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## SUPERB SUMMIT INTERNATIONAL GROUP LIMITED

### 奇峰國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01228)

### ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

#### RESULTS

The board (the “Board”) of directors (the “Directors”) of Superb Summit International Group Limited (the “Company”) has the pleasure in presenting the following audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2014 with comparative figures for the last year as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	4	421,127	773,302
Cost of sales		<u>(396,504)</u>	<u>(757,987)</u>
<b>Gross profit</b>		<b>24,623</b>	15,315
Other income	5	177	296
Other gains and (losses), net	6	(326,115)	(106,247)
Selling and distribution expenses		(14,916)	(30,609)
Administrative expenses	8	(664,086)	(142,216)
Share of losses of a jointly controlled entity		—	(1,756)
Finance costs	7	<u>(8,962)</u>	<u>—</u>
<b>Loss before tax</b>	8	<b>(989,279)</b>	(265,217)
Income tax credit	9	<u>74,702</u>	<u>—</u>
<b>Loss for the year</b>		<b><u>(914,577)</u></b>	<b><u>(265,217)</u></b>

		2014	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Attributable to:</b>			
Owners of the Company		<b>(793,062)</b>	(261,877)
Non-controlling interests		<b>(121,515)</b>	(3,340)
		<u><b>(914,577)</b></u>	<u>(265,217)</u>
<b>Loss per share attributable to owners</b>			
<b>of the Company for the year</b>			
	<i>10</i>		
Basic		<b>(10.63) cents</b>	(4.05) cents
Diluted		<b>N/A</b>	N/A
		<u><b>N/A</b></u>	<u>N/A</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	2013 HK\$'000
<b>Loss for the year</b>		<b>(914,577)</b>	(265,217)
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently</i> <i>to profit or loss:</i>			
Deregistration of subsidiary and jointly controlled entity		(5)	—
Exchange differences arising on translation of foreign operations		<u>(81,798)</u>	<u>106,988</u>
<b>Other comprehensive (expense)/income, net of income tax</b>		<u><b>(81,803)</b></u>	<u>106,988</u>
<b>Total comprehensive expense for the year</b>		<u><b>(996,380)</b></u>	<u>(158,229)</u>
<b>Comprehensive expense for the year attributable to:</b>			
Owners of the Company		<b>(876,120)</b>	(154,569)
Non-controlling interests		<u><b>(120,260)</b></u>	<u>(3,660)</u>
		<u><b>(996,380)</b></u>	<u>(158,229)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	<i>Notes</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Goodwill	13	—	—
Prepaid land lease payments		55,469	58,383
Property, plant and equipment		13,404	5,517
Investment in a jointly controlled entity		—	56
Intangible assets	13	1,239,000	—
Biological assets	14	3,308,823	3,441,264
		<u>4,616,696</u>	<u>3,505,220</u>
<b>Current assets</b>			
Prepaid land lease payments		1,617	1,654
Equity investments at fair value through profit or loss		—	3,853
Amount due from a director		—	17
Trade receivables	15	3,556	22,226
Prepayments, deposits and other receivables	16	858,862	404,762
Tax recoverable		433	443
Cash and cash equivalents		129,666	32,400
		<u>994,134</u>	<u>465,355</u>
<b>Non-current Liabilities</b>			
Bonds	19	73,000	—
Deferred tax liabilities	20	309,750	—
		<u>382,750</u>	<u>—</u>
<b>Current liabilities</b>			
Trade payables	17	42,787	118,564
Other payables, accruals and receipt in advance	18	311,681	260,390
Interest-bearing other borrowing	19	352,000	—
		<u>706,468</u>	<u>378,954</u>
<b>Net current assets</b>		<u>287,666</u>	<u>86,401</u>
<b>Net assets</b>		<u>4,521,612</u>	<u>3,591,621</u>
<b>Capital and reserves</b>			
Share capital	21	803,211	673,031
Reserves		3,293,636	2,937,696
Equity attributable to owners of the Company		4,096,847	3,610,727
Non-controlling interests		424,765	(19,106)
<b>Net equity</b>		<u>4,521,612</u>	<u>3,591,621</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. ADOPTION OF GOING CONCERN BASIS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had negative operating cash flows during the year ended 31 December 2014. In the opinion of the directors of the Company, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the following:

