



INTERNATIONAL  
STANDARD  
RESOURCES  
標準資源

**INTERNATIONAL STANDARD RESOURCES HOLDINGS LIMITED**

(Stock code : 91)



INTERIM REPORT  
2015



**CORPORATE INFORMATION****DIRECTORS****Executive Directors**

Cheng Wai Keung

Tam Tak Wah

Tsang Ching Man

**Independent Non-Executive Directors**

Albert Saychuan Cheok (*Chairman*)

Chan Tsz Kit

Chan Yim Por Bonnie

Wang Li

**CHIEF EXECUTIVE OFFICER**

Lyu Guoping

**AUTHORISED  
REPRESENTATIVES**

Tam Tak Wah

Tsang Ching Man

**COMPANY SECRETARY**

Tsang Ching Man

**AUDIT COMMITTEE**

Chan Tsz Kit (*Chairman*)

Chan Yim Por Bonnie

Albert Saychuan Cheok

Wang Li

**NOMINATION COMMITTEE**

Albert Saychuan Cheok (*Chairman*)

Chan Tsz Kit

Chan Yim Por Bonnie

Wang Li

**REMUNERATION COMMITTEE**

Chan Yim Por Bonnie (*Chairman*)

Chan Tsz Kit

Albert Saychuan Cheok

Wang Li

**PRINCIPAL BANKERS**

DBS Bank (Hong Kong) Limited

The Bank of East Asia, Limited

**LEGAL ADVISOR**

D.S. Cheung & Co., Solicitors

Lau Kwong & Hung, Solicitors

**AUDITOR**

HLM CPA Limited

*Certified Public Accountants*

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**REGISTERED OFFICE**

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Billion Centre

No. 1 Wang Kwong Road

Kowloon

**SHARE REGISTRARS**

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

**LISTING EXCHANGE**

The Stock Exchange of Hong Kong Limited

Stock code: 91

Warrant stock code: 01407

**COMPANY WEBSITE**

[www.intl-standardresources.com](http://www.intl-standardresources.com)

The Board of Directors (the “**Board**” or “**Directors**”) of International Standard Resources Holdings Limited (the “**Company**”) hereby present the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 (the “**Period**”).

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group’s revenue for the Period was HK\$42,726,000 (2014: HK\$71,538,000), representing a decrease of 40.28%. Such decrease of revenue was due to the significant decrease of contribution from electronic components business which resulted from the slowdown of retail market as a whole since late 2014. The revenue generated by the sale of electronic components decreased by 40.63% from HK\$69,914,000 in 2014 to HK\$41,510,000 in 2015, representing 97.15% of the Group’s revenue. The coalbed methane exploration and exploitation operating subsidiary and the treasury segment contributed HK\$1,076,000 (2014: HK\$1,510,000) and HK\$140,000 (2014: HK\$114,000) to the Group in 2015, representing 2.52% and 0.33% of the Group’s revenue respectively. The Group recorded a gross profit of HK\$1,764,000 (2014: HK\$2,667,000).

The Group’s loss for the Period was HK\$21,287,000 (2014: HK\$124,035,000). Substantial part of Group’s performance was mainly due to the accounting treatments of various items, such as amortisation of the production sharing contract amounted to HK\$53,834,000 (2014: HK\$53,189,000), gain on restructuring of convertible notes amounted to HK\$19,705,000 (2014: Nil), fair value gain on convertible notes’ embedded derivatives amounted to HK\$8,629,000 (2014: loss of HK\$19,728,000), imputed interest on convertible notes amounted to HK\$33,295,000 (2014: HK\$40,868,000), imputed interest on bonds amounted to HK\$4,783,000 (2014: Nil), net gain on revaluation of financial assets at fair value through profit or loss amounted to HK\$42,704,000 (2014: loss of HK\$3,396,000), gain on disposal of financial assets at fair value through profit or loss amounted to HK\$7,939,000 (2014: HK\$74,000), net exchange gain amounted to HK\$6,208,000 (2014: loss of HK\$1,747,000) and the deferred tax credit amounted to HK\$4,199,000 (2014: HK\$13,297,000). The aggregate net result of the abovementioned accounting loss for 2015 was HK\$2,528,000 (2014: HK\$105,557,000). The accounting profit and loss mentioned above did not have actual impact on the cashflow position of the Group.

For comparison purpose, the loss after tax for 2015 and 2014, if excluding those accounting profit and loss, was HK\$18,759,000 and HK\$18,478,000 respectively.

The Group recorded a loss attributable to owners of the Company of approximately HK\$21,015,000 (2014: HK\$123,827,000), and basic and diluted loss per share was approximately HK0.48 cents (2014: HK3.43 cents). The Directors do not recommend the payment of a dividend in respect of the Period.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2015, the Group had current assets of HK\$337,044,000 (31 December 2014: HK\$249,027,000) and current liabilities of HK\$66,972,000 (31 December 2014: HK\$823,589,000) and cash and bank balances of HK\$113,570,000 (31 December 2014: HK\$109,932,000). The Group's current ratio, being a ratio of current assets to current liabilities, was approximately 503.26% (31 December 2014: 30.24%). The restructuring of the convertible notes falling due on 31 December 2015 proposed and completed in early 2015 improved current ratio as at 30 June 2015.

The Group's gearing ratio, being a ratio of net debt to total capital, was approximately 33.58% (31 December 2014: 35.64%). Net debt is calculated as total borrowings, as shown in the consolidated statement of financial position, less cash and bank balances. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

In January 2015, convertible notes with principal amount of HK\$40,000,000, which were carried with embedded derivatives portion of HK\$8,523,240 and liability portion of HK\$35,523,075, were converted into 333,333,333 new shares of the Company at a conversion price of HK\$0.12 per share.

During the Period, 151,566,730 new ordinary shares were issued upon the exercise of 151,566,730 units of the bonus warrants. Net proceeds of approximately HK\$53,049,000 were raised upon the exercise of the bonus warrants. The net proceeds will be applied towards general working capital of the Group, repayment of part of the convertible notes and potential investments to be identified.

During the Period, the Company issued three-year bonds with an aggregate principal amount of HK\$24,000,000 with interest rate of 6% per annum. The net proceeds are intended to be used for the development of coalbed methane business carried out in the contract area; and/or repayment of the whole or part of the convertible notes issued by the Company; and/or the general working capital of the Group as well as future business development.

The Group will constantly review its financial resources and consider various plans to enhance its financial capabilities. The Group believes that to broaden its shareholders base would provide a solid ground for the Group to grow.

## **BONUS WARRANTS**

On 27 November 2014, the Company issued a total of 542,543,940 bonus warrants on the basis of two warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these bonus warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 new ordinary shares at an initial subscription price of HK\$0.35 per share (subject to adjustment).

During the Period, 151,566,730 new ordinary shares were issued upon the exercise of 151,566,730 units of the bonus warrants and net proceeds of approximately HK\$53,049,000 were raised. As at 30 June 2015, 390,638,773 units of the bonus warrants remained outstanding.

Subsequent to 30 June 2015 and up to the approval date of these condensed consolidated financial statements, 768 new ordinary shares were issued upon the exercise of the bonus warrants and net proceeds of HK\$268.80 were raised.

## **RESTRUCTURING OF CONVERTIBLE NOTES DUE 2015 AND ISSUE OF NEW CONVERTIBLE NOTES DUE 2018**

On 5 February 2015, the Company entered into the convertible notes restructuring agreement with New Alexander Limited (the “**Noteholder**”), pursuant to which the Noteholder agreed to a consensual restructuring of its rights and obligations under the convertible notes due 31 December 2015 (the “**Convertible Notes Restructuring Agreement**”). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 12 March 2015, the special mandate for the issue of the new convertible notes with principal amount of HK\$637,000,000 and bearing interest at 2% per annum due 2018 upon completion of the Convertible Notes Restructuring Agreement and issue and allot of the conversion shares was approved. All the conditions precedent under the Convertible Notes Restructuring Agreement were fulfilled and the completion took place on 20 March 2015.

