




ENERGY

Kiu Hung Energy Holdings Limited

僑雄能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 00381)



Leading the Way Toward
A Brighter **Future**

Interim Report **2014**

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Hui Kee Fung (*Chairman*)
Mr. Yu Won Kong, Dennis (*Chief Executive Officer*)
Mr. Cheung Kai Fung

NON-EXECUTIVE DIRECTOR

Mr. Lam Kit Sun

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Siu Lun, Simon
Mr. Zhang Xianmin
Mr. So Chun Pong, Ricky

COMPANY SECRETARY

Mr. Cheung Kai Fung

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

20th Floor
Hong Kong Diamond Exchange Building
8-10 Duddell Street
Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
22/F., Prince's Building
Central
Hong Kong

COMPANY'S WEBSITE

<http://www.381energy.com>

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central
Hong Kong

Wing Hang Bank
Head Office
161 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the “**Board**”) of Kiu Hung Energy Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2014 (the “**Period**”), the Group recorded turnover of approximately HK\$70.3 million (2013: HK\$59.8 million), representing an increase of approximately 17.6% as compared with the same period last year. The Group’s loss attributable to equity holders of the Company for the Period was approximately HK\$20.2 million (2013: HK\$24.6 million). The decrease in loss attributable to equity holders of the Company for the Period was mainly attributable to an increase in selling price of the products and implementation of cost control by the Group during the Period. Basic loss per share for the Period was 1.55 HK cents (2013: 2.06 HK cents). The Board has resolved not to pay any interim dividend for the Period (2013: Nil).

BUSINESS AND OPERATIONAL REVIEW

Segmental Information Analysis

During the Period, the Group continued to engage in the design, manufacture and sales of toys and gifts products and the exploration of natural resources. The Group has two reportable segments, namely “Manufacturing and trading of toys and gifts items” and “Exploration of natural resources”.

Manufacturing and Trading of Toys and Gifts Items

Turnover from toys and gifts business was approximately HK\$70.3 million for the Period (2013: HK\$59.8 million). Gross profit ratio for the Period was 33.1% (2013: 28.9%). The increase in gross profit ratio is mainly due to the increase in the selling price of the products and the implementation of the cost control by the Group during the Period. The segment loss of the manufacturing and trading of toys and gifts items was approximately HK\$7.4 million (2013: HK\$12.8 million). The decrease in segment loss was mainly attributable to an increase in gross profit ratio.

Exploration of Natural Resources

The Group owns the exploration rights of Bayanhushuo Coal Field and Guerbanhada Coal Mine, all located in Inner Mongolia Autonomous Region, the People’s Republic of China (the “**PRC**”) with total estimated coal resources of approximately 500.05 million tonnes under the JORC Code as follows:

	Inferred Resources (Million Tonnes)
Bayanhushuo Coal Field (“ BCF ”)	394.05 [#]
Guerbanhada Coal Mine (“ GCM ”)	106.00
Total	500.05

[#] In order to fulfill the requirement of the PRC government before submitting the master planning of BCF, the Group submitted a resources report of BCF to the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) during 2011. The resources report was prepared by Inner Mongolia Long Wang Geographic Exploration Co. Ltd.* (內蒙古龍旺地質勘探有限責任公司), which indicates BCF has an estimated coal resources of approximately 384.69 million tonnes under the Chinese resources standard promulgated by the Ministry of Land and Resources of the PRC.

BCF is located in Xilinguolemeng of Inner Mongolia Autonomous Region, the PRC. Pursuant to an independent technical assessment report issued by SRK Consulting China Ltd on 31 January 2008, BCF has estimated coal resources of approximately 394.05 million tonnes of high quality thermal coal. The current licence period of the exploration right of BCF is from 4 July 2012 to 4 July 2014. The Group is applying for the renewal of the licence period of the exploration right of BCF. Based on the past experience in applying for the renewal of the licence period of the exploration right of the Group, the directors of the Company are confident that such renewal will be approved.