1. The directors of the Company will continue to further implement the existing plan for the commercialisation and application of the heavy energy hydrogenation and upgrading engineering project with an aim to attain profitable operations with positive cash flows.
2. The Group would contemplate issuance of financial instruments to raise additional funds to support the operation and investment of the Group as necessary and appropriate.
3. On 6 February 2015, as mentioned in Note 25 “Event after the end of the reporting period”, the Company entered into the Equity Investment Agreement with China Shipbuilding and China Shipbuilding HK, the Company has conditionally agreed to repay the debt which arose under coal trading agreements for Tianjin Libao by issuing the shares to China Shipbuilding HK, The directors believe that the capitalisation of the Debt owed by Tianjin Libao can strengthen the financial position of the Group, release part of the working capital of the Group and preserve the Group’s financial resources.

Based on the aforesaid measures, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) — INT 21	Levies

The application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. SEGMENT INFORMATION

#### (a) Business segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

For management purposes, the Group is organised into operating segments based on their products and services and has four reporting segments as follows:

- (a) Sales of coal and related products;
- (b) Sales of natural resource products;
- (c) Sales of other products; and
- (d) Logging and trading of timbers

	Sales of coal and related products		Sales of natural resource products		Sales of other products		Sales of Logging and trading of timbers		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from										
external customers	321,195	773,302	65,990	—	—	—	33,942	—	421,127	773,302
Reportable segment results	(39,740)	(16,566)	(611,749)	—	(304,492)	—	(24,336)	(248,688)	(980,317)	(265,254)
Unallocated operating income and expenses									—	37
Loss from operations									(980,317)	(265,217)
Finance costs	—	—	(6,041)	—	(2,921)	—	—	—	(8,962)	—
Loss before taxation									(989,279)	(265,217)
Income tax									74,702	—
Loss for the year									(914,577)	(265,217)
Amortisation	—	—	—	—	102,520	—	1,626	1,633	104,146	1,633
Depreciation	345	17	3,385	—	49	—	182	516	3,961	533
Share of losses of a jointly controlled entity	—	—	—	—	—	—	—	1,756	—	1,756
Impairment loss on trade receivables	25,932	—	—	—	3,559	—	—	—	29,491	—
Impairment loss on other receivables	—	—	88	—	535	—	—	12,441	623	12,441
Impairment loss on trade deposit paid	23,634	—	—	—	—	—	—	—	23,634	—
Impairment loss on intangible assets	—	—	—	—	196,290	—	—	—	196,290	—
Impairment loss on prepaid land lease payments	—	—	—	—	—	—	—	14,479	—	14,479
Fair value loss on equity investments at fair value through profit or loss	—	—	—	—	—	—	—	4,192	—	4,192
Loss arising from changes in fair value less costs to sell of biological asset	—	—	—	—	—	—	19,485	83,318	19,485	83,318
Total assets	127,475	92,868	875,397	—	1,239,931	—	3,368,027	3,877,707	5,610,830	3,970,575
Total liabilities	319,512	178,142	78,315	—	669,556	—	21,835	200,812	1,089,218	378,954
Capital expenditure										
— Allocated	34	520	10,859	—	—	—	862	—	11,755	520
— Unallocated	—	—	—	—	—	—	—	—	—	1,336

**(b) Major customers and suppliers**

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

the largest supplier	53%
five largest suppliers in aggregate	94%

The percentages of sales for the year attributable to the Group's major customers are as follows:

the largest customer	86%
five largest customers in aggregate	100%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major suppliers and customers during the year ended 31 December 2014.

**4. REVENUE**

An analysis of revenue is as follows:

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of coal and related products	<b>321,196</b>	773,302
Sales of natural resource products	<b>65,989</b>	—
Income from logging and trading of timber and related products	<b>33,942</b>	—
	<u><b>421,127</b></u>	<u>773,302</u>

**5. OTHER INCOME**

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank deposits	<b>69</b>	29
Sundry income	<b>108</b>	267
	<u><b>177</b></u>	<u>296</u>