## **PROPOSED OPEN OFFER**

On 30 July 2015, the Company proposed to raise not less than approximately HK\$191.28 million and not more than approximately HK\$207.69 million, before expenses, by issuing not less than 1,138,579,513 offer shares and not more than 1,236,239,206 offer shares to the shareholders by way of open offer on the basis of one offer share for every four existing shares held on the record date (which is expected to be on 16 September 2015). Net proceeds from the open offer will be utilised for the repayment of debts and the general working capital of the Group.

## COMMITMENTS

Details of the commitments of the Group are set out in note 22.

## EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

The Group mainly operated in Hong Kong and the People's Republic of China (the "PRC") with most of the transactions settled in Hong Kong dollars, Renminbi and United States dollars; the existing currency peg of Hong Kong dollars with United States dollars will likely continue in the near future, the exposure to foreign exchange fluctuation is minimal.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CONTINGENCIES

Save as disclosed in note 23, the Group had no other contingencies as at 30 June 2015.

## LITIGATION

The Group had on various dates since January 2011 placed an aggregate amount of HK\$85,000,000 (the "Escrow Sum") with a solicitor firm in Hong Kong, namely, K & L Gates, as an escrow agent (the "Escrow Agent"), of which HK\$35,000,000 was intended to be used as earnest moneys to facilitate negotiation with a potential seller of a project for future investments, and under the money lending business of a subsidiary of the Group, a sum of HK\$25,000,000 was advanced to a borrower as a loan which was agreed to be held in escrow by the Escrow Agent in January and a further sum of HK\$25,000,000 was also advanced to a borrower as a loan in April held in escrow by the Escrow Agent.

As the entire Escrow Sum had fallen due and became payable to the Group on 24 June 2011, despite the Group's repeated requests to K & L Gates for the release of the Escrow Sum, the Group had not received the Escrow Sum. In early July of 2011, the Group, through its solicitors, took out three separate writs of summons against K & L Gates, claiming for, among other things, the return of the aforementioned three sums which amounted to the Escrow Sum, plus interest and cost. The Group had filed statements of claims and will pursue the cases vigorously.

The Directors are of the opinion, based on the legal advice sought, that the Escrow Sum can be recovered in full.

Save as disclosed above, so far as known to the Directors, there was no other litigation, arbitration or claim of material importance in which the Group is engaged or pending or which was threatened against the Group.

### **CHARGED ON ASSETS**

The short-term bank deposits, amounted to HK\$180,000, have been pledged as securities for banking facilities granted to the Group as at 30 June 2015.

### **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in note 26, the Group had no other material event after the reporting period.

### **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2015, the Group had 68 employees, of which 19 were in Hong Kong and 49 were in the PRC. Employee remuneration policy of the Group is reviewed periodically and is determined based on performance of the Group and employees' responsibilities, qualifications and performances. Remuneration packages comprised basic salary, discretionary bonus, medical schemes, share options, mandatory provident fund schemes for Hong Kong employees and the state-managed employee pension schemes for employees in the PRC.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES**

The Group had no material acquisition and disposal of subsidiaries during the Period.

### **BUSINESS REVIEW**

#### **Coalbed Methane (“CBM”) Business**

CBM is a kind of quality, clean and efficient natural gas existing in coal mines. With the development and utilisation plan of CBM become crystallised, it has not only brought positive effect on the prevention of coal mine accidents and reduced air pollution, but also helped to alleviate the problem of energy shortage and secured the provision of clean energy.

The Group, through its wholly-owned subsidiary, Canada Can-Elite Energy Limited (“**Can-Elite**”) explores, develops and produces CBM in Anhui Province. Pursuant to the Production Sharing Contract (the “**PSC**”) entered into between Can-Elite and China United Coalbed Methane Corporation Limited (“**China United**”), a state-owned company specialised in CBM business established with the approval from the State Council of the People's Republic of China, in which China National Offshore Oil Corporation holds 70% of its equity interest, Can-Elite can exploit the coalbed methane resources in a total

exploration area of approximately 356.802 square kilometers, which was subsequently expanded to 567.843 square kilometers, located in Su'nan area, Anhui Province (the “**Contract Area**”; Su'nan Block and Luling Block) in the PRC, for a term of 30 years with effect from 1 April 2008. The profit sharing ratio between Can-Elite and China United is 70:30.

During the Period, to facilitate the development plans prepared by China United, Can-Elite conducted experimental design and research works on new drilling proposals. Preparatory works for testing of the pair of U-shaped horizontal wells have now been essentially accomplished (i.e. selection of site location, workforce and proposals), thus, drillings can be envisaged to begin in September. After adequate data is collected from experimental wells, Can-Elite will proceed into the tasks of formulating development plans, compiling feasibility reports, designing of works and seeking project approvals, so as to realise full production.

To achieve successful progress of the development, on 31 July 2015, the Group, through Can-Elite, entered into the Strategic Cooperation Framework Agreement on Sunan Coalbed Gas Integrated Development Project with Suzhou Municipal People's Government (“**Suzhou People's Government**”), pursuant to which, Suzhou People's Government shall support Can-Elite's expansion of its coalbed gas integrated development project and strengthen coordination of projects with external parties with a view to getting the project to be included under the state and provincial related energy development planning. In addition, it shall timely establish the project coordination entity; assist Can-Elite in executing the project construction conditions; and provide support and assistance in the areas of acquiring land for construction and environmental protection to create a sound investment and operating environment for Can-Elite.

Simultaneously, to ensure the sales of gas yielded from the block are made in a timely and efficient manner, on 31 July 2015, Can-Elite also entered into the Investment Cooperation Agreement on Coalbed Gas Development and Utilisation Project with Suzhou Municipal Development and Reform Commission (“**Suzhou DRC**”), pursuant to which, Suzhou DRC has agreed and shall support Can-Elite's construction of a primary station and certain ancillary stations for coalbed gas filling within Suzhou and will actively assist Can-Elite in implementing site selection for project development and coordinating all relevant permit procedures for the processing and utilisation of coalbed gas produced from the exploration wells. Furthermore, the Group has initiated preliminary communications with several target customers and formed the intent to collaborate. Upon all permits and licences are in place, sales programme will be launched.



During the Period, the Group has deployed nine more exploration wells in Su'nan Block; all of which have finished fracturing operation and kicked off the process of drainage and collection. To date, there has been gas yield from four of them. At the same time, to facilitate the preparation of reserve report of the block where the nine wells are located, drilling of one parametric well was finished during the Period. Proven reserves across the area of 30 to 50 square kilometers within Su'nan Block are expected to be obtained through these ten wells. At present, the Group has entered into negotiation with China United and started the preparatory works for preparing reserve reports, the draft of which is targeted to be submitted by the end of this year. In addition, the exploration report on the 2D seismic survey carried out across an area of 110 square kilometers deep down in Su'nan Block is completed, which will provide data support for exploring further proven reserves in the area.

In late July 2015, executive directors and senior management of the Group reached out to Suzhou where the project is located, to visit the government and the relevant authorities. Meanwhile, on-site inspection was conducted and comments on next step of development were shared with the government officials.

As at the end of the Period, the Group drilled a total of 28 exploration wells, 7 of which have commenced production.

Under the exploration stage, the CBM business contributed about HK\$1,076,000 (2014: HK\$1,510,000) of the revenue in the Period. A loss of HK\$63,777,000 (2014: HK\$125,221,000) was recorded mainly resulting from the amortisation of PSC of HK\$53,834,000 (2014: HK\$53,189,000) and the imputed interest on convertible notes of HK\$33,295,000 (2014: HK\$40,868,000).

### **Electronic Components Business**

In view of the slowdown of retail market in electronic components, the revenue generated from this segment dropped significantly to HK\$41,510,000, which represent a 40.63% decrease as compared to the corresponding period in 2014. The Group will regularly review the range of products distributed to confront with the increasingly difficult business environment so as to generate stable revenue and higher return.

### **Treasury Business**

The treasury business includes securities trading and money lending business.

