



Hoifu
Hoifu Energy Group Limited
凱富能源集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 007)

INTERIM REPORT **2013**



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CORPORATE INFORMATION

HONORARY CHAIRMAN AND SENIOR CONSULTANT

Dr. HATOYAMA Yukio

BOARD OF DIRECTORS

Executive Directors:

Dr. HUI Chi Ming G.B.S., J.P. (Chairman)

Mr. BUSH Neil (Deputy Chairman)

Dr. CHUI Say Hoe (Managing Director)

Mr. LAM Kwok Hing

Mr. NAM Kwok Lun

Independent Non-Executive Directors:

Mr. CHEN Wei-Ming Eric

Mr. KWAN Wang Wai Alan

Mr. NG Chi Kin David

AUDIT COMMITTEE

Mr. CHEN Wei-Ming Eric

Mr. KWAN Wang Wai Alan

Mr. NG Chi Kin David

REMUNERATION COMMITTEE

Mr. NG Chi Kin David

Mr. CHEN Wei-Ming Eric

Dr. CHUI Say Hoe

NOMINATION COMMITTEE

Dr. HUI Chi Ming

Mr. CHEN Wei-Ming Eric

Mr. NG Chi Kin David

COMPANY SECRETARY

Mr. FU Wing Kwok Ewing

AUTHORISED REPRESENTATIVES

Dr. CHUI Say Hoe

Mr. FU Wing Kwok Ewing

RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

Appleby Services (Bermuda) Limited

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 1910-12, 19th Floor,
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Management (Bermuda)
Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Hong Kong



PRINCIPAL BANKERS

Agricultural Bank of China
China CITIC Bank International Limited
Wing Hang Bank, Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Chiyu Banking Corporation Limited

SOLICITORS

Sidley Austin Brown & Wood
International Law Firm

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

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CONTACTS

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Facsimile: (852) 2587 7807
Website: www.hoifuenergy.com



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

During the six months ended 30 June 2013, the total revenue for the Group was approximately HK\$359,469,000 (2012: HK\$9,800,000). Loss attributable to owners of the Company was approximately HK\$6,920,000 (2012: HK\$16,338,000). The increase in total revenue and decrease in net loss are due to (i) higher revenues from financial services during the reporting period; (ii) the increase in reversal of allowance for doubtful debt; (iii) the absence of the record of share of loss of an associate in the current period; and (iv) the beginning of trading of natural resources and petrochemicals, contributing to a higher return from international trading business.

OIL AND GAS BUSINESS

Madagascar Project

On 28 June 2013, Hoifu Group Investment Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Gloryview Holdings Limited, a company beneficially wholly-owned by Dr. Hui Chi Ming, the chairman and an executive director of the Company, in respect of the acquisition of the entire issued share capital of Madagascar Northern Petroleum Company Limited and its shareholder's loan for a total consideration of HK\$1. Madagascar Northern Petroleum Company Limited owns 100% of the exploration, exploitation and operation rights as well as the profit sharing right of Madagascar Oilfield Block 2101.

On 12 October 2006, Madagascar Northern Petroleum Company Limited entered into the Exploration, Exploitation and Oil and Gas Production Sharing Contract with the National Office for Mining and Strategic Industries ("OMNIS"), in respect of Madagascar Oilfield Block 2101, an onshore site with total area of 10,400 square kilometers in the northern part of Madagascar. Madagascar Northern Petroleum Company Limited owns 100% of the exploration, exploitation and operations rights as well as the Profit Sharing Right (as defined hereinafter) of Madagascar Oilfield Block 2101.



Pursuant to the Exploration, Exploitation and Oil and Gas Production Sharing Contract, Madagascar Northern Petroleum Company Limited is vested with the relevant rights to engage in oil and gas exploration for 8 years (with possible extensions of 2 years and 5 years for oil and gas respectively) and exploitation and operation of oil for 25 years (with possible extension of 5 years) and gas for 35 years (with possible extension of 10 years) at Madagascar Oilfield Block 2101. Depending on the rate of liquid petroleum production of Madagascar Oilfield Block 2101, Madagascar Northern Petroleum Company Limited will share the remaining petroleum profit after government royalty and recovery of petroleum costs according to the sharing ratios in the range of 40% to 72.5% as set out in the Exploration, Exploitation and Oil and Gas Production Sharing Contract (the "Profit Sharing Right"). The acquisition was completed on 22 July 2013.

Tunisia Project

On 17 December 2012, the Group entered into an acquisition agreement to acquire the entire share capital of China Oil Resources Company Limited and its subsidiary which is principally engaged in the operating of exploration and exploitation of oil and gas in Tunisia. Through PetroAsian Tunisia, China Oil Resources Company Limited and its subsidiary has 78.03% Participating Interests and 81.03% Paying Interests in the Ksar Hadada Permit, which was granted by the Government of Tunisia in relation to the operating interests in the exploration and exploitation of oil and gas in five identified oil prospects with a total area of approximately 2,252 square kilometers in Ksar Hadada, which lies onshore in southeast Tunisia.

