



奇峰國際
Superb Summit International

interim
report
2014



SUPERB SUMMIT INTERNATIONAL
GROUP LIMITED

奇峰國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01228

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

JING Bin (*Chief Executive Officer*)
YANG Jilin

Independent Non-executive Directors

CHEN Xiaoming
LI Qunsheng
YUAN Jun

MEMBERS OF AUDIT COMMITTEE

CHEN Xiaoming (*Chairman*)
LI Qunsheng
YUAN Jun

MEMBERS OF REMUNERATION COMMITTEE

CHEN Xiaoming (*Chairman*)
LI Qunsheng
YUAN Jun

MEMBERS OF NOMINATION COMMITTEE

CHEN Xiaoming (*Chairman*)
LI Qunsheng
YUAN Jun

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rm. 3103, Office Tower
Convention Plaza,
No. 1 Harbour Road,
Wan Chai, Hong Kong

COMPANY SECRETARY

CHAN King Chung

PRINCIPAL BANKERS

Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited
Bank of Shanghai (Hong Kong) Limited
Industrial Bank Co. Ltd.
Bank of Beijing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITORS

McMillan Woods SG CPA Limited

SOLICITORS

LOONG & YEUNG Solicitors
TC & Co., Solicitors

WEBSITE

www.ssitimber.com.hk

STOCK CODE

01228

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue		315,784	338,448
Cost of sales		(290,167)	(332,783)
Gross profit		25,617	5,665
Other income		75	740
Other gains and (losses), net		4,574	(1,462)
Selling and distribution expenses		(14,605)	(6,312)
Administrative expenses		(35,794)	(23,477)
Share of loss of a jointly controlled entity		—	(70)
Finance costs	6	(1,443)	(800)
Loss before tax	7	(21,576)	(25,716)
Income tax expense	8	—	—
Loss for the period		(21,576)	(25,716)
Attributable to:			
Owners of the Company	9	(22,793)	(25,416)
Non-controlling interests		1,217	(300)
		(21,576)	(25,716)
Loss per share attributable to owners of the Company for the period	9		
Basic		HK(0.31) cents	HK(0.40) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss for the period	(21,576)	(25,716)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(93,473)	54,336
Total comprehensive (expense)/income for the period	(115,049)	28,620
Attributable to:		
Owners of the Company	(116,549)	28,921
Non-controlling interests	1,500	(301)
	(115,049)	28,620

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Non-current assets			
Prepaid land lease payments		57,710	58,383
Property, plant and equipment	11	5,147	5,517
Goodwill	12	12,201	—
Intangible assets	12	1,537,926	—
Biological assets	13	3,354,082	3,441,264
Investment in a jointly controlled entity		—	56
		4,967,066	3,505,220
Current assets			
Prepaid land lease payments		—	1,654
Amount due from a director		—	17
Trade receivables	14	39,588	22,226
Prepayments, deposits and other receivables	15	710,401	404,762
Equity investments at fair value through profit or loss		7,029	3,853
Tax recoverable		443	443
Cash and cash equivalents		13,869	32,400
		771,330	465,355
Non-current liabilities			
Bonds	18	68,000	—
Deferred tax liabilities		384,453	—
		452,453	—
Current liabilities			
Amount due to a director		15	—
Trade payables	16	55,966	118,564
Other payables and accruals	17	434,687	260,390
Promissory notes	18	550,000	—
Loan interest payable	18	1,443	—
		1,042,111	378,954
Net current (liabilities)/assets		(270,781)	86,401
Net assets		4,243,832	3,591,621
Capital and reserves			
Issued capital	19	743,631	673,031
Reserves		2,952,689	2,937,696
Equity attributable to owners of the Company		3,696,320	3,610,727
Non-controlling interests		547,512	(19,106)
Total equity		4,243,832	3,591,621

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2014

	Attributable to owners of the Company								
	Share Capital HK\$'000	Share premium HK\$'000	Foreign	Share	Warrant Reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-Controlling Interests HK\$'000	Total Equity HK\$'000
			currency translation reserve HK\$'000	options reserve HK\$'000					
At 1 January 2014 (audited)	673,031	1,569,300	647,117	109,412	—	611,867	3,610,727	(19,106)	3,591,621
Loss for the period	—	—	—	—	—	(22,793)	(22,793)	1,217	(21,576)
Other comprehensive (expense)/income for the period	—	—	(93,756)	—	—	—	(93,756)	283	(93,473)
Total comprehensive (expenses)/income for the period	—	—	(93,756)	—	—	(22,793)	(116,549)	1,500	(115,049)
Exercise of share option	70,600	236,551	—	(105,009)	—	—	202,142	—	202,142
Acquisition of a subsidiary	—	—	—	—	—	—	—	565,791	565,791
Disposal of a subsidiary	—	—	—	—	—	—	—	(673)	(673)
At 30 June 2014 (unaudited)	743,631	1,805,851	553,361	4,403	—	589,074	3,696,320	547,512	4,243,832

Six months ended 30 June 2013

	Attributable to owners of the Company								
	Share Capital HK\$'000	Share premium HK\$'000	Foreign	Share	Warrant Reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-Controlling Interests HK\$'000	Total Equity HK\$'000
			currency translation reserve HK\$'000	options reserve HK\$'000					
At 1 January 2013 (audited)	585,451	1,477,392	539,809	52,004	3,525	873,744	3,531,925	(19,236)	3,512,689
Loss for the period	—	—	—	—	—	(25,416)	(25,416)	(300)	(25,716)
Other comprehensive (expense)/income for the period	—	—	54,337	—	—	—	54,337	(1)	54,336
Total comprehensive (expense)/income for the period	—	—	54,337	—	—	(25,416)	28,921	(301)	28,620
Exercise of share option	29,150	40,054	—	(26,075)	—	—	43,129	—	43,129
Exercise of warrant	39,430	7,863	—	—	(3,525)	—	43,768	—	43,768
Incorporation of a subsidiary	—	—	—	—	—	—	—	3,760	3,760
At 30 June 2013 (unaudited)	654,031	1,525,309	594,146	25,929	—	848,328	3,647,743	(15,777)	3,631,966