## 6. OTHER GAINS AND (LOSSES), NET

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss arising from changes in fair value less costs of sale of biological assets	(19,485)	(83,318)
Impairment losses on intangible assets	(196,290)	—
Impairment losses on prepaid land lease payments	—	(14,479)
Fair value loss on equity investments at fair value through profit or loss, net	—	(4,192)
Gain on disposal of equity investments at fair value through profit or loss, net	12,717	—
Gain on trading of financial instruments	1,776	—
Loss on issuance of convertible notes	(58,500)	—
Loss on deregistration of subsidiary	(139)	—
Loss on deregistration of jointly controlled entity	(267)	—
Impairment on trade receivables	(29,491)	—
Impairment on other receivables	(623)	(12,441)
Impairment on trade deposit paid	(23,634)	—
(Loss)/Gain on disposal of property, plant and equipment	(12)	14
Gain on waiver of accruals	—	7,749
Impairment on goodwill	(12,167)	—
Others	—	420
	<u>(326,115)</u>	<u>(106,247)</u>

## 7. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on:		
— Promissory notes	2,921	—
— Convertible notes	2,520	—
— Bonds	3,521	—
	<u>8,962</u>	<u>—</u>

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Cost of inventories sold	396,504	757,987
Depreciation of property, plant and equipment	3,961	533
Amortisation of prepaid land lease payments	1,626	1,633
Amortisation of intangible assets	102,520	—
Lease payments under operating leases for leasehold land and buildings	5,467	3,674
Auditors' remuneration		
— Current year	726	660
Employee benefit expense (excluding directors' remuneration)		
— Wages and salaries and other benefits	12,410	15,756
— Retirement benefits scheme contributions	418	404
— Share-based payments	205,171	—
	<u>217,999</u>	<u>16,160</u>
Other share-based payments	282,929	105,600
Exchange losses, net	<u>2,433</u>	<u>172</u>

## 9. INCOME TAX CREDIT

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax:		
Hong Kong	—	—
The PRC	(74,702)	—
	<u>(74,702)</u>	<u>—</u>

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

During the year ended 31 December 2014, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits in Hong Kong (2013: nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The tax credit for the year can be reconciled to the loss before tax per the consolidated income statement as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Loss before tax	<u>(989,279)</u>	<u>(265,217)</u>
Tax at respective applicable tax rates	(196,561)	(53,622)
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	—
The effect of expenses not deductible for tax purpose	131,447	44,549
Tax effect of income not taxable for tax purpose	(10,774)	(4,178)
Tax effect of share of losses of a joint controlled entity	—	439
Tax effect of deductible temporary differences not recognized	—	2,807
Utilisation of deductible temporary differences previously not recognized	(6,292)	—
Tax effect of tax losses not recognised	<u>7,478</u>	<u>10,005</u>
Income tax credit for the year	<u>(74,702)</u>	<u>—</u>

## 10. LOSS PER SHARE

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to ordinary equity holders of the Company	<u>(793,062)</u>	<u>(261,877)</u>
<b>Effect of dilutive potential ordinary shares:</b>		
Interest on promissory notes	N/A	N/A
Interest on convertible notes	N/A	N/A
Interest on bonds	N/A	N/A
	<u>—</u>	<u>—</u>
<b>Earnings for the purpose of diluted loss per share</b>	<u>N/A</u>	<u>N/A</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>7,458,144</u>	<u>6,466,516</u>
<b>Effect of dilutive potential ordinary shares:</b>		
Share options issued by the Company	N/A	N/A
Warrants issued by the Company	N/A	N/A
Convertible notes	N/A	N/A
	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>N/A</u>	<u>N/A</u>

## 11. DIVIDEND

No dividend was paid or proposed for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2014, the Group spent approximately HK\$11,755,000 (2013: HK\$1,856,000) on additions to Furniture and Fixtures and HK\$366,000 (2013: HK\$69,000) on disposals respectively.

## 13. GOODWILL AND INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Patents</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<i>Cost</i>			
At 1 January 2013 and 31 December 2013	—	—	—
Acquisition through business combination	12,167	1,537,810	1,549,977
At 31 December 2014	<u>12,167</u>	<u>1,537,810</u>	<u>1,549,977</u>
<i>Accumulated amortisation and impairment</i>			
At 1 January 2013 and 31 December 2013	—	—	—
Amortisation	—	102,520	102,520
Impairment losses recognised in the year	12,167	196,290	208,457
At 31 December 2014	<u>12,167</u>	<u>298,810</u>	<u>310,977</u>
<i>Carrying amount</i>			
At 31 December 2014	<u>—</u>	<u>1,239,000</u>	<u>—</u>
At 31 December 2013	<u>—</u>	<u>—</u>	<u>—</u>

## 14. BIOLOGICAL ASSET

During the year, the Group recognised approximately HK\$36,833,000 (2013: Nil) of biological assets included in the cost of sales.