Pursuant to the production sharing contract dated 20 December 2003 ("PSC") in relation to the exploration and exploitation of oil and gas in the area under the Ksar Hadada Permit, the Group, among other PSC operators, is entitled to recover up to 45% of the oil production and 55% of the gas production for their expenditures per annum. Depending on the rate of oil and gas production, the PSC contractors will share the remaining oil and gas according to the sharing ratios in the range of 17.5% to 40% for the profit oil and in the range of 20% to 45% for the profit gas as set out in the PSC.



In view of the increasing global demand on oil and gas and the fact that the area under Sud Remada permit in Tunisia, the structure of which is adjacent to the area under the Ksar Hadada Permit and operated by Chinook Energy Inc. (stock code: CKE), a company listed on Toronto Stock Exchange, has been in phrase of production with commercial scale as announced by Chinook Energy Inc. on 1 November 2012 at its website (www.chinookenergyinc.com) and the SEDAR website (www.sedar.com), the Directors are optimistic about the development of the area under the Ksar Hadada Permit and consider that the acquisition shall bring along a synergy effect with the Group's existing business and enhance the future oil and gas reserves, which will further promote the economic growth potential of the Group. The acquisition was completed on 2 April 2013.

Egypt Project

The Egypt oil and gas exploration business is developed through our wholly owned subsidiary, Karl Thomson Energy Ltd.

The Group has drilled three wells in Block 2 and has found high level of gas and existence of crude oil in the southern part of the block. All the financial obligations required under the eight-year concession agreement in relation to the West Esh El Mallaha (the "WEEM") area were met but the Group is obliged to drill four more wells by September 2014. Given the continual unrest in Egypt, the Group has decided to withhold further investment in Egypt but will choose an appropriate time to further invest.

Due to the fact that the Group has put the further investment on hold, the concession right of WEEM area had expired in March 2013. The Group has submitted its application to the relevant authority in Egypt for the extension of the aforesaid concession right. There have been several communications between the Group and the relevant Egyptian authority during March 2013 and July 2013. The Group will make further announcement(s) as and when appropriate to keep the shareholders informed of the material developments in this matter.



MINERAL MINING BUSINESS

On 1 August 2013, Hoifu Mineral Resources Holdings Limited, a wholly-owned subsidiary of the Company, entered into an acquisition agreement with, among others, Mr. Li Rong Jia for the acquisition of the Sale Shares, which represent 60% equity interest in Zhen Hua Company Limited, and its shareholder's loan for a consideration comprising cash payment of HK\$1 and the Option, which entitles the holder(s) to subscribe up to 30,000,000 Option Shares at an initial exercise price of HK\$1.38 per Option Share. Zhen Hua Company Limited owns 100% interest in Kenya Mine 253 and Kenya Mine 341. Zhen Hua Company Limited is a company incorporated in Kenya with limited liability on 5 October 2005 and is principally engaged in the exploration, exploitation and production of minerals. It owns 100% interest in the rights granted under the Licence 253 in respect of Kenya Mine 253, an area of approximately 1,056 square kilometers situated in Kitui District Eastern Province, Kenya, and the Licence 341 in respect of Kenya Mine 341, an area of approximately 417 square kilometers situated in Nandi County, Kenya. As at the date of the Acquisition Agreement, Zhen Hua Company Limited was owned as to 65% by Mr. Li Rong Jia and 35% by one local person in Kenya, who are third parties independent of the Company and connected persons of the Company.

On 15 April 2011, the Commissioner granted the Licence 253 to the Zhen Hua Company Limited. Pursuant to the Licence 253 and relevant provisions of the Mining Act of Kenya, Zhen Hua Company Limited is authorized to prospect, explore and mine industrial minerals (including but not limited to copper) in Kenya Mine 253 for a term of one year from 15 April 2011, subject to approval by the Commissioner for renewal. The Licence 253 has been renewed annually by Zhen Hua Company Limited and the latest expiry date is 14 April 2014.

On 3 January 2013, the Commissioner granted the Licence 341 to Zhen Hua Company Limited for prospecting and exploration of gold, iron ore and non-precious minerals in Kenya Mine 341 for a term of two years from 3 January 2013, subject to approval by the Commissioner for renewal.

After the implementation of the exploration works organized by Zhen Hua Company Limited, it was discovered that there is a large volume of ore zone in Kenya Mine 253 which has a promising copper content. Zhen Hua Company Limited has obtained certain ore from Kenya Mine 253 and such ore has a copper content of 5.29%. Zhen Hua Company Limited has already sold 60 tons of the ore to a corporation in China. The acquisition was completed on 26 August 2013.