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operating activities	(234,559)	(67,736)
Cash flows from investing activities		
Net cash used in investing activities	(598,952)	(950)
Cash flows from financing activities		
Net cash from financing activities	820,142	93,270
Net (decrease)/increase in cash and cash equivalents	(13,369)	24,584
Cash and cash equivalents, at beginning of period	32,400	2,557
Effect of foreign exchange rate changes, net	(5,162)	(1,633)
Cash and cash equivalents, at the end of period	13,869	25,508
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	13,869	25,508

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATION INFORMATION

Superb Summit International Group Limited (the “Company”) is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in a jointly-controlled entity. The Group is principally engaged in the exploitation and management of timber resources and sales of coal products and other bulk commodities in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The condensed consolidated interim 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 and with Hong Kong Accounting Standard 34 Interim Financial Reporting.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2013.

The Group has adopted all of the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants which are relevant to its operations and effective for accounting periods beginning or after 1 January 2014.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective in these condensed consolidated interim financial statements.

The preparation of interim financial statements requires management to make judgments, estimate and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

5. SEGMENT INFORMATION

(a) Operating segment information

	Sales of coal and related products six months ended 30 June		Sales of natural resource products six months ended 30 June		Sales of other products six months ended 30 June		Consolidated six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue from external customers	295,259	338,448	20,525	—	—	—	315,784	338,448
Reportable segment results	10,896	(1,036)	(30,072)	(23,810)	(957)	—	(20,133)	(24,846)
Share of loss of a jointly controlled entity (net of income tax)	—	—	—	(70)	—	—	—	(70)
Profit/(Loss) from operations	10,896	(1,036)	(30,072)	(23,880)	(957)	—	(20,133)	(24,916)
Finance costs	—	—	(961)	(800)	(482)	—	(1,443)	(800)
Profit/(Loss) before tax	10,896	(1,036)	(31,033)	(24,680)	(1,439)	—	(21,576)	(25,716)
Income tax expense	—	—	—	—	—	—	—	—
Profit/(Loss) for the period	10,896	(1,036)	(31,033)	(24,680)	(1,439)	—	(21,576)	(25,716)
Depreciation	63	3	586	1,424	32	—	681	1,427
Fair value gain/(loss) on equity investments at fair value through profit or loss	—	—	3,176	(1,270)	—	—	3,176	(1,270)
Total assets	203,825	38,638	3,865,660	3,929,603	1,566,940	—	5,636,425	3,968,241
Total liabilities	329,390	100,680	111,991	235,595	951,212	—	1,392,593	336,275
Capital expenditure	34	—	170	891	322	—	526	891

(b) Geographical information

No geographical information is shown as the revenue from external customers and non-current assets of the Group are substantially derived from activities or located in the PRC.

6. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest on:		
Promissory notes	482	—
Bonds	961	—
	1,443	—

7. LOSS BEFORE TAX

The Group's loss before tax from operations is arrived at after charging (crediting):

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of inventories sold	290,167	332,783
Depreciation of property, plant and equipment	681	1,427
Amortisation of prepaid land lease payments	811	811
Fair value gain/(loss) on equity investments at fair value through profit or loss, net	3,176	(1,270)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax — Charge for the period:		
Hong Kong	—	—
The PRC	—	—
Total tax charge for the period	—	—

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

During six months ended 30 June 2014, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits from Hong Kong (2013: nil).

During six months ended 30 June 2014, taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2013: 25%).

9. LOSS PER SHARE

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company	(22,793)	(25,416)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	7,253,138	6,399,259

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2014 and 2013 in respect of a dilution as the impact of the share options and warrants issued by the Company had an anti-dilutive effect on the basic loss per share amounts presented.

Basic loss per share is HK\$0.31 cents per share (2013: HK\$0.40 cents per share), based on the loss for the period from operations and the denominators detailed above for basic loss per share.

10. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group spent approximately HK\$525,370 on additions to furniture and fixtures and no disposals respectively. During the six months ended 30 June 2013, the Group spent approximately HK\$891,045 on additions to furniture and fixtures and disposed HK\$58,788 furniture and fixtures.

12. GOODWILL AND INTANGIBLE ASSETS

	Goodwill HK\$'000	Patents HK\$'000	Total HK\$'000
Balance at 1 January 2013 and 31 December 2013	—	—	—
Additions	—	49	49
Acquisition through business combination	12,201	1,537,877	1,550,078
Balance at 30 June 2014	12,201	1,537,926	1,539,127

Both goodwill and intangible assets arose from the acquisition of the Cosmic Summit Limited ("Cosmic Summit") completed on 30 May 2014.

Goodwill was allocated to the groups of cash-generating units identified according to the operations, which was substantially allocated to the natural resources products. The Group has assessed the recoverable amount of goodwill and determined that the goodwill has not been impaired.

Intangible assets represents the Target Technology acquired under S&P agreement, the details of Target Technology was disclosed in the Company's circular dated on 3 March 2014. For the period ended 30 June 2014, there is no amortisation or impairment has been charged in the condensed consolidated statement of profit or loss.