GCM is located in Xilinguolemeng of Inner Mongolia Autonomous Region, the PRC. Pursuant to an independent technical assessment report issued by Steffen Robertson and Kirsten (Australasia) Pty Ltd. on 30 March 2007, GCM has estimated coal resources of approximately 106 million tonnes of high quality thermal coal. The current licence period of the exploration right of GCM is from 23 September 2013 to 22 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The mining licence application process of BCF and GCM was much slower than expected. As at the date of this interim report, the Group is still waiting for the approval of the master planning (總體規劃) of both BCF and GCM from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the National Energy Commission of the PRC (中華人民共和國國家能源局), which is one of the preconditions for the application of the mining licence of BCF and GCM.

Selling and Distribution Costs

Selling and Distribution Costs for the Period increased by approximately 36.3% to approximately HK\$13.9 million as compared to approximately HK\$10.2 million in the same period last year. The increase was mainly attributable to an increase in the salaries and commissions of sales staff of approximately HK\$1.6 million and compensation costs to customers of approximately HK\$1.2 million during the Period.

Administrative Expenses

Administrative expenses for the Period increased by approximately 1.9% to approximately HK\$26.4 million as compared to approximately HK\$25.9 million in the same period last year. The increase was mainly attributable to an increase in consultancy fee expenses of approximately HK\$1.6 million.

Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow and facilities provided by its bankers in Hong Kong and in the PRC. As at 30 June 2014, the Group had bank and cash balances of approximately HK\$19.1 million (31 December 2013: HK\$18.7 million). The Group's bank and cash balances were mostly held in Hong Kong dollars and Renminbi.

As at 30 June 2014, the Group's borrowings amounted to approximately HK\$87.5 million (31 December 2013: HK\$76.2 million). The Group's borrowings were mainly denominated in Hong Kong dollars and Renminbi, of which approximately 44.6% (31 December 2013: 77.6%) bore interest at fixed lending rate.

The gearing ratio of the Group calculated as the Group's borrowings less bank and cash balances over its total equity was approximately 44.6% as at 30 June 2014 (31 December 2013: 41.2%).

As the majority of the Group's transactions and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, the Group's exposure to exchange rate fluctuation was relatively insignificant. As such, the Group had not used any financial instruments for hedging during the Period.

As at 30 June 2014, certain property, plant and equipment, prepaid land lease payments and investment properties held by the Group with aggregate carrying values of approximately HK\$70.6 million (31 December 2013: HK\$71.0 million) were pledged to secure general banking facilities granted to the Group.

As at 30 June 2014, the Group did not have any capital commitments (31 December 2013: Nil).

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

Business Prospects and Future Plan

On 16 April 2014, Joint Hero Holdings Limited ("**Joint Hero**", being an indirect wholly-owned subsidiary of the Company) entered into an acquisition agreement, as amended by the supplemental agreement on 27 June 2014 and the letter of extension on 19 August 2014, with Delight Grace Limited ("**Delight Grace**", a company incorporated in the British Virgin Islands with limited liability) pursuant to which Joint Hero has conditionally agreed to purchase and Delight Grace has conditionally agreed to sell 28% equity interest in Multijoy Developments Limited (the "**Target Company**") for an aggregate consideration of up to HK\$196 million (the "**Acquisition**").

Upon completion of the reorganisation to be carried out by Delight Grace, 江西雅欣果業有限公司 (Jiang Xi Yaxin Fruit Industry Company Limited*), a company established in the PRC with limited liability (the "**PRC Company**"), will become an indirect wholly-owned subsidiary of the Target Company. The PRC Company owns the forestry concession rights in respect of the forest land in Qiawan Town, Nanfeng County, Fuzhou City, Jiangxi Province, the PRC (the "**Forest Land**") with an aggregate site area of approximately 1,765.53 mu. The PRC Company had appointed a cooperator under a cooperation agreement to operate and manage the tangerine plantation business on the Forest Land, pursuant to which the cooperator shall pay a fixed royalty income for its operation of the tangerine plantation business on the Forest Land to the PRC Company.