SECURITIES, FUTURES AND OPTIONS BROKERAGE BUSINESS

During the period under review, revenue for the Group's securities, futures and options broking business, as well as the underwriting commission, which accounted for 2.1% of total revenue was HK\$7,572,000 (2012: HK\$6,039,000). The division performance was still disappointed as the market was dominated by the derivative linked trading and most retail investors kept sidelined on the uncertain market volatility.

ADVISORY FOR FINANCIAL MANAGEMENT

During the period under review, revenue generated from advisory for financial management business was HK\$2,013,000 (2012: HK\$2,493,000).

The investment banking division of the Group, Karl Thomson Financial Advisory Limited encounters certain difficulties of the financial market during 2013. Nonetheless, we have maintained solid performance by cooperating with our long term business partners and attracting new customers.

In 2012, economic conditions in Asia had been sluggish if not adverse. Our clients were mostly based in Asia and had suffered varying degrees of losses due to the weak performance of both domestic and international markets. However, many of our long term business partners have continued reaching out to us, and we had been actively mandated for new projects.

We believe our ability to meet the mixed financial needs of our clients will carry us through future financial uncertainties and create new opportunities for our strategic expansion.

SECURITIES MARGIN FINANCING

During the period under review, interest income generated from securities margin loan portfolio was HK\$2,326,000 (2012: HK\$1,243,000). As market remained sensitively volatile towards any piece of news of US scaling back of bond buying and the development of financial reforms in China, investors were unwilling to hold too much overnight margin position.



ACQUISITION AFTER THE END OF THE REPORTING PERIOD

On 3 July 2013, Guangdong Hoifu Energy Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with, among others, Nanning Duanfeng Trading Co., Ltd. in respect of the purchase of the Equity Interest, which represents 51% equity interest in the Guangxi Qinzhou Taixing Petrochemical Co., Ltd., for a consideration of RMB102.0 million (equivalent to approximately HK\$129.1 million), which will be satisfied as to RMB45.0 million (equivalent to approximately HK\$57.0 million) in cash and RMB57.0 million (equivalent to approximately HK\$72.1 million) by the issue of the Convertible Notes at an initial conversion price of HK\$1.3 per Conversion Share.

Guangxi Qinzhou Taixing Petrochemical Co., Ltd. was established under the laws of the PRC on 18 May 2009 as a limited liability company with principal activities of production and sale of fine chemical products such as industrial white oil, hydrogenated lube base oil, transformer oil and non-aromatic solvent oil. Guangxi Qinzhou Taixing Petrochemical Co., Ltd. acquired a land with total area of 150 mu in Qinzhou Port Jingu Chemical Industrial Park, Guangxi, the PRC in 2009 for the establishment of a manufacturing plant with an annual production capacity of 150,000 tones of lube base oil and 130,000 tones of non-aromatic solvent oil. An office building with total area of 3,685 square meters and a residential building with total area of 3,660 square meters have been built in the factory site. Guangxi Qinzhou Taixing Petrochemical Co., Ltd. is currently at the equipment installation and testing stage and it is expected that production will commence in 2013. Guangxi Qinzhou Taixing Petrochemical Co., Ltd. will use hydrocracking unconverted oil and reformed raffinate oil, which are side products of oil and gas companies, as raw materials and apply hydrogenation technology to produce its fine chemical products such as Group III lube base oils. Such patented technology was developed by Fushun Petrochemical Research Institute of China Petrochemical and it has the advantages of short manufacturing process, low cost, high efficiency and environmental friendly. It also enables Guangxi Qinzhou Taixing Petrochemical Co., Ltd. to differentiate from other base oil manufacturers in the PRC, most of which can only produce Group I and Group II lube base oils which are used as raw materials for manufacturing of low quality lubricants. On the other hand, Guangxi Qinzhou Taixing Petrochemical Co., Ltd. can produce Group III lube base oils and high quality refined oil extraction, which can be used as raw materials for high quality lubricants and food manufacturing.



PROSPECT

The new management has made a series of acquisitions, business rationalization and diversification during the period under review. These efforts had noticeably made immediate impacts on the profitability of the Group. The Directors are optimistic that the Group will continue to have further advancement in both quantity and quality of earnings in the second half of the year. The Group will explore other business opportunities in terms of acquisitions or establishments of new business ventures in order to materialize the vision of the new management.

CORPORATE GOVERNANCE

The Company is aware of the importance that complying with the relevant statutory and regulatory requirements and maintaining good corporate governance standards are important to the effective and efficient operation of the Company. The Company has, therefore, adopted and implemented relevant measures to ensure that the relevant statutory and regulatory requirements are complied with and that a high standard of corporate governance practices is maintained.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

As at 30 June 2013, the Group had shareholders' funds of approximately HK\$212,937,000 (31 December 2012: HK\$219,041,000). The net current assets of the Group were HK\$201,086,000 (31 December 2012: HK\$212,199,000), which consisted of current assets of HK\$484,057,000 (31 December 2012: HK\$391,311,000) and current liabilities of HK\$282,971,000 (31 December 2012: HK\$179,112,000), representing a current ratio of approximately 1.71 (31 December 2012: 2.18).