13. BIOLOGICAL ASSETS

During the period, the Group recognised biological assets of approximately HK\$Nil (2013: Nil) which were included in cost of sales.

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
As at 1 January	3,441,264	3,428,356
Direct disposal	—	—
Losses on changes in fair value less cost to sell of biological assets	—	(83,318)
Exchange realignment	(87,182)	96,226
	3,354,082	3,441,264

As at 30 June 2014, after taking into account the carrying amount of the biological assets of the Group which were stated at values previously revalued as at 31 December 2013, the directors of the Company considered there were no material differences between their estimated carrying amounts and their carrying amounts determined by reference to their fair values. As such, no revaluation surplus or deficit was recognised during the period, and the change in value as at 30 June 2014 was attributable to the exchange realignment loss on translation of Renminbi into Hong Kong dollars.

The analysis of fair value of biological assets by location is as follows:

	Total area (Chinese mu)	Forest volume (excluding shrubs) m ³	Value as at		Exchange realignment	
			31 December 2013 and 30 June 2014 RMB'000	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)	as at 30 June 2014 HK\$'000 (Unaudited)
The PRC						
Zhuozhou, Hebei	4,166	85,670	29,300	36,522	37,472	(950)
Fengqing, Yunnan	52,294	501,301	401,500	500,470	513,478	(13,008)
Jiangcheng, Yunnan	87,470	1,310,457	1,286,800	1,603,996	1,645,689	(41,693)
Heishan, Yunnan	70,550	1,359,539	727,200	906,455	930,016	(23,561)
Mapu, Yunnan	35,467	458,114	246,000	306,639	314,609	(7,970)
	249,947	3,715,081	2,690,800	3,354,082	3,441,264	(87,182)

As at 31 December 2013 and 2012, the Group had taken certain measures, including conducting together with LCH (Asia Pacific) Surveyors Limited ("LCH") valuation of the tree species in and the area of its forestland. LCH is a professional surveyor and international valuer and consultant with offices in Hong Kong and Beijing.

Land relating to biological assets has been disclosed separately and accounted for under land lease prepayments.

13. BIOLOGICAL ASSETS (CONTINUED)

In valuing the inventory of standing trees, the valuer has considered the three approaches to value with reference to inventory of standing trees as well as the accounting standard, and found that market approach i.e. the market-based comparable method is the most reasonable approach to value. This method uses the present market value in terms of price per unit volume of the final product and the total merchantable volume of timber in the concession as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependent parameter since it reflects how much the buyer is willing to pay and how much the seller is willing to give up his goods and services.

In using the market approach the valuer has taken the following into consideration:

- Average diameter and length of round logs being sold in the locality;
- The diameter at breast height and the merchantable height of the standing trees;
- Parameters used in classifying young, mid-aged, near-mature and mature trees;
- Species of the standing trees;
- The quantity of timber based on the adjusted inventory provided; and
- Cutting cost, transportation cost, forestry fund, and other associated costs necessary to process the standing trees to round logs.

Valuation Procedures Adopted

In performing the valuation of the Subject Assets, LCH has adopted the following procedures which were agreed with the Group before the engagement. They were:

- to read and based on the content of the supplied materials such as the Forestry Reports to arrive at its opinion. In the course of the valuation, LCH will assume the supplied data and information are correct and it will not ascertain the correctness of the information that contained in the supplied materials;
- to prepare and submit list(s) of required document and information regarding the Subject Assets during the course of valuation. The completeness of its valuation depends on the availability of the required information being supplied by the Group to LCH;
- to hold discussions with relevant personnel and to review various documents such as the Forestry Reports in order to have a better understanding on the use of the Subject Assets as part of a going-concern business in the operation of the Group;
- to conduct appropriate research/consultation in order to obtain sufficient industry information to support LCH's valuation. The scope of research/consultation is at the valuer own discretion;
- to perform valuation of the Subject Assets by using the appropriate standards of value in accordance with the available standards; and
- to document its findings and conclusion in its appraisal report.

13. BIOLOGICAL ASSETS (CONTINUED)

Basis of valuation and assumptions

The Subject Assets were valued on the basis of Market Value in continued use and as part of a going-concern business of the Group. The continued use premise assumes that the Subject Assets will be used for the purpose for which the Subject Assets were conceived or are currently used. Implicit in this definition is the fact that a (hypothetical willing and able) buyer would not pay more to acquire the Subject Assets than he could reasonably expect to earn in the future from an investment in the Subject Assets.

Under the premise of continued use, LCH's opinion of market value assumes operation and use of the Subject Assets at their present locations for continuation of the existing business. It further assumes that prospective earnings would provide a reasonable return to the Subject Assets valued plus the value of other assets not included in this valuation and adequate working capital.

Market value in continued use is not intended to represent the amount that might be realised from piecemeal or break-up disposition in the open market or for other alternate use.

This valuation is concerned solely with the existing values of the Subject Assets and LCH's opinion of values is not related to or dependent upon the earning capacity of the business they are presently in use or going to use.

Unless otherwise stated, LCH assumed that all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in this report were based.

In arriving at its opinion, LCH has also assumed that the management of the Group has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, insects and soil erosion) to the operation of the business and the proper usage of the Subject Assets.

Should any of the above not be the case, it will have adverse impact to the values as reported by LCH.