The Group adopts a prudent approach for all its investments with the view for short to medium term profit. The investment market sentiment has been rebound during the first half of the year. Taking advantage of the booming stock markets, the Group has invested surplus funds in certain securities listed in Hong Kong. As at 30 June 2015, the Group held an investment portfolio with market value of approximately HK\$106,796,000.

For the Period, a profit of HK\$50,643,000 (2014: loss of HK\$3,322,000) is recorded mainly due to the gain on disposal and net gain on revaluation of the financial assets at fair value through profit or loss. The management will monitor the stock markets closely and keep looking for opportunities of realising the investment gains.

The Group carries its money lending business by providing both corporate and personal loans that were secured or unsecured. Strict internal policy for granting and on-going review of the loan is established so as to ensure the business risk is manageable. Moreover, to meet the statutory requirements and to cope with the complexity of business environment, regular review and updates of internal policy is performed.

Due to the new countercyclical measures for property mortgage loans introduced by the Hong Kong Monetary Authority in February 2015 (i.e. to lower the maximum loan-to-value ratio by 10 percentage points), the demand for second mortgage will probably be increased and benefit the Group. For the Period, revenue generated from this segment (i.e. interest income) amounted to approximately HK\$140,000.

### **PROSPECTS**

Amongst all kinds of energy, natural gas is gaining popularity in the global market. In the future, demand for natural gas will be growing in the PRC; the tight supply and demand of natural gas which will persist. Despite the slower economic growth in the PRC, the dropping of international crude oil and coal prices as well as the slowdown in growth of demand on natural gas which pose positive impacts on the balance of demand and supply, the external dependency of natural gas was improved. According to the statistical data published by the relevant authorities, the external dependency for 2014 was 32.4%, representing an increase of 1.2 percentage points when compared to that of the last year. Imported gas prices and the price difference to gasoline are factors of restraining the fall of non-resident natural gas price in the PRC.

The Central People's Government of the PRC is paying ever-more attention to the development and utilisation of CBM. In the PRC's "Report on the Work of the Government" for 2015, Premier Li Keqiang reiterated the need to vigorously develop shale gas and CBM. Government at all levels take supporting and encouraging measures in respect of policy planning, pricing and preferential tax treatment, ancillary facilities, etc. In order to resolve and control environmental pollution, especially the continued severe smog problem, the State Council of the PRC issued the "Air Pollution Prevention and Control Action Plan" stating clear policies and measures to strongly promote the use of clean energy, including natural gas, and to accelerate the implementation of "replacing coal by natural gas" project. The National Development and Reform Commission of the PRC and the National Energy Administration of the PRC formulate the "12th Five-Year Plan on Natural Gas Development". According to the "CBM Exploration and Development Action Plan" recently issued by the National Energy Administration of the PRC, by 2020: (i) the proven geological reserve of CBM in the PRC will be increased by one trillion cubic meters; (ii) the drainage and collection capacity for CBM (coal gas) will reach 40 billion cubic meters, with almost full utilisation of 20 billion cubic meters from above-ground reserve and an utilisation rate of over 60% for 20 billion cubic meters from coal gas drainage; and (iii) three to four industry bases for CBM industry will be constructed, and in key coal mining areas, coal mining and gas production will be conducted simultaneously. It is expected that in the next three to five years or even a longer period, the increase in demand for natural gas will accelerate especially in Eastern PRC and coastal region that are covered by the Contract Area. The demand for natural gas is the most prominent and features with strong pricing advantages.

For the above reason, the reasonable development and utilisation over the Contract Area can satisfy the increasing market demand for natural gas in the PRC, and at the same time bring a higher return to the Group.

In the second half of the year, the Group will continue accelerating the CBM projects with China United and strive to make breakthrough in key areas.

In respect of the exploration in Su'nan Block, focus will be put on the drilling of the additional proven reserves in certain areas, as well as to investigate the overall geological conditions and potential resources. To this end, the ten exploration wells and the parametric well in completion will be drawn on to prepare reserve reports as required in an attempt to extend the proven reserves coverage to an area of 30 to 50 square kilometers. After reviewing the first round of drilling, exploration and gas production, and considering the results of seismic exploration deep under Su'nan Block, the Group will decide on a new round of exploration well deployment with specific locations and

designated quantities. The effective coal area within Su'nan Block will be larger than 200 square kilometers, representing more than nine times of the areas with proven reserves in Luling Block (23 square kilometers). As Su'nan Block is adjacent to Luling Block, the geological conditions are similar. The information gathered from drilling work has shown that the potential of natural gas resource in Su'nan Block is huge and worth expecting.

In respect of the development of Luling Block, as per the request from China United, new drilling methods will be tested prior to the preparation and submission of the development plan. Preparation of development plan will be commenced once the testing results are satisfactory. In the meantime, trial sales programme will be launched so as to solidify the foundation of mass sales of gas in the future. On the other hand, the Group will continue to fulfil its duties regarding the maintenance, repair, drainage, collection and safety functions for the existing drilling wells within the area.

In the coming years, the Group will continue to fulfill the duties as stipulated in the contract entered into with China United, and to transform exploration to commercial development and production in a well-organised manner so as to meet the profit target quickly.

Meanwhile, Can-Elite and Shenzhen Clouds Energy Technology Limited, another wholly-owned subsidiary of the Group, will further strengthen the scientific and technological innovation and the building of elite team to generate technological advantages in the industry.

At the same time, the Group will closely monitor the development of its treasury business and electronic components business for a reasonable application of the Group's resources to benefit the Group and its shareholders.

## DIRECTORS' INTERESTS IN CONTRACT

There is no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2015, the interests and short positions of each Director 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")), as recorded in the register maintained by the Company under Section 352 of the SFO or as 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 Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### Long positions in shares of the Company

Name of Director/ Chief Executive	Nature of interest	Number of shares	Number of underlying shares	Percentage
Albert Saychuan Cheok	Beneficial	550,000	73,333	0.01%
Lyu Guoping	Beneficial	500,000	16,666	0.01%

Save as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2015, the interests and short positions of the substantial shareholders (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and required to be kept in the register under section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares	Number of underlying shares	Percentage
Che Weng Kei	Beneficial/Corporate	421,550,000	–	9.25%
Leung Yuk Kit ( <i>Note 1</i> )	Corporate	577,755,000	62,000,000	14.04%
New Alexander Limited ( <i>Note 2</i> )	Beneficial	–	5,308,333,333	116.55%
Woode Investment Limited ( <i>Note 3</i> )	Beneficial	996,049,583	88,362,166	23.81%

### Notes:

- (1) Leung Yuk Kit's interest are held through two wholly-owned companies, namely Good Max Holdings Limited and Kingston International Capital Limited.
- (2) New Alexander Limited is interested in the convertible notes convertible into shares issued by the Company due in 2018 in an aggregate outstanding principal amount of HK\$637,000,000 as at 30 June 2015.
- (3) Woode Investment Limited (formerly known as Smart Dragon Global Limited) is 100% owned by Woody Yeung.

Save as disclosed above, as at 30 June 2015, the Company has not been notified of any other interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 if the SFO.

## CORPORATE GOVERNANCE

The Company had complied with the Corporate Governance Code (the "CG Code") in Appendix 14 to the Main Board Listing Rules throughout the Period with the following major deviations:

**Non-executive directors (Deviation from Code Provision A.4.1)**

Under the code provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. None of the existing independent non-executive directors (the “INEDs”) of the Company is appointed for a specific term. This constitutes a deviation from the code provision A.4.1. However, more than one-third of the directors (including executive and non-executive) are subject to retirement by rotation at each annual general meeting under the Company’s Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

**Attendance of non-executive directors at General Meetings (Deviation from Code Provision A.6.7)**

Under the code provision A.6.7, INEDs and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other overseas commitment, Mr. Wang Li, an INED, did not attend the extraordinary general meeting of the Company held on 12 March 2015 which constitutes a deviation from the code provision A.6.7 during the Period. However, at the respective general meeting of the Company, there were executive directors and INEDs present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company.