The Group's capital expenditure, daily operations and investment are mainly funded by cash generated from its operations, financial institutions and equity financing. During the period, the Group obtained short-term bank borrowings which is mainly facilitating the margin to client for the application of Initial Public Offering and daily operations and investments. As at 30 June 2013, the Group has cash and cash equivalent (excluding the pledged fixed deposits of general accounts) of HK\$90,810,000 (31 December 2012: HK\$215,885,000).

As at 30 June 2013, the Group's gearing ratio, expressed as a percentage of total borrowings (including bank loans and overdrafts) over shareholders' funds, was at a level of zero (31 December 2012: 4.3).



CONTINGENT LIABILITIES

The Company has given guarantee to bank in respect of the securities margin financing facilities granted to subsidiary. As at 30 June 2013, no such facilities were utilised by the subsidiary to facilitate daily operation (31 December 2012: HK\$5,557,000).

CHARGE ON ASSETS

The Group held banking facilities from various banks as at 30 June 2013. The Group's banking facilities were secured by guarantees given by the Group's bank deposits, margin clients' listed securities and the Company.

As at 30 June 2013, bank deposits amounting to approximately HK\$7,536,000 (31 December 2012: HK\$7,530,000) and listed securities held by margin clients with market value amounting to approximately HK\$13,972,000 (31 December 2012: HK\$12,392,000) were pledged to secure banking facilities granted to a subsidiary.

CAPITAL STRUCTURE

As at 30 June 2013, the total number of issued ordinary shares of the Company was 1,456,843,612 of HK\$0.10 each (31 December 2012: 1,456,843,612 shares of HK\$0.10 each).

HUMAN RESOURCES

As at 30 June 2013, the Group employed a total of 80 staff (2012: 65) of which 27 were commission based (2012: 28) and the total related staff cost amounted to HK\$13,946,000 (2012: HK\$6,644,000). The Group's long term success rests primarily on the total integration of the company core value with the basic staff interest. In order to attract and retain high caliber staff, the Group provides competitive salary package and other benefits including mandatory provident fund, medical schemes and bonus. The future staff costs of the sales will be more directly linked to the performance of business turnover and profit. The Group maintained organic overhead expenses to support the basic operation and dynamic expansion of its business enabling the Group to respond flexibly with the changes of business environment.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the year ended 30 June 2013 (2012: Nil).



DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SHARES

At 30 June 2013, the interests of the Directors and their associates in the shares of the Company and its associated corporations (with the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

1. Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Dr. Hui Chi Ming (Note 1)	Interest of controlled corporation	785,139,143	53.89%
Mr. Neil Bush (Note 1)	Interest of controlled corporation	785,139,143	53.89%
Mr. Lam Kwok Hing (Note 2)	Interest of controlled corporation	128,718,000	8.84%
Mr. Nam Kwok Lun (Note 2)	Interest of controlled corporation	128,718,000	8.84%

Note 1: The shares are registered in the name of and beneficially owned by Triumph Energy Group Limited ("Triumph"), a company incorporated in British Virgin Islands ("BVI"). The entire issued share capital of Triumph is beneficially and indirectly owned as to 55% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, and 45% by AMA Energy Group Limited, which is owned as to 91.5% by Mr. Neil Bush, a Director and 8.5% by Mr. Wang Xinqing.

Note 2: The shares are registered in the name of and beneficially owned by J&A Investment Limited ("J&A"), a company incorporated in the BVI. The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.



2. Ordinary shares in subsidiaries which are wholly-owned

One of the Directors has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company.

Save as disclosed above, at 30 June 2013, none of the Directors of the Company, chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or chief executives or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares of the Company or any other body corporate.

SHARE OPTION SCHEME

Pursuant to the share option scheme of the Company approved at the annual general meeting held on 7 September 2004 (the "Share Option Scheme"), the Board may at its discretion, invite any employees (whether full-time or part-time), executives or officers of the Company and any of its subsidiaries (including Executive and Non-Executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers will contribute or have contributed to the Company or any of its subsidiaries (the "Eligible Participants"), to take up options to subscribe for shares in the Company. The purpose of the Share Option Scheme is to provide incentives to the Eligible Participants. The Share Option Scheme will expire on 6 September 2014.

No options have been granted to the Eligible Participants under the Share Option Scheme since adoption of the Share Option Scheme.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholder had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in the ordinary shares of HK\$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the share capital of the Company
Triumph (Note 1)	Beneficial owner	785,139,143	53.89%
J&A (Note 2)	Beneficial owner	128,718,000	8.84%
Simply Superb Holdings Limited (Note 3)	Beneficial owner	175,000,000	12.01%

Note 1: The entire issued share capital of Triumph is beneficially and indirectly owned as 55% by Taiming Petroleum Group Limited, which is wholly-owned by Dr. Hui Chi Ming, a Director, and 45% by AMA Energy Group Limited, which is owned as to 91.5% by Mr. Neil Bush, a Director and 8.5% by Mr. Wang Xinqing.