The Group's biological assets recognised include natural and man-made forestland located in Zhuozhou, Hebei Province and Fengqing County, Jiangcheng County, Heishan and Mapu in Yunnan Province, which are summarized as follows:

Hebei Zhuozhou Forestland

Located in Zhuozhou City, Hebei Province, Hebei Zhuozhou Forestland comprises mainly fast and high production poplar forest. Due to the general increase in market prices of young forest, mid-aged forest, near-mature forest and over-mature forest and as poplar stock increased to 85,670 m³ as at 31 December 2013 (31 December 2012: poplar stock of 81,566 m³), gains on changes in fair value less cost to sell amounted to HK\$4,923,360.

Yunnan Fengqing County Forestland

Located in Fengqing County, Lincang City, Yunnan Province, Yunnan Fengqing County Forestland comprises mainly *Cyclobalanopsis glaucoides*, Yunnan camphor, rosewood, *Osmanthus* trees, coniferous, hardwood and softwood trees. During the period from 31 December 2012 to 30 June 2014, there had been no material changes in the distribution of trees in Yunnan Fengqing County Forestland, whereas except that *Cyclobalanopsis glaucoides* price remained stable and Yunnan camphor price increased, prices of other tree species, including rosewood, *Osmanthus* trees, coniferous, hardwood and softwood trees, recorded declines ranging from 15% to 39%. This, coupled with the general increase in costs, led to the losses on changes in fair value less cost to sell of trees in Yunnan Fengqing County Forestland of HK\$91,145,280 as at 31 December 2013.

13. BIOLOGICAL ASSETS (CONTINUED)

Yunnan Jiangcheng County Forestland

Located in Yunnan Jiangcheng Hani and Yi Autonomous County, Yunnan Province, Yunnan Jiangcheng County Forestland comprises mainly hardwood forest, mixed forest and *Pinus kesiya* forest. Hardwood and mixed forest stock in Yunnan Jiangcheng County Forestland increased to 622,197 m³ as at 31 December 2013 (31 December 2012: 611,456 m³), among which the area of young hardwood and mixed forest increased by approximately 8% to 23,286 m³, the area of mid-aged hardwood and mixed forest increase by approximately 5% to 71,131 m³ and the area of near-mature hardwood and mixed forest increased by approximately 2% to 169,547 m³. Meanwhile, their market prices in 2013 rose by approximately 8.8% from 2012. The stock of *Pinus kesiya* forest in Yunnan Jiangcheng County Forestland also increased to 688,260 m³ (31 December 2012: 674,698 m³), among which the area of young *Pinus kesiya* forest increased by approximately 8% to 13,916 m³, the area of mid-aged *Pinus kesiya* forest increased by approximately 4% to 119,959 m³, and the area of near-mature *Pinus kesiya* forest increased by approximately 2% to 247,339 m³. However, their market prices in 2013 declined by approximately 34% from 2012.

As the decline in market price of *Pinus kesiya* offset the gains arising from the increases in market prices of hardwood and mixed forest, losses on changes in fair value less cost to sell of trees in Yunnan Jiangcheng County Forestland amounted to HK\$3,156,000 as at 31 December 2013.

Yunnan Heishan Forestland

Located in Heishan, Lancang Lagu Autonomous County, Yunnan Province, Yunnan Heishan Forestland comprises mainly *Pinus kesiya* and hardwood forest. As at 31 December 2013, stock of *Pinus kesiya* and hardwood increased slightly by 1.25% and 0.61%, respectively from the same period in 2012. While their market prices dropped by approximately 17% and 25%, respectively, the development cost of the forestland decreased from the same period in 2012, resulting in gains on changes in fair value less cost to sell of trees in Yunnan Heishan Forestland of HK\$7,448,160 as at 31 December 2013.

Yunnan Mapu Forestland

Located in Mapu, Ning'er Hani and Yi Autonomous County, Yunnan Province, Yunnan Mapu Forestland comprises mainly *Pinus kesiya*, alder, oak, castanopsis, birch and mixed forest. As at 31 December 2013, oak stock was its largest stock and amounted to 216,443 m³, 2% up from the same period in 2012. *Pinus kesiya* stock was the second largest, amounting to 154,399 m³, 2.5% up from the same period in 2012. Except that castanopsis price remained stable, as at 31 December 2013 market prices of other trees generally declined compared to the same period in 2012, with decreases of approximately 16.5% for *Pinus kesiya*, approximately 36.5% for alder, approximately 26.7% for oak, approximately 36.5% for castanopsis and approximately 22.6% for mixed forest. As such, losses on changes in fair value less cost to sell of trees in Yunnan Mapu Forestland amounted to HK\$1,388,640 as at 31 December 2013.

14. TRADE RECEIVABLES

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Trade receivable	42,219	24,926
Less: allowance for doubtful debts	(2,631)	(2,700)
	39,588	22,226

An aged analysis of the trade receivables as at the end of the reporting period is as follows:

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
0-30 days	—	—
31-60 days	—	—
61-90 days	—	—
91-180 days	—	—
Over 180 days	42,219	24,926
	42,219	24,926

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Prepayment	140	15
Deposits	506	381
Other receivables	540,356	344,486
Bill receivables	4,103	—
Trade deposit paid	190,734	96,231
Amount due from a jointly controlled entity	—	124
Amount due from non-controlling entities	3,715	4,579
Other deposit paid	11,177	—
Less: Impairment losses	(40,330)	(41,054)
	710,401	404,762

16. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period is as follows:

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
0-30 days	2,016	80,298
31-60 days	—	—
61-90 days	10,365	—
91-180 days	—	—
Over 180 days	43,585	38,266
	55,966	118,564

17. OTHER PAYABLES AND ACCRUALS

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Other payables	73,640	194,722
Accruals	399	866
Trade deposit received	360,646	63,562
Other tax payables	2	1,240
	434,687	260,390