**CHANGES REGARDING THE DIRECTORS OR SUPERVISOR**

The changes regarding the Directors or supervisor as required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules are set out below:

- (1) Mr. Albert Saychuan Cheok was appointed as an independent non-executive director of China Aircraft Leasing Group Holdings Limited, the securities of which are listed on the Main Board of the Stock Exchange, on 8 May 2015. Furthermore, Mr. Cheok was resigned as an independent non-executive director of Metal Reclamation Berhad, a public listed company in Malaysia, on 17 June 2015.
- (2) Mr. Tam Tak Wah was appointed as an executive director of Mission Capital Holdings Limited, the securities of which are listed on the Main Board of the Stock Exchange, on 20 July 2015.

## **MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS**

The Company has adopted a code of conduct regarding the Directors' securities transactions on exactly the terms and required standard contained in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions throughout the Period.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES IN THE COMPANY**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities in the Company during the Period.

## **SHARE OPTION SCHEME**

The share option scheme of the Company adopted on 29 December 2004 was terminated by the shareholders of the Company at the Company's extraordinary general meeting held on 11 November 2014 before its expiration on 28 December 2014. The Company operates a share option scheme (the "Scheme") approved by the shareholders on 11 November 2014, under which the directors of the Company may, at their discretion, offer any eligible participants (including any directors) of the Company or of any of its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. For each lot of the share options granted, the participants will pay a nominal consideration of HK\$1. The period within which the shares must be taken up under an option is determined by the board of directors of the Company from time to time, except that such period shall not exceed ten years from the date of grant of the options.

The exercise price of the share options is determinable by the directors, that it shall be at least the higher of (i) the closing price of the Company's shares on the Stock Exchange on that date of grant of share options; and (ii) the average Stock Exchange's closing price of the Company's shares for the five business days immediately preceding the date of the grant.

The maximum number of shares of the Company issuable upon exercise of all share options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at 11 November 2014. This limit can be refreshed by the shareholders of the Company in a general meeting in accordance with the provisions of the Listing Rules. The maximum number of shares issuable under share options granted to each eligible participant under the Scheme within any twelve-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.



There were no share options granted and exercised during the six months ended 30 June 2015. There were no share options outstanding as at 30 June 2015.

As at the date of the annual report, 25 March 2015, the total number of shares available for issue under the Scheme is 406,907,955 shares, representing approximately 9.24% of issued shares of the Company. As at 30 June 2015, the total number of shares available for issue under the Scheme is 406,907,955 shares, representing approximately 8.93% of issued shares of the Company.

### **REVIEW OF INTERIM RESULTS**

The unaudited interim results for the Period have been reviewed by the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises all the INEDs including Mr. Chan Tsz Kit, Mr. Chan Yim Por Bonnie, Mr. Albert Saychuan Cheok and Mr. Wang Li.

The unaudited condensed consolidated financial statements has been reviewed by the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

### **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to take this opportunity to express my sincere thanks to our shareholders for their support and to our staff for their contributions and diligence during the Period.

By order of the Board  
**International Standard Resources Holdings Limited**  
**Albert Saychuan Cheok**  
*Chairman*

Hong Kong, 26 August 2015

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

恒健會計師行有限公司

**HLM CPA LIMITED**

**Certified Public Accountants**

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### TO THE BOARD OF DIRECTORS OF INTERNATIONAL STANDARD RESOURCES HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability)*

#### INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 48, which comprises the consolidated statement of financial position of International Standard Resources Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2015, and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**HLM CPA Limited**

*Certified Public Accountants*

**Ho Pak Tat**

*Practising Certificate Number: P05215*

Hong Kong

26 August 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2015*

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>30 June</b>	30 June
		<b>2015</b>	2014
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<b>42,726</b>	71,538
Cost of sales		<b>(40,962)</b>	(68,871)
Gross profit		<b>1,764</b>	2,667
Other income		<b>1,722</b>	581
Other gains or losses	4	<b>85,185</b>	(24,797)
Administrative expenses		<b>(22,211)</b>	(21,694)
Amortisation of production sharing contract		<b>(53,834)</b>	(53,189)
<b>Profit (loss) from operations</b>		<b>12,626</b>	(96,432)
Finance costs	5	<b>(38,078)</b>	(40,868)
<b>Loss before tax</b>	6	<b>(25,452)</b>	(137,300)
Income tax	7	<b>4,165</b>	13,265
<b>Loss for the period</b>		<b>(21,287)</b>	(124,035)
Attributable to:			
Owners of the Company		<b>(21,015)</b>	(123,827)
Non-controlling interests		<b>(272)</b>	(208)
		<b>(21,287)</b>	(124,035)
<b>Loss per share</b>	9		
Basic and diluted (HK cents per share)		<b>(0.48)</b>	(3.43)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited	
	Six months ended	
	30 June 2015 <i>HK\$'000</i>	30 June 2014 <i>HK\$'000</i>
<b>Loss for the period</b>	<b>(21,287)</b>	(124,035)
<b>Other comprehensive income (expense)</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<b>13,644</b>	(30,631)
Other comprehensive income (expense) for the period, net of income tax	<b>13,644</b>	(30,631)
<b>Total comprehensive expenses for the period</b>	<b>(7,643)</b>	(154,666)
Attributable to:		
Owners of the Company	<b>(7,371)</b>	(154,458)
Non-controlling interests	<b>(272)</b>	(208)
	<b>(7,643)</b>	(154,666)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2015

	<i>Notes</i>	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	93,829	69,994
Intangible assets	11	2,530,781	2,565,708
Available-for-sale financial assets		1,000	1,000
		<u>2,625,610</u>	<u>2,636,702</u>
<b>Current assets</b>			
Loan receivables	12	7,132	–
Financial assets at fair value through profit or loss	13	106,796	38,592
Trade and other receivables	14	109,546	100,503
Pledged bank deposits		180	180
Cash and cash equivalents		113,390	109,752
		<u>337,044</u>	<u>249,027</u>
<b>Current liabilities</b>			
Other borrowing, unsecured	15	14,083	14,431
Convertible notes-liability portion, unsecured	16	–	593,767
Convertible notes-embedded derivatives, unsecured	16	–	165,285
Trade and other payables	17	49,594	46,811
Tax payable		3,295	3,295
		<u>66,972</u>	<u>823,589</u>
<b>Net current assets (liabilities)</b>		<u>270,072</u>	<u>(574,562)</u>
<b>Total assets less current liabilities</b>		<u>2,895,682</u>	<u>2,062,140</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (Continued)

At 30 June 2015

	<i>Notes</i>	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
<b>Non-current liabilities</b>			
Bonds	18	105,672	79,289
Convertible notes-liability portion, unsecured	16	461,959	–
Convertible notes-embedded derivatives, unsecured	16	255,219	–
Deferred tax liabilities	19	641,955	641,427
		<u>1,464,805</u>	<u>720,716</u>
<b>Net assets</b>		<u>1,430,877</u>	<u>1,341,424</u>
<b>Capital and reserves</b>			
Share capital	20	1,649,529	1,552,433
Reserves		(215,219)	(207,848)
Equity attributable to owners of the Company		1,434,310	1,344,585
Non-controlling interests		(3,433)	(3,161)
<b>Total equity</b>		<u>1,430,877</u>	<u>1,341,424</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2015*

	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Shares to be issued	Capital redemption reserve	Special capital reserve	Other capital reserve	Warrant reserve	Exchange reserve	Accumulated losses	Total		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 January 2014	73,589	1,413,455	-	5,318	579,799	1,805	21,007	293,705	(876,646)	1,512,032	(2,489)	1,509,543
Loss for the period	-	-	-	-	-	-	-	-	(123,827)	(123,827)	(208)	(124,035)
Other comprehensive expense												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(30,631)	-	(30,631)	-	(30,631)
Other comprehensive expense for the period	-	-	-	-	-	-	-	(30,631)	-	(30,631)	-	(30,631)
Total comprehensive expenses for the period	-	-	-	-	-	-	-	(30,631)	(123,827)	(154,458)	(208)	(154,666)
Issue of shares upon exercise of warrants	5,808	32,830	-	-	-	-	(9,598)	-	-	29,040	-	29,040
Shares to be issued upon exercise of warrants	-	-	9,925	-	-	-	-	-	-	9,925	-	9,925
Transfer upon expiration of warrants	-	-	-	-	-	-	(8,128)	-	8,128	-	-	-
Transition to no-par value regime	1,451,603	(1,446,285)	-	(5,318)	-	-	-	-	-	-	-	-
At 30 June 2014 (Unaudited)	1,531,000	-	9,925	-	579,799	1,805	3,281	263,074	(992,345)	1,396,539	(2,697)	1,393,842