The Acquisition enables the Group to diversify its business portfolio into tangerine plantation business. Upon completion of the Acquisition, the Group will be benefited from the stable and recurring income to be generated by the Target Company.

For details, please refer to the Company's circular dated 22 August 2014.

Going forward, the Group will review its current operations from time to time and will continue to explore other investment opportunities that have earning potentials in order to expand its existing operations and to further diversify its business to maximize the interests of the Group and our shareholders as a whole.

Employment, Training and Development

As at 30 June 2014, the Group had a total of 583 employees (31 December 2013: 499 employees). The Group maintains good working relations with its employees and has committed itself to staff training and development. Remuneration packages are maintained at a competitive level and are being reviewed on a periodical basis. Bonus and share options are awarded to employees according to the assessment of individual performance and industrial practice.

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring high standards of corporate governance. During the Period, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules (the “**Model Code**”) as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the Period.

AUDIT COMMITTEE

The audit committee assists the Board in meeting its responsibilities for ensuring an effective system of internal control and compliance, and in meeting its external financial reporting objectives. The audit committee of the Company comprises Mr. Lam Siu Lun, Simon, Mr. Zhang Xianmin and Mr. So Chun Pong, Ricky, the independent non-executive directors of the Company. The audit committee has reviewed the unaudited condensed consolidated interim financial statements and the interim report of the Group for the six months ended 30 June 2014.

CHANGE IN INFORMATION OF DIRECTORS

The director’s emolument (including any sum receivable as director’s fee or remuneration) per month of Mr. Hui Kee Fung has been renewed to HK\$200,000 with effect on 1 July 2014. Save as disclosed above, there is no other change in information of the directors of the Company to be disclosed pursuant to Rule 13.51(B) of the Listing Rules subsequent to the date of the 2013 annual report of the Company and up to the date of this interim report.

DIRECTORS’ INTERESTS IN SHARES

As at 30 June 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of the Company

Name of director	Number of shares or underlying shares held	Capacity			Approximate percentage of shareholding
		Interest of controlled corporation	Interest of child under 18 or spouse	Beneficial owner	
Hui Kee Fung (Note 1)	155,900,000	153,500,000	–	2,400,000	11.10%
Yu Won Kong, Dennis	117,707,364	–	2,900,000	114,807,364	8.38%
Lam Kit Sun	2,400,000	–	–	2,400,000	0.17%
Cheung Kai Fung	1,800,000	–	–	1,800,000	0.13%
Lam Siu Lun, Simon	1,800,000	–	–	1,800,000	0.13%
Zhang Xianmin	1,800,000	–	–	1,800,000	0.13%

Notes:

- The shares are held by Legend Win Profits Limited. Legend Win Profits Limited is a company incorporated in the British Virgin Islands. The issued share capital of Legend Win Profits Limited is beneficially owned by Hui Kee Fung and Hui's K. K. Foundation Limited as to 38.95% and 5.26%, respectively. Hui's K. K. Foundation Limited is a company incorporated in Hong Kong, limited by guarantee and does not have a share capital. Hui Kee Fung is a registered member and director of Hui's K. K. Foundation Limited.

Save as disclosed above, as at 30 June 2014, none of the directors and the chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' Interests in Shares" above and "Share Option Scheme" below, 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 children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2014, the persons or companies (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the shares of the Company

Name of shareholder	Number of shares or underlying shares held	Capacity		Approximate percentage of shareholding
		Beneficial owner	Interest of child under 18 or spouse	
Legend Win Profits Limited (Note 1)	153,500,000	153,500,000	–	10.93%
Lin Ruiping	123,980,000	123,980,000	–	8.83%
Grand Field Capital Investments Limited	122,248,000	122,248,000	–	8.70%
Ho Siu Lan, Sandy (Note 2)	117,707,364	2,900,000	114,807,364	8.38%
Qiu Hong	75,600,000	75,600,000	–	5.38%

Notes:

1. Details of Legend Win Profits Limited are disclosed in the paragraph headed "Directors' Interests in Shares" of this interim report.
2. Ho Siu Lan, Sandy is the spouse of Yu Won Kong, Dennis, an executive director of the Company.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 336 of the SFO as having interests in 5% or more of the issued share capital of the Company as at 30 June 2014.