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
At 1 January	<b>3,441,264</b>	3,428,356
Direct sales	<b>(36,833)</b>	—
Loss arising from changes in fair value less cost to sell of biological assets	<b>(19,485)</b>	(83,318)
Exchange realignment	<b>(76,123)</b>	96,226
At 31 December	<u><b>3,308,823</b></u>	<u>3,441,264</u>

## 15. TRADE RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	35,532	24,926
Less: allowance for doubtful debts	<u>(31,976)</u>	<u>(2,700)</u>
	<u><b>3,556</b></u>	<u><b>22,226</b></u>

The Group normally allows credit terms ranging from 30 to 180 days to its customers.

An aging analysis of the trade receivables net of allowance for doubtful debts at the end of the reporting period, based on the date of recognition of the sale, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 - 30 days	—	—
31 - 60 days	—	—
61 - 90 days	—	—
90 - 180 days	—	—
Over 180 days	<u>35,532</u>	<u>24,926</u>
	<u><b>35,532</b></u>	<u><b>24,926</b></u>

In the opinion of directors, the Group has provided sufficient impairment on those trade receivables which are past due.

## 16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Prepayment	3,220	15
Deposits	868	381
Other receivables	851,526	344,486
Other tax receivables	166	—
Trade deposit paid	63,627	96,231
Amount due from a jointly controlled entity	—	124
Amount due from non-controlling entities	3,726	4,579
Less: Impairment losses	<u>(64,271)</u>	<u>(41,054)</u>
	<u><b>858,862</b></u>	<u><b>404,762</b></u>

At 31 December 2014, the Group's other receivable and trade deposit paid of HK\$623,000 (2013: HK\$12,441,000) and HK\$23,634,000 (2013: Nil) respectively were individually determined to be impaired. The individually impaired deposit paid related to suppliers that were in financial difficulties and management have taken legal action against the supplier on October 2014 and assessed that is less likely to be fully recovered. Consequently, allowances for doubtful debts of HK\$24,257,000 (2013: HK\$12,441,000) in aggregate, were recognised.

## 17. TRADE PAYABLES

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

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 - 30 days	—	80,298
31 - 60 days	—	—
61 - 90 days	—	—
90 - 180 days	—	—
Over 180 days	<u>42,787</u>	<u>38,266</u>
	<u><b>42,787</b></u>	<u><b>118,564</b></u>

## 18. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other payables	43,461	194,722
Accruals	757	866
Trade deposit received ( <i>See Note 25</i> )	261,022	63,562
Interest payables	6,441	—
Other tax payables	—	1,240
	<u><b>311,681</b></u>	<u><b>260,390</b></u>

## 19. BONDS AND OTHER INTEREST-BEARING BORROWINGS

	<b>Interest Rate</b>	<b>Maturity</b>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Bonds	7%	2021	<u><b>73,000</b></u>	<u>—</u>
Other interest-bearing borrowings				
Promissory notes ( <i>note i</i> )	1%	2015	<u><b>352,000</b></u>	<u>—</u>
Convertible notes ( <i>note ii</i> )	15%	2016	<u>—</u>	<u>—</u>

*Note:*

- (i) The Group entered into a supplementary deed with the holders of the notes on 27 February 2015, pursuant to which the parties agreed to extend the maturity of the notes to 28 February 2016.
- (ii) The Group had issued convertible notes in the principal amount of HK\$200,000,000, and repaid them in full during the year.