Note 2: The entire issued share capital of J&A is beneficially owned as to 80% by Mr. Lam Kwok Hing and 20% by Mr. Nam Kwok Lun.

Note 3: The entire issued share of Simply Superb Holdings Limited is wholly owned by Mr. Zhao Ying.

Save as disclosed above, no person (other than the Directors of the Company whose interests are set out under the heading "Directors' Interests in Shares" above) had an interest or a short position in the shares and underlying shares of the Company that was required to be recorded under Section 336 of the SFO.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period under review was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is composed of all of its independent non-executive Directors, namely Messrs. Chen Wei-Ming Eric, Kwan Wang Wai Alan and Ng Chi Kin David. The principal duties of the Audit Committee are to review, together with management and the Company's external auditor, the accounting principles and practices adopted by the Company and discuss internal controls and financial reporting matters. In accordance with the requirements of paragraph 39 of Appendix 16 of the Listing Rules, the Audit Committee has reviewed together with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial report matters including the review of the unaudited interim financial statements for the period under review.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") is composed of three Directors, namely Messrs. Chui Say Hoe, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Remuneration Committee include determining the policy for the remuneration of executive directors, assessing performance of executive directors and approving the terms of executive directors' service contracts; making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to place recommendations before the Board concerning the total remuneration and/or benefits granted to the Directors from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") is composed of three Directors, namely Messrs. Hui Chi Ming, Chen Wei-Ming Eric and Ng Chi Kin David. The principal functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying and nominating qualified individuals for appointment as additional directors or to fill Board vacancies as and when they arise.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial information is unaudited, but has been reviewed by the Audit Committee.



COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES IN APPENDIX 14 OF THE LISTING RULES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report except for the deviation from code provision A.4.2. of the Code which every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. However, according to Bye-laws of the Company, the Chairman or Managing Director are not subject to retirement by rotation or taken into account on determining the number of Directors to retire. As continuation is a key factor to the successful implementation of any long-term business plans, the Board believes that the roles of Chairman and Managing Director provides the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategies, that the present arrangement is most beneficial to the Company and the shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the six month period ended 30 June 2013, the Company has adopted the Model Code under Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transaction. All Directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code and the Code during the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PUBLIC FLOAT

As at 30 June 2013 and 29 August 2013 (the latest practicable date of this interim report), the Company complied with the 25% public float requirement under the Listing Rules.



PUBLICATION OF RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Interim Report 2013, containing the relevant information required by the Rules Governing the Listing of Securities on the Stock Exchange, has been published on the websites of the Stock Exchange and the Company.

BOARD OF DIRECTORS

As of the date of this interim report (namely, 29 August 2013), the Executive Directors of the Company are Dr. Hui Chi Ming, G.B.S., J.P. (Chairman); Mr. Neil Bush (Deputy Chairman); Dr. Chui Say Hoe (Managing Director); Mr. Lam Kwok Hing and Mr. Nam Kwok Lun; the Independent Non-Executive Directors are Mr. Chen Wei-Ming Eric, Mr. Kwan Wang Wai Alan and Mr. Ng Chi Kin David.

On behalf of the Board

Dr. HUI Chi Ming G.B.S., J.P.

Chairman

29 August 2013



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	NOTES	Six Months ended 30 June	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue	3(a)	359,469	9,800
Cost of goods sold/direct cost		(349,205)	(3,815)
Gross Profits		10,264	5,985
Other income	3(b)	6,987	3,284
Administrative expenses		(22,925)	(11,889)
Loss from operations		(5,674)	(2,620)
Finance costs	5	(1,251)	(835)
Share of loss of an associate		–	(12,743)
Loss before tax	6	(6,925)	(16,198)
Taxation	7	–	–
Loss for the period		(6,925)	(16,198)
Other comprehensive income			
Exchange difference arising on translation		821	269
Share of other comprehensive income of an associate		–	23
Other comprehensive income for the period		821	292
Total comprehensive expenses for the period		(6,104)	(15,906)
Loss for the period attributable to:			
Owners of the Company	8	(6,920)	(16,338)
Non-controlling interests		(5)	140
		(6,925)	(16,198)



		Six Months ended 30 June	
		2013	2012
NOTES		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Total comprehensive expenses for the period attributable to:			
	Owners of the Company	(6,099)	(16,068)
	Non-controlling interests	(5)	162
		(6,104)	(15,906)
Loss per share — Basic	9	HK(0.47) cents	HK(2.57) cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