SHARE OPTION SCHEME

The Company had adopted a share option scheme (the "Share Option Scheme") on 28 May 2002, which expired on 27 May 2012. Notwithstanding the expiration of the Share Option Scheme, its provisions would remain in force in all respects with respect to the outstanding share options granted under the Share Option Scheme.

Due to the expiry of the Share Option Scheme, the directors of the Company put forward to the shareholders of the Company a proposal to adopt a new share option scheme (the "New Share Option Scheme") on 30 April 2013. The New Share Option Scheme was approved by the shareholders at the annual general meeting held on 31 May 2013. The Company adopted the New Share Option Scheme which became effective on 31 May 2013.

Pursuant to the New Share Option Scheme, the directors may, at their discretion, invite any eligible employees (including executive directors), any non-executive directors, shareholders, suppliers and customers of the Group and any other parties having contributed or may contribute to the development of the Group to take up options to subscribe for the shares.

The following table discloses movements in the outstanding share options granted under the Share Option Scheme during the Period:

Grantee	Date of grant	Number of share options			Exercise period	Exercise price
		Outstanding at 1 January 2014 and 30 June 2014	Exercisable at 30 June 2014			
(Executive Directors)						
Yu Won Kong, Dennis	29 Mar 2012	5,900,000	5,900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	5,900,000	5,900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
Hui Kee Fung	29 Mar 2012	1,200,000	1,200,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	1,200,000	1,200,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
Cheung Kai Fung	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
(Non-executive Director)						
Lam Kit Sun	29 Mar 2012	1,200,000	1,200,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	1,200,000	1,200,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
(Independent Non-executive Directors)						
Lam Siu Lun, Simon	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
Zhang Xianmin	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	900,000	900,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
Employees	19 Jun 2006	9,136,120	9,136,120	1 Jan 2007 to 18 Jun 2016	HK\$0.5080	
	5 Jul 2007	660,000	660,000	1 Jul 2008 to 18 Jun 2016	HK\$3.7000	
	29 Mar 2012	5,000,000	5,000,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3220	
	29 Mar 2012	5,000,000	5,000,000	29 Mar 2012 to 28 Mar 2015	HK\$0.3865	
Total		41,796,120	41,796,120			

Notes:

1. No option was granted under the New Share Option Scheme during the Period.
2. No option was granted, exercised, expired and forfeited under the Share Option Scheme during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, business partners, banks, professional parties and employees of the Group for their continuous support.

By Order of the Board

Kiu Hung Energy Holdings Limited

Hui Kee Fung

Chairman

Hong Kong, 29 August 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	5	70,259	59,825
Cost of sales		(47,030)	(42,516)
Gross profit		23,229	17,309
Other income		711	726
Selling and distribution costs		(13,938)	(10,213)
Administrative expenses		(26,408)	(25,926)
Operating loss		(16,406)	(18,104)
Finance costs		(4,392)	(3,039)
Loss before income tax		(20,798)	(21,143)
Income tax credit/(expense)	6	1,440	(2,741)
Loss for the period	7	(19,358)	(23,884)
(Loss)/profit attributable to:			
– equity holders of the Company		(20,159)	(24,559)
– non-controlling interests		801	675
		(19,358)	(23,884)
		HK cents	HK cents
Loss per share attributable to the equity holders of the Company			
– basic and diluted	9	(1.55)	(2.06)

The notes on pages 17 to 24 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss for the period	(19,358)	(23,884)
Other comprehensive income:		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Surplus on revaluation of properties	1,381	1,358
Deferred income tax arising on revaluation of properties	(824)	(92)
<u>Items that may be reclassified to profit or loss:</u>		
Exchange difference arising from translation of foreign operations	(2,345)	2,967
Total comprehensive loss for the period	(21,146)	(19,651)
Total comprehensive (loss)/income attributable to:		
— equity holders of the Company	(21,947)	(20,326)
— non-controlling interests	801	675
	(21,146)	(19,651)