18. LOANS AND BORROWINGS

	Interest rate	Year of maturity	Carrying amount HK\$'000
Balance at 1 January 2014			—
New issues			
Promissory notes (see (a) and Note 25)	1%	2015	550,000
Bonds (see (b))	7%	2021	68,000
Balance at 30 June 2014 (Unaudited)			618,000

18. LOANS AND BORROWINGS (CONTINUED)

- (a). The Company has issued the promissory notes in favour of the Sherri Holdings Resources Limited to settle the balance of the consideration under the S&P agreement of the acquisition of 51% of the equity interests in Cosmic Summit. The promissory notes issued on 30 May 2014 and will mature on 28 Feb 2015. Details of the acquisition were disclosed in the Company's circular dated 3 March 2014 and 30 May 2014 respectively.
- (b). The Company entered into separate subscription agreements with ten independent private investors and with another independent private investor (collectively known as the "Subscribers") during January 2014 to June 2014, and July 2014 respectively. The Subscribers have agreed to subscribe and the Company has agreed to issue the Corporate Bonds (the "Bonds") in the amount from HK\$4,000,000 to HK\$10,000,000 at par value accordingly. The Bonds bearing interest rate of not more than 7% per annum and will mature at the end of the seventh year from the date of issue.

The amounts of the Bonds subscribed by each Subscriber are as follows:

Subscriber	Principal amount of the Bonds HK\$'000
Li Ying	5,000
Gong Chao	4,000
Zhu Boshen	5,000
Cheng Qin	10,000
Ying Peiqing	5,000
Li Hongjun	4,000
Guo Shan	10,000
Li Junjiang	10,000
Li Jun	10,000
Ruan Shouguo	5,000
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Total for the period from January 2014 to June 2014	68,000
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Zhao Weihang	5,000
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Total for the period from July to date of this report	5,000
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Total	73,000

19. SHARE CAPITAL

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid: 7,436,309,405 (2013: 6,730,311,405) ordinary shares of HK\$0.1 each	743,631	673,031

20. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants to subscribe new shares of the Company. A summary of the terms of the share option scheme adopted by the Company has been disclosed in the Company's 2013 annual report.

The following table discloses movements of the Company's share options outstanding during the period:

Name/category of participants	At 1 January 2014	Granted During the period	Exercised During the period	Lapsed During the period	At 30 June 2014	Date of Grant of Share options	Exercised Period of Share options	Exercise Price Per Share HK\$
Consultants								
In aggregate	288,000,000	—	94,000,000	—	194,000,000	30/08/2012	30/08/2012 to 10/11/2021	0.15
	196,000,000	—	38,000,000	—	158,000,000	17/01/2012	17/01/2012 to 10/11/2021	0.145
	574,000,000	—	574,000,000	—	—	17/07/2013	17/07/2013 to 10/11/2021	0.318
Employees								
In aggregate	31,500,000	—	—	—	31,500,000	30/08/2012	30/08/2012 to 10/11/2021	0.15
	72,000,000	—	—	—	72,000,000	17/01/2012	17/01/2012 to 10/11/2021	0.145

Notes:

The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

21. CAPITAL COMMITMENTS

The Group had no significant capital commitments at the end of the reporting period.

22. OPERATING COMMITMENTS

The Group leases certain leasehold land and buildings under operating lease. The original lease terms for these leasehold land and buildings ranged from one to twenty years.

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
Within one year	2,222	2,789
In the second to fifth years, inclusive	850	1,870
After 5 years	—	—
	3,072	4,659

23. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities at the end of the reporting period.

24. FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value			
	Current assets							
	Other investments HK\$'000 (Unaudited)	Trade and receivables HK\$'000 (Unaudited)	Cash and cash equivalent HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Financial assets measured at fair value								
Equity investments at fair value through profit or loss	7,029	—	—	7,029	7,029	—	—	7,029
Financial assets not measured at fair value								
Amount due from a director	—	—	—	—	—	—	—	—
Trade receivable	—	39,588	—	39,588	—	—	—	—
Prepayments, deposits and other receivables	—	710,401	—	710,401	—	—	—	—
Cash and cash equivalents	—	—	13,869	13,869	—	—	—	—
	7,029	749,989	13,869	770,887				
As at 31 December 2013								
	Carrying amount				Fair value			
	Current assets							
	Other investments HK\$'000 (Unaudited)	Trade and receivables HK\$'000 (Unaudited)	Cash and cash equivalent HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Financial assets measured at fair value								
Equity investments at fair value through profit or loss	3,853	—	—	3,853	3,853	—	—	3,853
Financial assets not measured at fair value								
Amount due from a director	—	17	—	17	—	—	—	—
Trade receivable	—	22,226	—	22,226	—	—	—	—
Prepayments, deposits and other receivables	—	404,747	—	404,747	—	—	—	—
Cash and cash equivalents	—	—	32,400	32,400	—	—	—	—
	3,853	426,990	32,400	463,243				

24. FINANCIAL INSTRUMENTS (CONTINUED)

	As at 30 June 2014				As at 31 December 2013			
	Carrying amount		Fair value		Carrying amount		Fair value	
	Non-current liabilities	Current liabilities	Level 1	Level 2	Level 1	Level 2	Level 3	Total
	Loans and borrowings	Trade and other payables	Loans and borrowings	Total	Loans and borrowings	Trade and other payables	Loans and borrowings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial liabilities not measured at fair value								
Bonds	68,000	—	—	68,000	—	—	—	—
Amount due to a director	—	15	—	15	—	—	—	—
Trade payables	—	55,966	—	55,966	—	—	—	—
Other payables and accruals	—	74,041	—	74,041	—	—	—	—
Promissory notes	—	—	550,000	550,000	—	—	—	—
Loan interest payables	—	1,443	—	1,443	—	—	—	—
	68,000	131,465	550,000	749,465				
Financial liabilities not measured at fair value								
Trade payables	—	118,564	—	118,564	—	—	—	—
Other payables and accruals	—	196,828	—	196,828	—	—	—	—
	—	315,392	—	315,392	—	—	—	—

24. FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements is a reasonable approximation of their fair values.

25. ACQUISITION OF SUBSIDIARY

On 30 May 2014, the Group acquired 51% of the shares and voting interests in Cosmic Summit.