		30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,474	749
Trading rights		–	–
Exploration and evaluation assets	10	5,439	–
Deposits paid for acquisition of a subsidiary		–	1,086
Statutory deposits		4,291	4,307
Loans receivables		647	700
		11,851	6,842
CURRENT ASSETS			
Accounts receivables	11	243,041	71,142
Loan receivables		221	199
Other receivables, prepayments and deposits	12	64,653	6,210
Pledged fixed deposits (general accounts)	13	7,536	7,530
Bank balance (trust and segregated accounts)		77,796	90,345
Bank balance (general account) and cash		90,810	215,885
		484,057	391,311
CURRENT LIABILITIES			
Accounts payable	14	239,735	114,007
Other payable and accrued expenses		10,212	13,954
Bank overdraft	15	–	9,156
Amounts due to directors		33,024	41,995
		282,971	179,112
NET CURRENT ASSETS		201,086	212,199
NET ASSETS		212,937	219,041



	30 June 2013	31 December 2012
NOTES	HK\$'000 (unaudited)	HK\$'000 (audited)
CAPITAL AND RESERVE		
Share capital	145,684	145,684
Reserves	110,188	116,287
Equity attributable to owners of the Company	255,872	261,971
Non-controlling interests	(42,935)	(42,930)
TOTAL EQUITY	212,937	219,041



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Attributable to owners of the Company					Total	Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Currency translation reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (audited)	63,684	359,456	29,140	54,102	(326,919)	179,463	(42,389)	137,074
(Loss) profit for the period	-	-	-	-	(16,338)	(16,338)	140	(16,198)
Exchange difference arising on translation	-	-	-	247	-	247	22	269
Share of other comprehensive income of an associate	-	-	-	23	-	23	-	23
Total comprehensive income (expense) for the period	-	-	-	270	(16,338)	(16,068)	162	(15,906)
At 30 June 2012 (unaudited)	63,684	359,456	29,140	54,372	(343,257)	163,395	(42,227)	121,168
At 1 January 2013 (audited)	145,684	120,490	311,544	32,437	(348,184)	261,971	(42,930)	219,041
(Loss) profit for the period	-	-	-	-	(6,920)	(6,920)	(5)	(6,925)
Exchange difference arising on translation	-	-	-	821	-	821	-	821
Total comprehensive income (expense) for the period	-	-	-	821	(6,920)	(6,099)	(5)	(6,104)
At 30 June 2013 (unaudited)	145,684	120,490	311,544	33,258	(355,104)	255,872	(42,935)	212,937

Note: The contributed surplus of the Group represents the difference between the nominal value of shares of the acquired subsidiaries and the nominal value of the shares of the Company issued for the acquisition at the time of the reorganisation of the Group.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six Months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(102,463)	(6,107)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	(947)	(122)
Increase in pledged fixed deposits (general accounts)	(6)	(7)
Other investing cash flows	–	3
Acquisition of a subsidiary	(4,353)	–
	(5,306)	(126)
NET CASH FROM FINANCING ACTIVITIES		
Repayment to directors	(8,971)	(1,121)
Loan from an associate	–	9,000
	(8,971)	7,879
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(116,740)	1,646
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	206,729	9,511
Effect of foreign exchange rate changes	821	269
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	90,810	11,426
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances (general accounts) and cash	90,810	11,625
Bank overdrafts	–	(199)
	90,810	11,426



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 JUNE 2013

1. BASIS OF PREPARATION

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are the provision of the financial services, oil and gas exploration and production and trading of natural resources and petrochemicals. The financial services include stockbroking, futures and options broking, mutual funds and insurance-linked investment plans and products advising, securities margin financing and provision of corporate finance advisory services.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of interest in Other Entities: Transition Guidance
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (Revised in 2011)	Employee Benefits
HKAS 27 (Revised in 2011)	Separates Financial Statements
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) — INT 20	Stripping Costs in the Production Phase of a Surface Mine



The application of the above amendments to HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Issued but not yet effective Hong Kong Financial Reporting Standards

HKFRS 9	Financial Instruments
HKFRS10, HKFRS12 and HKAS 27 (2011) (Amendments)	Investment Entities
HKAS 36 (Amendments)	Recoverable Amount Disclosure for Non-Financial Assets
HK (IFRIC) — INT 21	Levies

3. REVENUE AND OTHER INCOME

		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
(a)	Revenue		
	Trading of natural resources and petrochemicals	347,537	–
	Commission and brokerage income	7,572	6,039
	Interest income from clients	2,326	1,243
	Other interest income	21	25
	Advisory fee income	2,013	2,493
		359,469	9,800
(b)	Other income		
	Reversal of allowance for bad doubtful debt	6,279	1,217
	Sundry income	708	2,067
		6,987	3,284



4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

For the six months ended 30 June 2013:

	Broking for	Advisory for	Securities	Trading	Total	Unreportable	Consolidated
	for securities, futures, and options HK\$'000	financing management HK\$'000	margin financing HK\$'000	of natural resources and petrochemicals HK\$'000	reportable segments HK\$'000	segment — Others HK\$'000	
REVENUE							
Segment results	7,572	2,013	2,326	347,537	359,448	21	359,469
RESULTS							
Segment (loss)/profit	(1,380)	605	7,384	2,058	7,106	(12)	7,094
Unallocated expenses							(14,019)
Share of loss of an associate							-
Loss before taxation							(6,925)