## 20. DEFERRED TAX LIABILITIES

As at 31 December 2014, the Group's deferred tax liabilities shown in the consolidated statement of financial position are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Deferred tax liabilities	<u>309,750</u>	<u>—</u>

The movements in deferred tax liabilities for the year ended 31 December 2014 were as follows:

	<b>Deferred tax liabilities - excess of fair value of intangible asset over the tax bases</b> <i>HK\$'000</i>
At 1 January 2014	—
Acquisition through business combination	384,452
Credit to profit or loss	(74,702)
At 31 December 2014	<u>309,750</u>

## 21. SHARE CAPITAL

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Authorised:</b>		
10,000,000,000 ordinary shares of HK\$0.1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued and fully paid:</b>		
8,032,109,405 (2013: 6,730,311,405) Ordinary shares of HK\$0.1 each	<u>803,211</u>	<u>673,031</u>

## 22. CAPITAL COMMITMENTS

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

## 23. OPERATING COMMITMENTS

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	3,462	2,789
In the second to fifth years, inclusive	205	1,870
After 5 years	—	—
	<u>3,667</u>	<u>4,659</u>

## 24. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities at the end of the reporting period (2013: Nil).

## 25. EVENT AFTER THE END OF THE REPORTING PERIOD

### **Implementation of the existing plan for the commercialisation and application of the heavy energy hydrogenation and upgrading engineering project**

Superb Summit International Group Limited (the “Company”) issued an announcement on 19 December 2014 disclosing the implementation of the existing plan for the commercialisation and application of the heavy energy hydrogenation and upgrading engineering project. However, no binding agreement has been reached by the parties as at 13 January 2015. The Company shall publish inside information and/or relating announcement(s) pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as and when appropriate.

### **The Equity Investment Agreement**

On 6 February 2015, the Company entered into the Equity Investment Agreement with China Shipbuilding Industry Complete Equipment Logistics Company Limited (中船工業成套物流有限公司) (“China Shipbuilding”), a wholly owned subsidiary of China State Shipbuilding Corporation (中國船舶工業集團公司), China Shipbuilding Industry Complete Equipment Logistics (Hong Kong) Company Limited (中船工業成套物流(香港)有限公司) (“China Shipbuilding HK”), a wholly owned subsidiary of China Shipbuilding) and Tianjin Libao Coal Trading Company Limited (天津市利寶煤炭銷售有限公司) (a non-wholly owned subsidiary of the Company).

Pursuant to which the Company has conditionally agreed to repay the debt, amounted to RMB197,756,834, which arose under coal trading agreements for Tianjin Libao by issuing the Subscription Shares to China Shipbuilding HK, and China Shipbuilding HK has conditionally agreed to subscribe for the Subscription Shares. Pursuant to the Equity Investment Agreement, China Shipbuilding HK and the Company will, as one of the Conditions, enter into a separate Subscription Agreement under which the Subscription Price and the number of the Subscription Shares will be determined.



**Extension of expiry date of the promissory note in respect of the discloseable transaction of acquisition of 51% issued share capital of Cosmic Summit and Heavy Hydrogenation and Upgrading project**

As at 27 February 2015, a principal amount of HK\$302,000,000.00 is outstanding under the promissory note given by the Superb Summit International Energy Holdings Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, to the Sherri Holdings Resources Limited (the “Vendor”). Pursuant to the Note, the maturity date of the Note will be 28 February 2015. With a view to giving more time for the Group to conduct further fund raising exercise(s), on 27 February 2015, the Purchaser and the Vendor have entered into a supplemental deed and mutually agreed to extend the expiry date of the Note to 28 February 2016. Save as disclosed above, all other terms and conditions of the Note remain unchanged and in full force and effect in all respects.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

A comparative breakdown of the consolidated revenue streams into the product types are set forth in the following table for the periods indicated:

The Group's revenue for the twelve months ended 31 December 2014 amounted to HK\$421,127,000, representing a decrease of 45.54% as compared with HK\$773,302,000 for the twelve months ended 31 December 2013.

The Group's loss attributable to shareholders was HK\$793,062,000, an increase of 203% compared with HK\$261,877,000 in the corresponding period of last year. Despite the increase in gross profit to HK\$24,623,000 from HK\$15,315,000 in last year, other loss expanded to HK\$326,115,000 from HK\$106,247,000 in the corresponding period of last year as a result of the impairment of goodwill and intangible assets on acquisition of 51% issued capital of Cosmic Summit arising from the valuation of the heavy energy hydrogenation and upgrading technology. In addition, administrative expenses increased to HK\$664,086,000 from HK\$142,216,000 in the corresponding period of last year as a result of the increase in expenses for issuance of share options, warrants and convertible redeemable notes.