The notes on pages 17 to 24 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	68,153	67,283
Prepaid land lease payments		4,558	4,659
Investment properties		10,010	10,100
Exploration and evaluation assets	11	145,929	148,312
Other intangible asset		1,064	1,070
Deferred income tax assets		256	353
		229,970	231,777
Current assets			
Inventories		31,672	22,885
Trade receivables	12	18,757	18,510
Prepayments, deposits and other receivables		25,706	8,870
Tax recoverable		1,366	332
Bank and cash balances		19,051	18,710
		96,552	69,307
Total assets		326,522	301,084
Current liabilities			
Trade payables	13	17,818	14,337
Accruals and other payables		36,417	39,344
Tax payable		1,092	366
Borrowings		87,520	76,157
		142,847	130,204
Net current liabilities		(46,295)	(60,897)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	<i>Notes</i>	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Total assets less current liabilities		183,675	170,880
Non-current liabilities			
Deferred income tax liabilities		30,307	31,422
		30,307	31,422
Net assets		153,368	139,458
Equity			
Share capital	14	140,446	119,386
Reserves		4,038	11,989
Equity attributable to equity holders of the Company		144,484	131,375
Non-controlling interests		8,884	8,083
Total equity		153,368	139,458

The notes on pages 17 to 24 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Statutory reserve (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Property revaluation reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non-controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2013	119,386	984,947	3,320	303	99,135	7,570	35,982	(1,055,638)	195,005	6,007	201,012
Total comprehensive (loss)/income for the period	-	-	-	-	2,967	-	1,266	(24,559)	(20,326)	675	(19,651)
Release on forfeiture of share options	-	-	-	-	-	(177)	-	177	-	-	-
Transfer to reserve	-	-	1,681	-	-	-	-	(1,681)	-	-	-
At 30 June 2013	119,386	984,947	5,001	303	102,102	7,393	37,248	(1,081,701)	174,679	6,682	181,361
At 1 January 2014	119,386	984,947	4,371	303	104,311	7,393	39,002	(1,128,338)	131,375	8,083	139,458
Total comprehensive (loss)/income for the period	-	-	-	-	(2,345)	-	557	(20,159)	(21,947)	801	(21,146)
Issue of shares on placement	21,060	13,996	-	-	-	-	-	-	35,056	-	35,056
Transfer to reserve	-	-	23	-	-	-	-	(23)	-	-	-
At 30 June 2014	140,446	998,943	4,394	303	101,966	7,393	39,559	(1,148,520)	144,484	8,884	153,368

The notes on pages 17 to 24 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Net cash outflow from operating activities	(37,621)	(27,517)
Net cash outflow from investing activities	(2,400)	(1,542)
Net cash inflow from financing activities	39,761	15,973
Net decrease in cash and cash equivalents	(260)	(13,086)
Cash and cash equivalents at 1 January	18,603	23,418
Effect of foreign exchange rate changes	708	201
Cash and cash equivalents at 30 June	19,051	10,533

The notes on pages 17 to 24 form an integral part of these condensed consolidated interim financial statements.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 20/F., Hong Kong Diamond Exchange Building, 8-10 Duddell Street, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group is principally engaged in the manufacturing and trading of toys & gifts items and exploration of natural resources.

These unaudited condensed consolidated interim financial statements are presented in HK dollars, unless otherwise stated. These unaudited condensed consolidated interim financial statements were approved by the Board for issue on 29 August 2014.

2 BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Going Concern

At 30 June 2014, the Group's current liabilities exceeded its current assets by approximately HK\$46,295,000 and the Group recorded a loss of approximately HK\$19,358,000 and a net operating cash outflow of approximately HK\$37,621,000 during the period ended 30 June 2014. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- 1) On 18 July 2014, the Company entered into a conditional placing agreement (as amended by three supplemental agreements dated 31 July 2014, 13 August 2014 and 27 August 2014, respectively) in relation to the placing of zero coupon convertible bonds with an aggregate principal amount of up to HK\$112,000,000. For details, please refer to the Company's announcements dated 18 July 2014, 31 July 2014, 13 August 2014 and 27 August 2014.
- 2) The Group is in negotiation with financial institutions/lenders to obtain new borrowings and to extend existing borrowings upon their due dates; and
- 3) The Group is in negotiation with its creditors to extend payment due dates.