For the six months ended 30 June 2012:

	Broking for for securities, futures, and options HK\$'000	Advisory for financing management HK\$'000	Securities margin financing HK\$'000	Oil and gas HK\$'000	Trading of natural resources and petrochemicals HK\$'000	Total reportable segments HK\$'000	Unreportable segment— Others HK\$'000	Consolidated HK\$'000
REVENUE								
Segment results	6,039	2,493	1,243	—	—	9,775	25	9,800
RESULTS								
Segment (loss)/profit	(2,453)	801	1,172	349	—	(131)	13	(118)
Unallocated expenses								(3,337)
Share of loss of an associate								(12,743)
Loss before taxation								(16,198)



Segment (loss)/profit represent the financial results by each segment without allocation of central administrative costs and share of loss of an associate. This is the measure reported to the Board of Directors for the purpose of resources allocation and performance assessment.

The total assets of the Group at the end of the interim period, except for share of loss recognised against the interest in an associate during the current period, do not differ significantly from amounts in the latest annual financial statements.

The geographical information of revenue is shown as follows:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC	160,165	–
Hong Kong	11,932	9,800
Overseas	187,372	–
	359,469	9,800

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest from bank loan and other borrowing wholly repayable within five years	1,251	835



6. LOSS BEFORE TAXATION

Loss before income tax is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation on property, plant and equipment	223	213
Exchange loss	1,529	299
Operating lease respect of land and buildings	2,558	2,328
Staff costs (including directors' remuneration)	13,946	6,644
Costs of goods sold	345,479	–

7. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for the six months ended 30 June 2012 and 2013 as the companies within the Group either had no assessable profits arising from Hong Kong or the assessable profits were wholly absorbed by estimated losses brought forward.

8. DIVIDENDS

No dividends were paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2012: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(6,920)	(16,338)
Number of shares	'000	'000
Number of ordinary shares for the purpose of basic loss per share	1,456,844	636,844

No diluted loss per share was presented as there were no potential ordinary shares during the six months ended 30 June 2012 and 2013.



10. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets represented two exploration and exploitation rights listed as follow:

- (1) The exploration and evaluation assets related to the oil concession rights are given to the Group by the Egyptian government in relation to exploration and extraction in oil field of Block 2 West Esh El Mallaha in Egypt. The entire exploration and evaluation assets in related to Egypt have been fully impaired during the year ended 31 December 2011 due to the unstable political and social environment.
- (2) The exploration and evaluation assets represented the exploration and exploitation right of oil and gas in Tunisia. The Group has 78.03% participating interests and 81.03% paying interest in five identified prospects with a total area of approximately 2,252 square kilometers in Ksar Hadada which lies onshore in southeast Tunisia.

11. ACCOUNTS RECEIVABLE

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Accounts receivable arising from trading of natural resources and petrochemicals	188,651	–
Account receivable arising from dealing in securities		
Cash clients	14,168	15,096
Hong Kong Securities Clearing Company Limited ("HKSCC")	–	7,134
Account receivable from Hong Kong Futures Exchange Clearing Corporation Limited ("HKFECC") arising from the business of dealing in futures contracts	4,686	8,654
Loans to securities margin clients	35,159	40,047
Accounts receivable arising from the business of advisory for financing management	377	211
	243,041	71,142

Accounts receivables arising from trading of natural resources and petrochemicals were aged within 90 days.



The settlement terms of accounts receivables from cash client, HKSCC and HKFECC are usually one to two days after the trade date. Except for the accounts receivable from cash clients as mentioned below, the accounts receivables from HKSCC and HKFECC were aged within 30 days.

Loans to securities margin clients are repayable to demand and bear interest at Hong Kong Prime Rate quoted by Wing Hang Bank plus 3% equivalent to 8.25% (31 December 2012: 8.25%) per annum. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of HK\$128,929,000 (31 December 2012: HK\$143,110,000). The percentage of collateral over the outstanding balance at 30 June 2013 is ranged from 0% to 927.85% (31 December 2012: ranged from 12% to 4,971%). The fair value of pledged marketable securities of the individual securities margin clients is higher than the corresponding outstanding loans. The Group is permitted to sell or repledge the marketable securities if the customer defaults the payment as request by the Group.

The Group does not provide any credit term to its clients under the business of advisory for financial management and cash clients. The accounts receivable from clients under the business advisory for the financial management were aged within 180 days. The aging analysis of accounts receivables, arising from cash clients is as follows:

	30 June 2013	31 December 2012
	HK\$'000 (unaudited)	HK\$'000 (audited)
0 to 90 days	11,982	14,447
91 to 180 days	2,186	649
	14,168	15,096

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

The other receivables, prepayments and deposits mainly represented the trading deposit from the trading of petrochemicals business during the six months ended 30 June 2013.