### GROSS PROFIT

	2014		2013	
	Gross profit HK\$'000	Gross profit margin	Gross profit HK\$'000	Gross profit margin
Total	<u>24,623</u>	<u>5.85%</u>	<u>15,315</u>	<u>1.98%</u>

The Group's overall gross profit for the twelve months ended 31 December 2014 was HK\$24,623,000, representing an increase of HK\$9,308,000 as compared with HK\$15,315,000 for the corresponding period in 2013. The gross profit margin increased to 5.85% as compared against 1.98% for the corresponding period of last year. The increase in operating profit margin from the corresponding period of last year was mainly because the Group sourced certain suppliers with lower costs and gave up some loss-making orders and orders with extremely low gross profit margin.

### SELLING AND DISTRIBUTION EXPENSES

	2014 HK\$'000	2013 HK\$'000
Selling and distribution expenses	<u>14,916</u>	<u>30,609</u>
As a percentage of total revenue	<u>3.54%</u>	<u>3.96%</u>

Selling and distribution expenses of the Group for the twelve months ended 31 December 2014 decreased by HK\$15,693,000 to HK\$14,916,000 from HK\$30,609,000 for the corresponding period in 2013. The net decrease of HK\$15,693,000 was primarily attributable to the fact that selling and distribution costs as a percentage of total revenue decreased to 3.54% for the year of 2014 as compared with 3.96% in the corresponding period of 2013 as a result of the decrease in sales for the year.

## OTHER GAINS AND (LOSSES), NET

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Other gains and (losses), net	<u><b>326,115</b></u>	<u>106,247</u>
As a percentage of total revenue	<u><b>77.44%</b></u>	<u>13.74%</u>

Other gains and (losses), net of the Group increased by HK\$219,868,000 to HK\$326,115,000 for the twelve months ended 31 December 2014 from HK\$106,247,000 for the corresponding period in 2013. The net increase of HK\$298,868,000 was primarily attributable to the impairment of goodwill and intangible assets on acquisition of 51% issued capital of Cosmic Summit arising from the valuation of the heavy energy hydrogenation and upgrading technology as a percentage of total revenue, other gains and (losses), net increased to 77.44% for the year as compared with 13.74% in the corresponding period of 2013.

## ADMINISTRATIVE EXPENSES

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Administrative expenses	<u><b>664,086</b></u>	<u>142,216</u>
As a percentage of total revenue	<u><b>157.69%</b></u>	<u>18.39%</u>

Administrative expense of the Group increased by HK\$512,870,000 to HK\$664,086,000 for the twelve months ended 31 December 2014 from HK\$142,216,000 for the corresponding period in 2013. The net increase of HK\$512,870,000 was primarily attributable to the issuance of share options and warrants during the year. As a percentage of total revenue, administrative expense increased to 157.69% for the year as compared with 18.39% in the corresponding period of 2013.

## INCOME TAX CREDIT

For the twelve months ended 31 December 2014, there was incurred income tax credit HK\$74,702,000, which is resulted from reducing of deferred tax liabilities caused by amortisation and impairment of intangible assets (2013: Nil).

## NET PROFIT

Net loss and basic loss per share of the Group amounted to HK\$914,577,000 and HK\$10.63 cents, respectively, for the twelve months ended 31 December 2014, as compared with net loss of HK\$265,217,000 and basic loss per share of HK\$4.05 cents, respectively, for the twelve months ended 31 December 2013. Net loss for 2014 increased by HK\$649,360,000, despite a significant increase in gross profit during the year which was partially offset by an increase in the Group's other gains and (losses), net and administrative expenses, leading to the increased loss for the year.

## **Liquidity and Finance Resources**

During the year, the Group principally financed its operations with internally generated resources and through exercise of share options and warrants, placing of new shares and issue of bonds, promissory notes and convertible redeemable notes. As at 31 December 2014, the Group had issued bonds and notes of HK\$823,000,000 in total (2013: nil), of which 7-year bonds of HK\$73,000,000 bearing interest at 7% per annum and promissory notes of HK\$550,000,000 bearing interest at 1% per annum have been partly settled with the maturity date of the outstanding amount of HK\$352,000,000 extended to 28 February 2016, and 2-year 15% convertible notes of HK\$200,000,000 have been exercised and settled.

The Group's sales and purchases are either denominated in Renminbi, Hong Kong dollars or US dollars. Despite the increased foreign exchange exposure as a result of the depreciation of Renminbi against US dollars and Hong Kong dollars since the second half of the year, the Directors are of the view that the fluctuation of Renminbi remains within a certain range and that current foreign exchange risk is considered acceptable. As such, the Group did not use any financial instrument for hedging the foreign exchange risk or interest rate risk during the period.