Following the acquisition of 51% effective interest in Cosmic Summit, (which has 80% equity interests in Beijing Jin Fei Te Energy Technology Company Limited that holds the Coal-to-oil Production Technologies), the Group continues to develop the heavy energy hydrogenation and upgrading projects. In the one month to 30 June 2014, Cosmic Summit has not contributed revenue and profit to the Group's result.

a. Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

	Note	HK\$'000 (Unaudited)
Cash		50,000
Promissory notes	18	550,000
Total consideration transferred		600,000

b. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	HK\$'000 (Unaudited)
Property, plant and equipment	11,337
Intangible assets (see note 12)	1,537,877
Trade receivables	3,505
Prepayments, deposits and other receivables	552
Cash and cash equivalents	1,590
Trade payables	(3,394)
Other payables and accruals	(13,424)
Deferred tax liabilities	(384,453)
Total identifiable net assets	1,153,590

The fair value of Cosmic Summit's intangible assets (patented and target technology of heavy energy hydrogenation) has been measured by an independent valuer, Beijing Tian Hai Hua Asset Valuation Firm.

25. ACQUISITION OF SUBSIDIARY (CONTINUED)**c. Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

	Note	HK\$'000 (Unaudited)
Total consideration transferred		600,000
NCI, based on their proportionate interest in the recognised amount of the asset and liabilities of Cosmic Summit		565,791
Fair value of identifiable net assets		(1,153,590)
Goodwill	12	12,201

26. DISPOSAL OF EQUITY INTERESTS IN JOINTLY CONTROLLED ENTITY AND SUBSIDIARY

During the reporting period, the Group de-registered, 滿州里中木木材交易有限責任公司 (Manzhouli Timber Trade Limited ("Manzhouli")) and 拉薩奇峰乾景實業發展有限公司 (Lhasa Summit Ganjing Industrial Development Limited ("Lhasa Summit")), a jointly controlled entity and subsidiary of the Group. Upon the completion date of de-registration, Manzhouli and Lhasa Summit ceased to be the jointly controlled entity and subsidiary of the Group and a loss of HK\$252,000 and HK\$139,000, respectively, was recognised in the condensed consolidated statement of profit or loss.

27. RELATED PARTY TRANSACTIONS

- (a) Except for transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group has no other significant transactions and balances with its related parties during the six months ended 30 June 2014.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Short term employee benefits	—	—
Post-employment benefits	—	1,631
Equity-settled share option expense	—	—
Total compensation paid to key management personnel	—	1,631

28. EVENTS AFTER THE END OF THE REPORTING PERIOD**a) Bonds issue**

On 18 July 2014, bonds with a principal of HK\$5,000,000 are issued to an independent investor. The bonds bear interest at 7% per annum will mature in 2021.

b) Convertible notes and warrants issue

On 21 July 2014, convertible notes up to the principal amount of HK\$200,000,000 and a maximum of 500,000,000 warrants at the issue price of HK\$0.03 per warrant were placed through the placing agent to independent investors and were all subscribed on 8 August 2014.

Upon full exercise by each investor at an exercise price of HK\$0.96 each, the Company will issue 700,000,000 ordinary shares of HK\$0.1 each, details of which were set out in the announcement dated 21 July 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW ANALYSIS

The Group's unaudited revenue for the six months ended 30 June 2014 amounted to HK\$315.78 million, representing 6.7% decrease as compared with HK\$338.45 million for the six months ended 30 June 2013.

The Group's loss attributable to shareholders was HK\$21.58 million, a decrease of 16% compared with HK\$25.72 million in the corresponding period of last year. The decrease in loss attributable to shareholders is mainly due to an increase in gross profit to HK\$25,617,000 during the reporting period from HK\$5,665,000 for last year, and other gain HK\$4,574,000 occurred during the report period from other loss HK\$1,462,000 for last year.

GROSS PROFIT

	Six months ended 30 June			
	2014		2013	
	Gross profit HK\$'000 (Unaudited)	Gross profit margin	Gross profit HK\$'000 (Unaudited)	Gross profit margin
Total	25,617	8.11%	5,665	1.67%

The Group's overall gross profit for the six months ended 30 June 2014 was HK\$25,617,000, representing an increase of HK\$19,952,000 as compared with HK\$5,665,000 for the corresponding period in 2013. The gross profit margin increased to 8.11% as compared against 1.67% for the corresponding period of last year. The increase in operating profit margin from the corresponding period of last year was mainly because the Group sourced certain suppliers with lower costs and gave up some loss-making orders and orders with extremely low gross profit margin.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Selling and distribution expenses (HK\$'000)	14,605	6,312
As a percentage of total revenue	4.62%	1.86%