13. PLEDGED FIXED DEPOSITS

The Group pledged fixed deposits to banks to secure general banking facilities granted to the Group. The pledged fixed deposits carry interest rates ranging from 0.020% to 0.245% (31 December 2012: 0.020% to 0.225%) per annum and will be released upon the expiry of relevant banking facilities.



14. ACCOUNT PAYABLE

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Accounts payables arising from trading of natural resources and petrochemicals	153,404	–
Accounts payable arising from dealing in securities:		
Cash Client	66,587	87,122
HKSCC	6,534	–
Accounts payable to clients arising from the business of dealing in futures contracts	10,722	21,698
Amounts due to securities margin clients	2,488	5,187
	239,735	114,007

The settlement term of accounts payable to cash client and HKSCC is two days after the trade date and aged within 30 days.

Accounts payable to clients arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of futures contracts on the HKFECC. The excess of the outstanding amounts over the required margin deposits stipulated by the HKFECC are repayable to clients on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

Amount due to securities margin clients are repayable on demand. In the opinion of the Directors, no aged analysis is disclosed as the aged analysis does not give additional value.

The accounts payable amounting to HK\$77,796,000 (31 December 2012: HK\$90,345,000) were payable to clients or other institutions in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.



The aging analysis of trade payable of trading of natural resources and petrochemicals has been set out as follow:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
0 to 90 days	153,404	–

15. BANK OVERDRAFTS

No bank overdrafts were noted as at 30 June 2013 (31 December 2012: HK\$9,156,000 with interest at fixed rates which ranged from 1% to 2%) per annum.

16. RELATED PARTY TRANSACTIONS

Transactions with related parties:

- (a) During the period, the Group received commission income and other securities dealing income from securities dealing of HK\$4,000 (2012:HK\$4,000) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.
- (b) During the period, the Group received commission income and other securities dealing income from securities dealing of HK\$9,000 (2012: HK\$13,000) from Asia Tele-Net and Technology Corporation Limited ("ATNT"), a company incorporated in Bermuda with its shares being listed on the Stock Exchange in which two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, have controlling interests.
- (c) As at 30 June 2013, outstanding advances from two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun, amounted to HK\$nil (31 December 2012: HK\$nil) and HK\$33,024,000 (31 December 2012: HK\$41,995,000) respectively. During the period, the Group paid financial cost of HK\$nil (2012: HK\$9,000) and HK\$1,029,000 (2012: HK\$621,000) to the Directors respectively.
- (d) During the period, the Group received interest income from securities dealing of HK\$50 (2012: HK\$50) from close family members of two Directors, Messrs. Lam Kwok Hing and Nam Kwok Lun.
- (e) As at 30 June 2013, outstanding advances from ATNT amounted to HK\$nil (31 December 2012: HK\$nil). During the period the Group paid financial costs of HK\$nil (2012: HK\$110,000) to ATNT.



- (f) During the period, the Group paid rental fee amounting to HK\$180,000 to a company in which Dr. Hui Chi Ming, a director, has beneficial interest.

The remuneration of key management personnel who are the Directors of the Company during the period was as follow:

	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term benefits	5,571	1,971
Post-employment benefits	31	13
	5,602	1,984

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 3 July 2013, the Group has entered into the acquisition agreement with, Nanning Duangfeng Trading Co., Ltd. ("Vendor") in respect of the purchase of 51% equity interest in Guangxi Qinzhou Taixing Petrochemical Co. Ltd. ("GQTP") at the total consideration RMB102,000,000, which will be satisfied upon completion of the acquisition as to RMB45,000,000 in cash and RMB57,000,000 by the issue of the Convertible Notes, provided that the valuation of the net asset value of GQTP by an independent valuer would be not less than RMB200,000,000. GQTP engaged in manufacturing non-aromatic solvent oil and lube base oil and have manufacturing Plant and machinery under construction on a land with total area of 150 mu in QinZhou Port Jingu Chemical Industrial Park, which is owned by GQTP.

On 22 July 2013, the Group completed the acquisition of 100% equity interest of Madagascar Northern Petroleum Company Limited ("MNPCL") and its shareholder's loan at the cash consideration of HK\$1. MNPCL fully owns exploration, exploitation and operations rights as well as the profit sharing right of Madagascar Oilfield Block 2101.

On 1 August 2013, the Group has entered into the acquisition agreement with among others, Mr. Li Rong Jia for the acquisition of the Sale shares, which represent 60% equity interest in Zhen Hua Company Limited at the cash consideration of HK\$1 and the option, which entitles the holders(s) to subscribe up to 30,000,000 Option Shares at an initial exercise price of HK\$1.38 per Option Shares. Zhen Hua Company Limited owns the licenses of Kenya Mine 253 and Kenya Mine 341. The acquisition was completed on 26 August 2013.

18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and restated to conform with the current period's presentation.