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** *(Continued)**For the six months ended 30 June 2015*

	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Shares to be issued	Capital redemption reserve	Special capital reserve	Other capital reserve	Warrant reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	1,552,433	-	-	-	579,799	-	-	285,427	(1,073,074)	1,344,585	(3,161)	1,341,424
Loss for the period	-	-	-	-	-	-	-	-	(21,015)	(21,015)	(272)	(21,287)
Other comprehensive income												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	13,644	-	13,644	-	13,644
Other comprehensive income for the period	-	-	-	-	-	-	-	13,644	-	13,644	-	13,644
Total comprehensive income (expenses) for the period	-	-	-	-	-	-	-	13,644	(21,015)	(7,371)	(272)	(7,643)
Issue of shares upon exercise of warrants	53,049	-	-	-	-	-	-	-	-	53,049	-	53,049
Issue of shares upon conversion of convertible notes	44,047	-	-	-	-	-	-	-	-	44,047	-	44,047
At 30 June 2015 (Unaudited)	<u>1,649,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>579,799</u>	<u>-</u>	<u>-</u>	<u>299,071</u>	<u>(1,094,089)</u>	<u>1,434,310</u>	<u>(3,433)</u>	<u>1,430,877</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2015*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Operating activities</b>		
Cash used in operations	(42,139)	(15,116)
Income tax paid	(30)	(17)
Interest received	338	–
<b>Net cash used in operating activities</b>	<b>(41,831)</b>	<b>(15,133)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(25,235)	(2,091)
Other cash flows generated from (used in) investing activities	280	(10,538)
<b>Net cash used in investing activities</b>	<b>(24,955)</b>	<b>(12,629)</b>
<b>Financing activities</b>		
Proceeds from issue of shares upon exercise of warrants	53,049	38,964
Proceeds from issue of bonds	21,600	–
Interest paid	(2,788)	(6,826)
Repayment of other borrowing	(456)	(852)
<b>Net cash generated from financing activities</b>	<b>71,405</b>	<b>31,286</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,619</b>	<b>3,524</b>
Cash and cash equivalents at beginning of period	109,752	42,080
Effect of foreign exchange rate changes	(981)	1,509
Cash and cash equivalents at end of period	<b>113,390</b>	<b>47,113</b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). It was authorised for issue on 26 August 2015.

The unaudited condensed consolidated financial statements has been prepared in accordance with the same accounting policies in the Group’s audited financial statements for the year ended 31 December 2014, except for the accounting policy changes that are expected to be reflected in the audited financial statements for the year ended 31 December 2015. Details of the changes in accounting policies are set out in note 2.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2014. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”). They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2014.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19  
Amendments to HKFRSs  
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions  
Annual Improvements to HKFRSs 2010–2012 Cycle  
Annual Improvements to HKFRSs 2011–2013 Cycle

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (*Continued*)

### New and revised HKFRSs issued but not yet effective

The Group has not applied the following new and revised HKFRSs, those have been issued but are not yet effective, in these interim financial statements:

Amendments to HKFRSs HKFRS 9	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup> Financial Instruments <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>2</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>2</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>2</sup>

<sup>1</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors of the Company anticipate that the application of these new or revised standards, amendments will have no material impact on the condensed consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

(a) **Revenue**

An analysis of the amount of each significant category of revenue from principal activities during the period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of electronic components	<b>41,510</b>	69,914
Sale of coalbed methane products	<b>1,076</b>	1,510
Interest income from money lending	<b>140</b>	114
	<b>42,726</b>	71,538

(b) **Segment information**

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, who are also the executive directors of the Company for the purpose of resources allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Electronic components
- Coalbed methane
- Treasury (i.e. securities trading and money lending)

(i) **Segment results**

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "segment result". Segment result includes the operating profit generated by the segment and finance costs directly attributable to the segment, without allocation of head office or corporate administration costs. Income tax is not allocated to reportable segment.

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information (Continued)

##### (i) Segment results (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below:

#### Six months ended 30 June 2015 (Unaudited)

	Electronic components <i>HK\$'000</i>	Coalbed methane <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Reportable segment revenue from external customers</b>	<b>41,510</b>	<b>1,076</b>	<b>140</b>	<b>42,726</b>
<b>Reportable segment results</b>	<b>(699)</b>	<b>(63,777)</b>	<b>50,154</b>	<b>(14,322)</b>
Amortisation of production sharing contract	–	53,834	–	53,834
Depreciation	19	1,469	50	1,538
Interest expenses	–	33,295	–	33,295
Gain on restructuring of convertible notes	–	(19,705)	–	(19,705)
Fair value change of convertible notes – embedded derivatives	–	(8,629)	–	(8,629)
Gain on disposal of financial assets at fair value through profit or loss	–	–	(7,939)	(7,939)
Net gain on revaluation of financial assets at fair value through profit or loss	–	–	(42,704)	(42,704)
Other income	(29)	(1,077)	(280)	(1,386)

### 3. REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) Segment information (Continued)

##### (i) Segment results (Continued)

Six months ended 30 June 2014 (Unaudited)

	Electronic components <i>HK\$'000</i>	Coalbed methane <i>HK\$'000</i>	Treasury <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue from external customers	69,914	1,510	114	71,538
Reportable segment results	(377)	(125,221)	(4,351)	(129,949)
Amortisation of production sharing contract	–	53,189	–	53,189
Depreciation	19	3,512	70	3,601
Interest expenses	–	40,868	–	40,868
Fair value change of convertible notes – embedded derivatives	–	19,728	–	19,728
Gain on disposal of financial assets at fair value through profit or loss	–	–	(74)	(74)
Net loss on revaluation of financial assets at fair value through profit or loss	–	–	3,396	3,396
Other income	(52)	(147)	(256)	(455)

##### (ii) Reconciliations of reportable segment profit or loss

	Unaudited Six months ended	
	30 June 2015 <i>HK\$'000</i>	30 June 2014 <i>HK\$'000</i>
Reportable segment loss	(14,322)	(129,949)
Other income	336	126
Other gains or losses	6,208	(1,747)
Unallocated head office and corporate expenses	(12,891)	(5,730)
Interest expenses	(4,783)	–
Consolidated loss before tax	(25,452)	(137,300)

## 4. OTHER GAINS OR LOSSES

	Unaudited	
	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Fair value change of convertible notes – embedded derivatives	8,629	(19,728)
Gain on restructuring of convertible notes	19,705	–
Gain on disposal of financial assets at fair value through profit or loss	7,939	74
Net gain (loss) on revaluation of financial assets at fair value through profit or loss	42,704	(3,396)
Net foreign exchange gain (loss)	6,208	(1,747)
	<u>85,185</u>	<u>(24,797)</u>

## 5. FINANCE COSTS

	Unaudited	
	Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Interest expenses on borrowings:		
Imputed interest on convertible notes	33,295	40,868
Imputed interest on bonds	4,783	–
	<u>38,078</u>	<u>40,868</u>



**6. LOSS BEFORE TAX**

Loss before tax is arrived at after charging:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Staff costs (including directors' emoluments)		
– Salaries, wages and other benefits	<b>12,412</b>	9,690
– Contributions to defined contribution retirement plans	<b>749</b>	611
	<b>13,161</b>	10,301
Amortisation of production sharing contract	<b>53,834</b>	53,189
Depreciation of property, plant and equipment	<b>2,026</b>	3,850
Operating lease charges in respect of land and buildings	<b>1,264</b>	1,800
Write-down of inventories	<b>2</b>	12
Cost of inventories recognised as expenses	<b>40,962</b>	68,871