Selling and distribution expenses of the Group for the six months ended 30 June 2014 increased by HK\$8,293,000 to HK\$14,605,000 from HK\$6,312,000 for the corresponding period in 2013. The net increase of HK\$8,293,000 was primarily attributable to expenditures for marketing and promotion expenses to support new operation in the new product market and markets' expansion. As a percentage of total revenue, selling and distribution costs increase to 4.62% in the first half of 2014 as compared with 1.86% in the corresponding period of 2013.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2014 (Unaudited)	2013 (Unaudited)
Administrative expenses (HK\$'000)	35,794	23,477
As a percentage of total revenue	11%	7%

Administrative expenses increased by HK\$12,317,000 to HK\$35,794,000 for the six months ended 30 June 2014 from HK\$23,477,000 for the corresponding period in 2013. The net increase of HK\$12,317,000 was primarily attributable to an increase in the remuneration for the Group's employees as a result of new staff recruitment, termination of certain former employees and increase in staff salary for new business operation purposes. As a percentage of total revenue, administrative expenses significantly increased to 11% in the first half of 2014 as compared with 7% in the corresponding period of 2013.

INCOME TAX EXPENSE

For the six months ended 30 June 2014, there is no income tax expense for the Group, (2013:Nil).

NET PROFIT

Net loss and basic loss per share of the Group amounted to HK\$21,576,000 and HK\$0.31 cents for the six months ended 30 June 2014, as compared with net loss of HK\$25,716,000 and basic loss per share of HK\$0.40 cents for the six months ended 30 June 2013. Despite a significant increase in the gross profit during the period that offset an increase in the Group's selling and distribution expenses, administrative expenses, net loss decreased by HK\$4,100,000 in the first half of 2014. The significant increase in gross profit during the period was largely offset by the increase in selling and distribution expenses and administrative expenses and as a result losses did not decrease in the first half of the year.

Liquidity and Finance Resources

During the period, the Group principally financed its operations with internally generated resources and through exercise of share options and issue of bonds. As at 30 June 2014, the Group had issued notes and bonds of HK\$618,000,000 in total (31 December 2013: nil), including 7-year bonds of HK\$68,000,000 bearing interest at 7% per annum and promissory notes of HK\$550,000,000 bearing interest at 1% per annum and repayable within one year.

The Group's sales and purchases were either denominated in Renminbi, Hong Kong dollars or US dollars. Accordingly, the Directors consider the Group has no significant exposure to foreign exchange fluctuations in view of the stability of the exchange rates of Renminbi, Hong Kong dollars and US dollars. During the period, the Group did not use any financial instrument for hedging the foreign exchange risk or interest rate risk.

As at 30 June 2014, the Group had current assets of approximately HK\$771,330,000 (31 December 2013: HK\$465,355,000) and current liabilities of approximately HK\$1,042,111,000 (31 December 2013: HK\$378,954,000). The Group's current ratio is approximately 0.74 times as at 30 June 2014 to approximately 1.23 times as at 31 December 2013. The Group had total assets of approximately HK\$5,738,396,000 (31 December 2013: HK\$3,971,000,000) and total liabilities of approximately HK\$1,494,564,000 (31 December 2013: HK\$378,954,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 26.05% as at 30 June 2014 as compared with approximately 9.54% as at 31 December 2013. The higher gearing ratio was primarily attributable to the issue of promissory notes of HK\$550,000,000 in total during the reporting period as the consideration for acquisition of 51% issued share capital of Cosmic Summit Limited, which will mature on 28 February 2015. The details are set out in the announcement dated 30 May 2014. With the repayment of the promissory notes of HK\$550,000,000 as they become due in early next year, these indicators will return to normal.

Capital Expenditures

During the reporting period, the Group utilised HK\$525,370 for the addition to the furniture and fixture but nil for the disposal of furniture and fixture (for the corresponding period of 2013: HK\$891,045 utilised for the addition to and HK\$58,788 for the disposal of the relevant assets).

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

Business Review

In the first half of 2014, the Company was able to acquire the "Heavy Energy Hydrogenation and Upgrading Project", a creative project concerning energy new technology to which it has long been paying close attention, and successfully completed the transaction. In the meantime, the Group entered into a memorandum of understanding and a framework cooperation agreement with China State Shipbuilding Corporation in relation to the continuous research and development and commercialization of the project, and also approached other domestic large enterprises, laying a solid foundation for the future application and promoting of the project.

In addition to the said creative energy project, the Company continued to develop major energy commodities trading business in accordance with its business growth objective set in 2012. It joined hands with China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司, a subsidiary of CSSC) and other energy enterprises to develop coal trading business. However, due to the overall economic situations in the PRC, coal price continued to decline and coal purchases and sales faced difficulties in the first half of 2014. As a result, the Group's coal trading business remained stagnant and recorded insignificant profit, and even making loss for some orders.

Timber business is no longer a focus of the Group. In the first half of 2014, the Group had not made any achievement in the plantation, cutting and sale of timber.

Business Outlook

Taking to account the best interests of the Company and its shareholders, the management of the Company will continue with the implementation of development plans for energy resource products and business, cooperate with domestic large-scale energy resource enterprises and groups, further develop and promote the commercial application of projects concerning energy new technology with huge market potential such as the “Heavy Energy Hydrogenation and Upgrading Project”, and expand channels to sell coal, thickened oil and other heavy energy materials, so as to gradually strengthen the Company’s influence in the PRC energy industry. In the meantime, the management of the Company will continue to scale down its timber business and utilise its existing resources to optimise industry value chain, so as to facilitate its business transformation and development of trading of commodities such as energy resources.

Operating Risk

As for coal trading business, as coal price experienced wide fluctuations and showed downward trend in general in the first half of 2014, losses were made for certain orders during the first half of the year, though not significant in amount. If the decrease in coal price continues, some agreements will become unable to implement and negotiations will have to be made with customers, failing which defaults may occur.

