempt to explain away clear, irrefutable, publicly available evidence presented in our report.

In an effort to distract the market, the Company has falsely accused us of acting mischievously and recklessly without due regard for the accuracy of our statements. The Company has also falsely accused us of seeking to cause panic and impose maximum damage on the price of the Company's stock. We reject all of these libelous accusations.

As the Company acknowledges, we are entitled to voice our opinions regarding the published results and performance of the Company. Our opinions of what we believe to be the true value of the Company's shares are based upon our analysis and due diligence. Our opinions regarding the Company are a matter of public interest, and publication of our opinions is justified due to the fact that investors and the capital markets are connected in a common interest in determining the true value of the Company and its stock price.

We have disclosed the fact that we have a short interest in the securities of the Company and stand to realize gain in the event that the price of the securities falls – however, that does not undermine our good faith belief in our opinions. Investors must decide for themselves if what they believe to be the true value of APR's shares.

Based on the preponderance of the available information, we continue to believe that the most plausible interpretation of the evidence available in the public domain is that the Company is a fraction of its reported size and profitability and that it has made materially false and misleading statements to Taiwanese investors and regulators.

## DISCLAIMER

*We are short sellers. We are biased. So are long investors. So is APR. So are the banks that raised money for the Company. If you are invested (either long or short) in APR, so are you. Just because we are biased does not mean that we are wrong. We, like everyone else, are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions and the underlying facts about the public companies we research is in the public interest.*

*You are reading a short-biased opinion piece. Obviously, we will make money if the price of APR stock declines. This report and all statements contained herein are the opinion of Glaucus Research Group California, LLC, and are not statements of fact. Our opinions are held in good faith, and we have based them upon publicly available facts and evidence collected and analyzed, all of which we set out in our research report to support our opinions. We conducted research and analysis based on public information in a manner that any person could have done if they had been interested in doing so. You can publicly access any piece of evidence cited in this report or that we relied on to write this report. Think critically about our report and do your own homework before making any investment decisions. We are prepared to support everything we say, if necessary, in a court of law.*

*As of the publication date of this report, Glaucus Research Group California, LLC (a California limited liability company) (possibly along with or through our members, partners, affiliates, employees, and/or consultants) along with our clients and/or investors has a direct or indirect short position in the stock (and/or options) of the company covered herein, and therefore stands to realize significant gains in the event that the price of APR's stock declines. Use Glaucus Research Group California, LLC's research at your own risk. You should do your own research and due diligence before making any investment decision with respect to the securities covered herein. The opinions expressed in this report are not investment advice nor should they be construed as investment advice or any recommendation of any kind.*

*Following publication of this report, we intend to continue transacting in the securities covered therein, and we may be long, short, or neutral at any time hereafter regardless of our initial opinion. This is not an offer to sell or a solicitation of an offer to buy any security, nor shall any security be offered or sold to any person, in any jurisdiction in which such offer would be unlawful under the securities laws of such jurisdiction. To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. As is evident by the contents of our research and analysis, we expend considerable time and attention in an effort to ensure that our research analysis and written materials are complete and accurate. We strive for accuracy and completeness to support our opinions, and we have a good-faith belief in everything we write, however, all such information is presented "as is," without warranty of any kind—whether express or implied.*

*If you are in the United Kingdom, you confirm that you are subscribing and/or accessing Glaucus Research Group California, LLC research and materials on behalf of: (A) a high net worth entity (e.g., a company with net assets of GBP 5 million or a high value trust) falling within Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO"); or (B) an investment professional (e.g., a financial institution, government or local authority, or international organization) falling within Article 19 of the FPO.*

*Glaucus Research Group California, LLC makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. All expressions of opinion are subject to change without notice, and Glaucus Research Group California, LLC does not undertake a duty to update or supplement this report or any of the information contained herein. By downloading and opening this report you knowingly and independently agree: (i) that any dispute arising from your use of this report or viewing the material herein shall be governed by the laws of the State of California, without regard to any conflict of law provisions; (ii) to submit to the personal and exclusive jurisdiction of the superior courts located within the State of California and waive your right to any other jurisdiction or applicable law, given that Glaucus Research Group California, LLC is a California limited liability company that operates in California; and (iii) that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to use of this website or the material herein must be filed within one (1) year after such claim or cause of action arose or be forever barred. The failure of Glaucus Research Group California, LLC to exercise or enforce any right or provision of this disclaimer shall not constitute a waiver of this right or provision. If any provision of this disclaimer is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of this disclaimer remain in full force and effect, in particular as to this governing law and jurisdiction provision.*