**7. INCOME TAX**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
PRC Corporate Income Tax		
– Provision for the period	<b>34</b>	32
Deferred tax		
Origination and reversal of temporary differences	<b>(4,199)</b>	(13,297)
Tax credit	<b>(4,165)</b>	(13,265)

## 7. INCOME TAX (Continued)

Notes:

- (a) No Hong Kong Profits Tax has been provided as the Group had no estimated assessable profits for the six months ended 30 June 2015 (2014: Nil).
- (b) The Group's subsidiaries in the People's Republic of China (the "PRC") are subject to PRC Corporate Income Tax rate of 25% (2014: 25%) for the six months ended 30 June 2015.
- (c) Deferred tax liabilities arose from temporary difference related to unrealised fair value gain on financial assets at fair value through profit or loss amounted to HK\$9,259,000 (2014: Nil) as referred to in note 13 to the condensed consolidated financial statements; and the reversal of the temporary difference arising from the amortisation of the intangible assets in respect of production sharing contract amounted to HK\$13,458,000 (2014: HK\$13,297,000) as referred to in note 11 to the condensed consolidated financial statements.

## 8. DIVIDEND

The directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2015 (2014: Nil).

## 9. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Unaudited Six months ended	
	30 June 2015 HK\$'000	30 June 2014 HK\$'000
Loss used in the calculation of basic loss per share	(21,015)	(123,827)
Weighted average number of ordinary shares for the purpose of basic loss per share:		
Issued ordinary shares at 1 January	4,069,417,989	3,495,601,213
Effect of conversion of convertible notes	279,926,335	–
Effect of exercise of warrants	51,794,685	116,956,546
Weighted average number of ordinary shares at 30 June	4,401,139,009	3,612,557,759

No adjustment was made in calculating diluted loss per share for both periods as the conversion of convertible notes and exercise of warrants would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

**10. PROPERTY, PLANT AND EQUIPMENT**

	<b>Unaudited property, plant and equipment</b> <i>HK\$'000</i>
Carrying amounts as at 1 January 2015	69,994
Exchange adjustments	626
Additions	25,235
Depreciation	(2,026)
	<hr/>
Carrying amounts as at 30 June 2015	93,829
	<hr/> <hr/>

**11. INTANGIBLE ASSETS**

	<b>Production sharing contract ("PSC")</b> <i>HK\$'000</i>
<b>Cost</b>	
At 1 January 2014	4,188,083
Exchange adjustments	(17,467)
	<hr/>
At 31 December 2014 and 1 January 2015	4,170,616
Exchange adjustments	31,065
	<hr/>
At 30 June 2015	4,201,681
	<hr/> <hr/>
<b>Accumulated amortisation and impairment</b>	
At 1 January 2014	1,503,903
Charge for the year	107,154
Exchange adjustments	(6,149)
	<hr/>
At 31 December 2014 and 1 January 2015	1,604,908
Charge for the period	53,834
Exchange adjustments	12,158
	<hr/>
At 30 June 2015	1,670,900
	<hr/> <hr/>
<b>Carrying amount</b>	
At 30 June 2015 (Unaudited)	2,530,781
	<hr/> <hr/>
At 31 December 2014 (Audited)	2,565,708
	<hr/> <hr/>

The PSC is amortised on straight-line basis over the remaining contract terms of 23.4 years of the PSC.

**12. LOAN RECEIVABLES**

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Treasury business:		
– Secured short-term loans	<b>7,132</b>	–

As at 30 June 2015, secured short-term loans represented the short-term loans advanced to independent third party borrowers with collateral over their properties, bearing interest ranging from 0.833% to 2.548% per month and are subject to demand repayment clause.

**13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Held for trading investments:		
– Listed equity investments in Hong Kong at fair value	<b>92,724</b>	38,592
– Equity linked notes	<b>14,072</b>	–
	<b>106,796</b>	38,592

*Note:*

The fair values of the listed securities are determined by reference to their respective quoted market prices available on the relevant exchange at the end of the reporting period.

The fair values of the equity linked notes are determined by reference to the quoted price of the underlying listed equity investments.

The fair value gain of HK\$42,704,000 (2014: loss of HK\$3,396,000) has been recognised in the consolidated statement of profit or loss for the period ended 30 June 2015.

## 14. TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Trade receivables ( <i>note (a)</i> )	15,170	14,170
Less: Allowance for doubtful debts	(329)	(329)
	<b>14,841</b>	13,841
Other receivables ( <i>note (b)</i> )	93,643	85,440
Deposits and prepayments	1,062	1,222
	<b>94,705</b>	86,662
	<b>109,546</b>	100,503

*Notes:*

- (a) The ageing analysis of the trade receivables of the Group is as follows:

	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
0-30 days	8,426	10,236
31-90 days	6,415	3,605
91-365 days	–	–
Over 365 days	329	329
	<b>15,170</b>	14,170

The credit terms granted to trade receivables in respect of sale of electronic components are due within 30 days to 90 days from the date of billing.

- (b) Included in other receivables of the Group were aggregate sums of HK\$85,000,000 (2014: HK\$85,000,000) which were escrow monies placed at the escrow accounts of a firm of solicitors which acted as an escrow agent for the Group. The Group have instituted legal proceedings against the escrow agent for the return of these escrow sums as referred to in note 23(a). The directors of the Company are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full and therefore no impairment is required as at 30 June 2015. In addition, other receivables consisted of HK\$8,081,000 for the subscription of Hong Kong initial public offering shares, which was subsequently refunded in early July of 2015.

## 15. OTHER BORROWING, UNSECURED

Other borrowing, relating to the coalbed methane business under the PSC and payable to an independent third party, is unsecured, interest free and with no fixed repayment terms.

## 16. CONVERTIBLE NOTES, UNSECURED

On 28 January 2013, the Company issued convertible notes with principal amount of HK\$655,000,000 and HK\$40,000,000 to New Alexander Limited and Toprise Capital Limited, respectively (collectively referred to as the “**Old Convertible Notes**”). Both New Alexander Limited and Toprise Capital Limited are independent third parties of the Group.

The initial conversion price of the Old Convertible Notes was HK\$0.065 per share, subject to anti-dilutive adjustment, the Old Convertible Notes bear interest at 2% per annum, payable semi-annually in arrear on 30 June and 31 December, and will mature on 31 December 2015. The holders of the Old Convertible Notes shall have the right to convert the whole or any part of the principal amount of the Old Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the Old Convertible Notes and 31 December 2015.

The Old Convertible Notes contain two components, liability and embedded derivatives. The liability component is carried at amortised cost using the effective interest method. The embedded derivatives component is carried at fair value. The effective interest rate of the liability component for the Old Convertible Notes is 16.40% per annum.

The conversion price of the Old Convertible Notes was adjusted to HK\$0.13 on 20 May 2013 and to HK\$0.12 on 30 May 2013 upon completion of the share consolidation and rights issue with bonus warrants.

During the year ended 31 December 2013, Old Convertible Notes with principal amount of HK\$18,000,000 were redeemed. At 31 December 2014, Old Convertible Notes with principal amount of HK\$677,000,000 remained outstanding.

On 30 January 2015, Old Convertible Notes with principal amount of HK\$40,000,000 were converted into 333,333,333 ordinary shares. On 5 February 2015, the Company entered into a conditional agreement (“**Convertible Notes Restructuring Agreement**”) with the noteholder, New Alexander Limited, holding the remaining part of the Old Convertible Notes with aggregate principal amount of HK\$637,000,000 to restructure the terms of the Old Convertible Notes issued by the Company. Upon completion of the stipulated conditions precedent to the Convertible Notes Restructuring Agreement, on 20 March 2015, the Company issued new convertible notes with principal amount of HK\$637,000,000 (“**New Convertible Notes**”) for settlement of the Old Convertible Notes.