Taking into account the above-mentioned measures, the opinion of the directors of the Company with respect to sufficiency of the working capital of the Group remains as stated in the 2013 annual report dated 31 March 2014. Accordingly, the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

2 BASIS OF PREPARATION *(Continued)*

Our ability to successfully implement the above-mentioned measures is subject to various factors, including but not limited to our future operating performance, market conditions and other factors, many of which are beyond our control and cannot be predicted with certainty. In the future, if sufficient funds are unavailable to meet our needs or refinancing cannot be obtained on commercially acceptable terms, if at all, then we may not be able to repay our borrowings, particularly our short-term borrowings, upon maturity. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The unaudited condensed consolidated interim financial statements do not include any of these adjustments.

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2013, except for the adoption of new or revised standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning 1 January 2014. The adoption of these new or revised standards, amendments and interpretations did not result in any substantial changes to the accounting policies of the Group and has no material impact on the Group. In addition, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates 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 judgements 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

The Group has two reportable segments as follows:

Exploration — Exploration of natural resources

Toys and gifts items — Manufacturing and trading of toys and gifts items

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment results do not include corporate finance costs and other corporate income and expenses. Segment assets do not include assets at corporate level. Segment liabilities do not include liabilities at corporate level.

5 SEGMENT INFORMATION *(Continued)*

(a) Information about reportable segment revenue, results and total assets and total liabilities:

	Exploration <i>HK\$'000</i>	Toys and gifts items <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2014 (unaudited):			
Revenue from external customers	–	70,259	70,259
Segment loss	(1,534)	(7,373)	(8,907)
Six months ended 30 June 2013 (unaudited):			
Revenue from external customers	–	59,825	59,825
Segment loss	(2,274)	(12,781)	(15,055)
Total assets:			
30 June 2014 (unaudited)	162,982	157,767	320,749
31 December 2013 (audited)	151,436	149,411	300,847
Total liabilities:			
30 June 2014 (unaudited)	(19,544)	(113,643)	(133,187)
31 December 2013 (audited)	(19,818)	(98,304)	(118,122)

(b) Reconciliation of reportable segment results and total assets:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) <i>HK\$'000</i>
Reconciliation of segment results:		
Total loss of reportable segments	(8,907)	(15,055)
Unallocated amounts:		
Corporate finance costs	(2,502)	(1,556)
Other corporate income and expenses	(7,949)	(7,273)
Loss for the period	(19,358)	(23,884)

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5 SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment results and total assets: *(Continued)*

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Reconciliation of segment assets:		
Total assets of reportable segments	320,749	300,847
Unallocated corporate assets:		
Current assets	5,773	237
Total assets	326,522	301,084

6 INCOME TAX (CREDIT)/EXPENSE

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2013: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax:		
— Hong Kong	(95)	314
— The PRC	282	399
— The United States of America	—	1
Total current tax	187	714
Deferred income tax	(1,627)	2,027
Income tax (credit)/expense	(1,440)	2,741

7 LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	2,678	3,146
Amortisation of prepaid land lease payments	60	59
Amortisation of license rights	6	6
Staff costs (including directors' emoluments):		
Wages and salaries	21,617	18,631
Retirement benefits scheme contributions	878	939
Interest expenses on borrowings wholly repayable within 5 years	4,392	3,039

8 DIVIDEND

The Board has resolved not to pay any interim dividend for the period (2013: Nil).

9 LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the period of approximately HK\$20,159,000 (2013: HK\$24,559,000) and the weighted average of 1,298,323,934 (2013: 1,193,860,934) ordinary shares in issue during the period.