Foreign Exchange Exposure

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies, where the revenue, cost of sales and certain portion of the bank loans are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group’s performance and asset value, The Group had not entered into any derivative contracts to hedge against the risk for the six months ended 30 June 2014.

Credit Risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and Group’s exposure to bad debts is not significant, Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Interest Rate Risk

The risk in interest rate concerning the Group primarily related to its short-term and long-term loans and other borrowings. The interests are calculated at fixed rates. To the end of the period, the Group has neither executed any form of interest rate agreement or derivative to hedge against the fluctuation in interest rate.

Employees and Remuneration Package & Policy

As at 30 June 2014, the Group had approximately 60 employees (2013: 50 employees). The increase in the number of employees was mainly attributable to the consolidation of research and development staff of Cosmic Summit Limited and its subsidiaries upon their acquisition. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC. The remuneration of the Group’s employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis.

DISCLOSURE OF ADDITIONAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN SHARES AND SHARE OPTIONS

As at 30 June 2014, the interests of the directors and chief executives of the Company in the shares and share options of the Company or its associated corporations (within 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 otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

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
Mr. Lee Chi Kong	Held by controlled corporation (Note 1)	32,912,000	0.443%
	Beneficial owner	165,000	0.002%
		33,077,000	0.445%
Mr. Jing Bin	Beneficial owner (Note 2)	263,145,137	3.539%
		296,222,137	3.984%

Note:

- These ordinary shares are owned by Huge Healthy Investment Development Limited ("Huge Healthy"), a company incorporated in the British Virgin Islands (the "BVI"). The entire issued share capital of Huge Healthy is beneficially owned by Mr. Lee Chi Kong. Mr. Lee Chi Kong was resigned as a director on 16 July 2014.
- These ordinary shares are owned by Magic Stone Fund (China), a company incorporated in the Cayman Islands, which totally owns 1,525,836,000 shares of the Company. Mr. Jing Bin owns 17.7% of the issued share capital of Magic Stone Fund (China), which entitles him to 263,145,137 shares of the Company.

Save as disclosed above, none of the other directors, chief executives and 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 at 30 June 2014.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors and chief executive's interests or short positions in shares and share options" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Number of underlying shares (convertible notes or share options) held	Percentage of the issued share capital of the Company
Magic Stone Fund (China)	Investment Manager (Note 5)	1,525,836,000	—	20.519%
Mr. Yang Dongjun	Interest of controlled corporation (Note 1)	1,525,836,000	—	20.519%
Wider Success Holdings Limited	Beneficial owner	954,852,606	—	12.840%
Ms. Huang Ying	Interest of controlled corporation (Note 2)	954,852,606	—	12.840%
Ms. Gong Diqing	Beneficial owner	605,689,000	—	8.145%
Mr. Li Kwong Yuk	Interest of controlled corporations	238,950,000	—	3.213%
	Beneficial owner (Note 3)	442,965,000	—	5.967%
中國船舶工業集團公司 (CSSC)	Interest of controlled corporation (Note 4&5)	850,000,000	—	11.430%
中船工業成套物流有限公司 (China Shipbuilding Industry Complete Logistics Co., Ltd.)	Person having a security interest in shares (Note 5)	850,000,000	—	11.430%

Note:

1. Mr. YANG Dongjun owned 80.25% of Magic Stone Fund (China), a company incorporated in the Cayman Islands. Accordingly, Mr. YANG Dongjun is deemed to be interested in 1,525,836,000 shares held by Magic Stone Fund (China).
2. Ms. HUANG Ying owned 76.46% of Wider Success Holdings Limited, a company incorporated in the British Virgin Islands (the “BVI”). Accordingly, Ms. HUANG Ying is deemed to be interested in 954,852,606 underlying shares held by Wider Success Holdings Limited.
3. These shares are owned as to 238,950,000 shares by Win Master Group Limited (“Win Master”), a company incorporated in the BVI. Win Master is wholly-owned by Mr. LI Kwong Yuk. As such, Mr. LI Kwong Yuk is deemed to be interested in the 238,950,000 shares held by Win Master.
4. 中國船舶工業集團公司 (China State Shipbuilding Corporation) (“CSSC”) is interested in 100% of the shares of 中船工業成套物流有限公司 (China Shipbuilding Industry Complete Logistics Co., Ltd.) (“CSLC”), a company incorporated in the People’s Republic of China. Accordingly, CSSC is deemed to be interested in the 850,000,000 shares pledged by Magic Stone Fund (China) in favour of CSLC.
5. Pursuant to a share mortgage agreement entered into between Magic Stone Fund (China) and CSLC, CSLC holds a security interest in 850,000,000 shares beneficially owned by Magic Stone Fund (China).

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities for the six months ended 30 June 2014.

CORPORATE GOVERNANCE

The board of directors (“Board”) Committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence, accountability and responsibility. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellence incorporate governance.

The Code on Corporate Governance Practices (“CGP Code”) issued by The Stock Exchange of Hong Kong Limited (“Stock Exchange”) in its Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) sets out two levels of corporate governance practices, namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non — compliance. The Company is in Compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

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 six months ended 30 June 2014, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election.

Currently, all independent non-executive directors have not been appointed for a specific term of office with the Company. Instead, they are subject to retirement by rotation in accordance with the Articles of Association. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiries by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

AUDIT COMMITTEE REVIEW

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim information of the Company and its subsidiaries for the six months ended 30 June 2014.

By Order of the Board
Superb Summit International Group Limited
Jing Bin
Executive Director and Chief Executive

Hong Kong, 29 August 2014