The initial conversion price of the New Convertible Notes was HK\$0.12 per share, subject to anti-dilutive adjustment, the New Convertible Notes bear interest at 2% per annum, payable semi-annually in arrears on 30 June and 31 December, and will mature on 31 December 2018. The holders of the New Convertible Notes shall have the right to convert the whole or any part of the principal amount of the New Convertible Notes into ordinary shares of the Company, at any time between the date of issue of the New Convertible Notes and 31 December 2018.

The New Convertible Notes contain two components, liability and embedded derivatives. The liability component is classified as non-current liabilities and carried at amortised cost using the effective interest method. The embedded derivatives component is classified as non-current liabilities and carried at fair value. The effective interest rate of the liability component for the New Convertible Notes is 11.80% per annum.

## 16. CONVERTIBLE NOTES, UNSECURED (Continued)

The fair value of the derivatives embedded in the New/Old Convertible Notes was estimated by using the binominal lattice model. The inputs into the model were as follows:

	At 30/6/2015	At 31/12/2014
Share price	<b>HK\$0.33</b>	HK\$0.32
Conversion price	<b>HK\$0.12</b>	HK\$0.12
Risk-free rate	<b>0.763%</b>	0.130%
Expected dividend yield	<b>Nil</b>	Nil
Volatility	<b>69.18%</b>	69.50%

The fair value of the embedded derivatives portion of the convertible notes that are not traded in active markets is determined using valuation techniques. The Group estimates the fair value of the embedded derivatives portion based on the independent professional valuations using the binomial lattice model which requires various sources of information and assumptions. The inputs to this model are taken from observable markets, but where this is not feasible, a degree of judgement is required in establishing the fair value.

The movements of the embedded derivatives portion (at fair value) and liability portion (at amortised cost) of the Old Convertible Notes and the New Convertible Notes are as follows:

### Old Convertible Notes due on 31 December 2015

	Embedded derivatives portion <i>HK\$'000</i>	Liability portion <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount of convertible notes (with principal amount of HK\$677,000,000) as at 1 January 2014	156,356	528,975	685,331
Imputed interest charged to consolidated statement of profit or loss	–	85,158	85,158
Increase in fair value charged to consolidated statement of profit or loss	8,929	–	8,929
Interest paid	–	(20,366)	(20,366)
Carrying amount of convertible notes (with principal amount of HK\$677,000,000) as at 31 December 2014 and 1 January 2015 (Audited)	165,285	593,767	759,052
Conversion of convertible notes (with principal amount of HK\$40,000,000)	(8,523)	(35,524)	(44,047)
Imputed interest charged to consolidated statement of profit or loss	–	19,118	19,118
Decrease in fair value credited to consolidated statement of profit or loss	(74,630)	–	(74,630)
Interest paid	–	(2,788)	(2,788)
Carrying amount immediately before restructuring	82,132	574,573	656,705
Fair value at the date of restructuring	(189,218)	(447,782)	(637,000)
Gain on restructuring upon derecognition	107,086	(126,791)	(19,705)
At 30 June 2015 (Unaudited)	–	–	–

**16. CONVERTIBLE NOTES, UNSECURED** *(Continued)***New Convertible Notes due on 31 December 2018**

	<b>Embedded derivatives portion HK\$'000</b>	<b>Liability portion HK\$'000</b>	<b>Total HK\$'000</b>
Issue of convertible notes (with principal amount of HK\$637,000,000) as at 20 March 2015	189,218	447,782	637,000
Imputed interest charged to consolidated statement of profit or loss	–	14,177	14,177
Increase in fair value charged to consolidated statement of profit or loss	66,001	–	66,001
Carrying amount of convertible notes (with principal amount of HK\$637,000,000) as at 30 June 2015 (Unaudited)	<u>255,219</u>	<u>461,959</u>	<u>717,178</u>

At 30 June 2015, New Convertible Notes with principal amount of HK\$637,000,000 remained outstanding.

**17. TRADE AND OTHER PAYABLES**

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Trade payables <i>(note)</i>	<b>2,274</b>	2,495
Other payables	<b>16,262</b>	16,702
Amounts due to non-controlling interests of a subsidiary <i>(note 25)</i>	<b>13,954</b>	12,054
Accrued operating expenses	<b>17,104</b>	15,560
	<u><b>49,594</b></u>	<u>46,811</u>



**17. TRADE AND OTHER PAYABLES (Continued)**

Note:

The ageing analysis of the trade payables of the Group, based on the dates of the invoices, is as follows:

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Current - within 1 month	752	968
More than 1 month but within 3 months	1,393	1,406
More than 3 months but within 6 months	43	24
More than 6 months	86	97
	<b>2,274</b>	<b>2,495</b>

**18. BONDS**

	<b>Unlisted bond ("Bond I") HK\$'000 (note (a))</b>	<b>Unlisted bond ("Bond II") HK\$'000 (note (b))</b>	<b>Total HK\$'000</b>
At 1 January 2014	–	–	–
Issue of bonds, net of transaction cost	78,300	900	79,200
Interest charge	256	9	265
Less: Interest paid	(171)	(5)	(176)
<b>At 31 December 2014 (Audited)</b>	<b>78,385</b>	<b>904</b>	<b>79,289</b>
Issue of bonds, net of transaction cost	21,600	–	21,600
Interest charge	4,740	43	4,783
<b>At 30 June 2015 (Unaudited)</b>	<b>104,725</b>	<b>947</b>	<b>105,672</b>

**18. BONDS** (*Continued*)

*Notes:*

- (a) During the year ended 31 December 2014, Bond I with an aggregate principal amount of HK\$10,000,000 were issued to the subscriber through the placing agent and with an aggregate principal amount of HK\$77,000,000 were issued to individual subscribers with the interest rate of 6% payable annually.

During the six months ended 30 June 2015, Bond I with an aggregate principal amount of HK\$24,000,000 were issued to individual subscribers with the interest rate of 6% payable annually.

Bond I will be matured and redeemed by the Company on the third anniversary of the date of issue correspondingly.

The imputed interest expenses on Bond I were calculated using effective interest method with average effective interest rate of 9.69% (2014: 9.98%) per annum.

- (b) During the year ended 31 December 2014, Bond II with an aggregate principal amount of HK\$1,000,000 were issued to the subscriber through the placing agent with the interest rate of 7% payable annually.

Bond II will be matured and redeemed by the Company on the fifth anniversary of the date of issue correspondingly.

The imputed interest expense on Bond II was calculated using effective interest method with effective interest rate of 9.58% (2014: 9.58%) per annum.

## 19. DEFERRED TAX LIABILITIES

	Unrealised fair value gain of financial assets at fair value through profit or loss <i>HK\$'000</i>	PSC <i>(note)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2014	–	671,045	671,045
Credit to consolidated statement of profit or loss	–	(26,788)	(26,788)
Exchange adjustment	–	(2,830)	(2,830)
At 31 December 2014 and 1 January 2015 (Audited)	–	641,427	641,427
Charge (credit) to consolidated statement of profit or loss <i>(note 7)</i>	9,259	(13,458)	(4,199)
Exchange adjustment	–	4,727	4,727
At 30 June 2015 (Unaudited)	9,259	632,696	641,955

*Note:*

At 30 June 2015, the recognised deferred tax liabilities of PSC represented the tax effect of the fair value adjustments on the business combination completed in 2008.

## 20. SHARE CAPITAL

	Number of ordinary shares	Value of ordinary shares <i>HK\$'000</i>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.02 each at 1 January 2014	3,679,433,991	73,589
Issue of shares upon exercise of warrants <i>(note 21)</i>	389,983,998	45,899
Transition to no-par value regime <i>(note (i))</i>	–	1,424,817
Lapse of warrants <i>(note (ii))</i>	–	8,128
At 31 December 2014 and 1 January 2015 (Audited)	4,069,417,989	1,552,433
Issue of shares upon conversion of convertible notes <i>(note (iii))</i>	333,333,333	44,047
Issue of shares upon exercise of warrants <i>(note 21)</i>	151,566,730	53,049
At 30 June 2015 (Unaudited)	4,554,318,052	1,649,529

## 20. SHARE CAPITAL (Continued)

Notes:

(i) Transition to no-par value regime

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

(ii) Lapse of warrants

On 23 June 2014, bonus warrants issued in 2013 had been lapsed. The warrant reserve was transferred to share capital.