For the six months ended 30 June 2014 and 30 June 2013, the average market price of the Company's ordinary shares was below the exercise price of the outstanding share options. Accordingly, the weighted average number of ordinary share was not adjusted to compute the diluted loss per share for the effect of the share options.

10 PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has acquired property, plant and equipment of approximately HK\$2,409,000 (2013: HK\$1,555,000).

11 EXPLORATION AND EVALUATION ASSETS

During the reporting period, exchange loss of approximately HK\$2,383,000 has been recognised as a result of the translation of foreign operations in the PRC (2013: exchange gain of HK\$3,225,000).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

12 TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

At 30 June 2014 and 31 December 2013, the ageing analysis of trade receivables based on invoice date, net of provision, were as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 30 days	10,635	11,776
31 days to 90 days	7,507	5,658
91 days to 180 days	506	985
181 days to 360 days	88	49
Over 360 days	21	42
	18,757	18,510

13 TRADE PAYABLES

At 30 June 2014 and 31 December 2013, the ageing analysis of trade payables based on invoice date were as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 30 days	14,388	9,690
31 days to 90 days	1,525	1,596
91 days to 180 days	338	2,109
181 days to 360 days	1,441	626
Over 360 days	126	316
	17,818	14,337

14 SHARE CAPITAL

	Note	Number of shares		Ordinary share capital	
		As at 30 June 2014 (Unaudited)	As at 31 December 2013 (Audited)	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Authorised:					
Ordinary shares of HK\$0.1 each		2,000,000,000	2,000,000,000	200,000	200,000
Issued and fully paid:					
At beginning of period/year		1,193,860,934	1,193,860,934	119,386	119,386
Issue of shares on placement	(a)	210,600,000	–	21,060	–
At end of period/year		1,404,460,934	1,193,860,934	140,446	119,386

Note:

- (a) On 18 March 2014, the Company entered into a conditional placing and subscription agreement with a placing agent, Legend Win Profits Limited and Grand Field Capital Investments Limited for (i) the placing of up to an aggregate of 135,000,000 ordinary shares of HK\$0.10 each of the Company to an independent investor at the placing price of HK\$0.175 per share; and (ii) the subscription of up to 135,000,000 new ordinary shares of HK\$0.10 each of the Company by Legend Win Profits Limited and Grand Field Capital Investments Limited at the subscription price of HK\$0.175 per share. Net proceeds of the subscription of 135,000,000 new ordinary shares of the Company (after deducting placing expenses) amounted to approximately HK\$23,100,000.

On 28 April 2014, the Company entered into a conditional placing and subscription agreement with a placing agent and Legend Win Profits Limited for (i) the placing of up to an aggregate of 75,600,000 ordinary shares of HK\$0.10 each of the Company to an independent investor at the placing price of HK\$0.16 per share; and (ii) the subscription of up to 75,600,000 new ordinary shares of HK\$0.10 each of the Company by Legend Win Profits Limited at the subscription price of HK\$0.16 per share. Net proceeds of the subscription of 75,600,000 new ordinary shares of the Company (after deducting placing expenses) amounted to approximately HK\$11,800,000.

All new ordinary shares issued during the reporting period rank *pari passu* in all respects with the existing shares of the Company.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

15 RELATED PARTY TRANSACTIONS

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Product development, sale and marketing services fee paid to a related company	(a)	963	832

Note:

(a) The sole owner of the related company is also the director and beneficial owner of 49% (2013: 49%) equity interest in the Company's subsidiary paying for the services.

16 CAPITAL COMMITMENTS

The Group did not have any capital commitments at the end of the reporting period (2013: HK\$Nil).

17 EVENT AFTER THE REPORTING PERIOD

On 18 July 2014, the Company entered into a conditional placing agreement (as amended by three supplemental agreements dated 31 July 2014, 13 August 2014 and 27 August 2014, respectively) in relation to the placing of zero coupon convertible bonds with an aggregate principal amount of up to HK\$112,000,000. For details, please refer to the Company's announcements dated 18 July 2014, 31 July 2014, 13 August 2014 and 27 August 2014.