(iii) Issue of shares upon conversion of convertible notes

During the six months ended 30 June 2015, the convertible noteholder converted principal amount of HK\$40,000,000 of the Old Convertible Notes due on 31 December 2015 issued by the Company into 333,333,333 ordinary shares at the conversion price of HK\$0.12 per share.

All the new shares issued during the six months ended 30 June 2015 ranked pari passu with the then existing shares in all respects.

## 21. WARRANTS

On 24 June 2013, 663,847,320 bonus warrants ("Old Warrants") were issued on the basis of two bonus warrants for every one rights share taken up. Each Old Warrant entitled the holder to subscribe one share of the Company at an initial exercise price of HK\$0.10, subject to adjustments in accordance with the terms of the warrants. The Old Warrants were exercisable at any time during the period commencing from 24 June 2013 to 23 June 2014 (both dates inclusive).

During the year ended 31 December 2014, 389,645,561 ordinary shares were issued for cash at an exercise price of HK\$0.10 per share pursuant to the exercise of the Old Warrants. There are no Old Warrants outstanding as at 30 June 2015 as they had lapsed on 23 June 2014.

On 27 November 2014, the Company issued a total of 542,543,940 new bonus warrants ("New Warrants") on the basis of two bonus warrants for every fifteen shares of the Company held by the shareholders on 19 November 2014. The holders of these New Warrants are entitled to subscribe in cash at any time during the period commencing from 27 November 2014 to 26 November 2015 (both dates inclusive) for 542,543,940 ordinary shares at an initial subscription price of HK\$0.35 per share (subject to adjustment).

During the year ended 31 December 2014, 338,437 ordinary shares were issued for cash at subscription price of HK\$0.35 per share pursuant to the exercise of the New Warrants. At 31 December 2014, there were 542,205,503 New Warrants outstanding.

During the six months ended 30 June 2015, 151,566,730 ordinary shares were issued for cash at subscription price of HK\$0.35 per share pursuant to the exercise of the New Warrants. At 30 June 2015, there were 390,638,773 New Warrants outstanding.

## 22. COMMITMENTS

### (a) Capital commitments

Capital commitments outstanding as 30 June 2015 not provided for in the consolidated financial statements were as follows:

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Production sharing contract: – Contracted but not provided for	<b>25,110</b>	26,558

The Company had no other material capital commitments at the end of both reporting periods.

### (b) Operating lease commitments

At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>Unaudited 30 June 2015 HK\$'000</b>	Audited 31 December 2014 HK\$'000
Within 1 year	<b>1,777</b>	2,007
After 1 year but within 5 years	<b>241</b>	1,081
	<b>2,018</b>	3,088

Operating lease payments represent rentals payable by the Group for certain office premises in Hong Kong and the PRC. Leases and rentals are negotiated and fixed respectively for an average term of two years. The Company had no other material operating lease commitments at the end of both reporting periods.

## 23. CONTINGENCIES

### (a) Legal proceedings

At the end of the reporting period, the Group had escrow monies in the sum of HK\$85,000,000 placed at a firm of solicitors in Hong Kong, K&L Gates, as an escrow agent of the Group. Despite the repeated requests served to K&L Gates for the release of the escrow monies, the Group had not received the escrow monies. It was reported that a partner in K&L Gates was arrested by the Hong Kong Police and charged with theft and forgery with respect to escrow monies held in escrow accounts; the case was concluded in the Court of First Instance when the partner pleaded guilty and was sentenced to 12 years' imprisonment. The Group has instituted legal proceedings against K&L Gates, claiming for the return of the escrow monies. The directors of the Company are of the opinion, based on the legal advice sought, that the escrow monies can be recovered in full, and therefore, no impairment is required as at 30 June 2015.

### (b) Environmental contingencies

The Group has not incurred any significant expenditure for environmental remediation and is currently not involved in any environmental remediation. In addition, the Group has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved and may move further towards more rigorous enforcement of applicable laws and towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to mines, concentrators and smelting plants irrespective of whether they are operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future costs is not determinable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present, and could be material.

## 24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### (a) Financial risk factors

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

The interim condensed consolidated financial information do not included all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

There have been no changes in the risk management policies since year end.

### (b) Fair Value Measurement

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 30 June 2015 HK\$'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities listed in Hong Kong	92,724	92,724	–	–
– Equity linked notes	14,072	–	14,072	–
Available-for-sale financial assets	1,000	–	–	1,000
<b>Financial liabilities</b>				
Convertible notes-embedded derivatives, unsecured	255,219	–	–	255,219

## 24. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(Continued)

### (b) Fair Value Measurement (Continued)

	Fair value at 31 December 2014 HK\$'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
– Equity securities listed in Hong Kong	38,592	38,592	–	–
Available-for-sale financial assets	1,000	–	–	1,000
<b>Financial liabilities</b>				
Convertible notes-embedded derivatives, unsecured	165,285	–	–	165,285

During the six months ended 30 June 2015, there were no transfers between instruments in Level 1 and Level 2, or transfer into or out of Level 3 (2014: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### Information about Level 1 fair value measurements

The fair value of equity securities classified as Level 1 was determined by the quoted price in active market.

#### Information about Level 2 fair value measurements

The fair value of equity linked notes classified as Level 2 was determined by reference to the quoted price of the underlying listed equity investments.

#### Information about Level 3 fair value measurements

The fair value of conversion option embedded in convertible notes is determined using binomial lattice model and the significant unobservable input used in the fair value measurement is volatility. The fair value measurement is positively correlated to the credit spread. As at 30 June 2015, the credit spread used in the valuation is 16.60%, and it is estimated that with all other variables held constant, an increase/decrease of 10% points in the volatility would have increased/decreased the Group's loss by HK\$20,543,000/HK\$21,755,000 (31 December 2014: increased/decreased the Group's loss by HK\$15,038,000/HK\$15,495,000).

The movements during the period in the balances of the Level 3 fair value measurement for the conversion option embedded in convertible notes are disclosed in note 16 to the condensed consolidated financial statements. Fair value gain/loss on conversion option embedded in convertible notes is credited/charged to the consolidated statement of profit or loss. Of the total gains or losses for the period in the profit or loss, gain on change in fair value of HK\$8,629,000 (2014: loss of HK\$19,728,000) related to conversion option embedded in convertible notes for the reporting period. The fair value of the available-for-sale financial assets, club debentures, was estimated by the directors of the Company with reference to the expected value to be realised.

#### Fair value of financial assets and financial liabilities that are not measured on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their respective fair values.



## 25. RELATED PARTY TRANSACTIONS

Other than the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material related party transactions.

### Key management personnel compensation

	Unaudited Six months ended	
	30 June 2015 <i>HK\$'000</i>	30 June 2014 <i>HK\$'000</i>
Salaries and benefits in kind	2,700	2,728
Discretionary bonus	361	62
Retirement scheme contributions	52	47
	<b>3,113</b>	<b>2,837</b>
Total remuneration is included in "staff costs" (see note 6).		
	Unaudited 30 June 2015 <i>HK\$'000</i>	Audited 31 December 2014 <i>HK\$'000</i>
Amounts due to non-controlling interests of a subsidiary (note 17)	<b>13,954</b>	12,054

The amounts due to the non-controlling interests are unsecured, interest-free and repayable on demand.

## 26. EVENT AFTER REPORTING PERIOD

On 30 July 2015, the Company entered into an underwriting agreement with Chief Securities Limited, Emperor Securities Limited, Ever-Long Securities Company Limited and Octal Capital Limited as underwriters in respect of an open offer of not less than 1,138,579,513 offer shares and not more than 1,236,239,206 offer shares at the subscription price of HK\$0.168 per offer share on the basis of one offer share for every four existing shares held on the record date (which is expected to be on 16 September 2015) and payable in full on acceptance. The open offer has not yet been completed at the date of this report.

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.