As at 31 December 2014, the Group had current assets of approximately HK\$994,134,000 (2013: HK\$465,355,000) and current liabilities of approximately HK\$706,468,000 (2013: HK\$378,954,000). The Group's current ratio was approximately 1.19 times as at 31 December 2014 compared to approximately 1.23 times as at 31 December 2013. The Group had total assets of approximately HK\$5,610,830,000 (2013: HK\$3,970,575,000) and total liabilities of approximately HK\$1,089,218,000 (2013: HK\$378,954,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 19.41% as at 31 December 2014 as compared with approximately 9.54% as at 31 December 2013. The higher gearing ratio was primarily attributable to the issue of promissory notes of HK\$550,000,000 in total during the reporting period to settle the consideration for acquisition of 51% issued share capital of Cosmic Summit Limited. The promissory notes have been partly settled and the maturity date of the outstanding amount of HK\$352,000,000 has been extended to 28 February 2016, details of which are set out in the Company's announcement dated 27 February 2015.

## **Capital Expenditures**

As at the end of the reporting period, the Group spent HK\$11,755,000 (2013: HK\$1,856,000) for the addition to the furniture and fixture and HK\$366,000 (2013: HK\$69,000) for the disposal of furniture and fixture respectively.

## **Contingent liabilities**

As at the end of the reporting period, the Group had/did not have any significant contingent liabilities (2013: Nil).

## **Business Review**

In the first half of 2014, the Group successfully completed its acquisition of the "heavy energy hydrogenation and upgrading project", an energy technology innovation project. The Group also entered into a memorandum of understanding and a framework cooperation agreement with China State Shipbuilding Corporation (中國船舶工業集團公司) ("CSSC") in relation to the research and development, verification of research results and commercialisation of such project, and established a joint working group with it to visit certain large enterprises in the PRC for negotiations on cooperation, which has laid a solid foundation for the implementation and application of the project in the future.

In addition to the aforesaid energy innovation projects, the Group continued to develop its trading business of energy bulk commodities and partnered with China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司), a subsidiary of CSSC, and other energy enterprises to conduct coal trading business. Due to the overall economic situations in the PRC, however, coal market remained weak and coal price showed a downward trend, with coal purchases and sales facing difficulties in 2014. As a result, the Group's coal trading business declined in 2014 with sales recorded significantly lower than that of 2013.

With the increasingly grim environment protection situations in the PRC and stricter government regulation, forestry business is no longer a development focus of the Group. The Group disposed of certain forestry assets with small sizes in 2014.

## **Prospect**

In the best interests of the Company and its shareholders, management of the Company will continue to advance its development plans for energy products and business and partner with large enterprise groups in the PRC to further promote the commercialisation and application of the “heavy energy hydrogenation and upgrading project” which has huge market potential, and expand its sales channels for heavy energy materials such as coal in order to gradually enhance its influence in the PRC energy industry.

## **Corporate Development**

Enduring the fluctuation of prices of coal and crude oil in 2014, the Group sees both challenges and opportunities in 2015. The Company has shifted its focus of business development to energy (coal) trading and the application and promotion of new energy technologies and has obtained relatively stable cash flows from coal trading business. With the advancement of the “heavy energy hydrogenation and upgrading project”, other income such as technology service fees are also expected to be generated. As such, the Group will continue to scale down its forestry business and further dispose of additional forestry assets to finance the aforesaid business development as and when opportunities arise.

## **Foreign Exchange Exposure**

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies, where the revenue, cost of sales and certain portion of the bank loans are denominated in USD. Exchange rate fluctuations between RMB and USD may affect the Group's performance and asset value, The Group had not entered into any derivative contracts to hedge against the risk for the year ended 31 December 2014, but the management closely monitors its foreign exchange risk.

## **Credit Risk**

As at 31 December 2014, in the event of non-performance by the counterparties and for various recognised assets of the Group, its maximum credit risk exposure represented the carrying amount of these assets as shown in the consolidated statements of financial position. The Group manages its credit risk exposure by continuing to monitor the credit quality of its customers and taking into account their financial positions, previous collection history, past experience and other relevant factors. Furthermore, the Group reviews the recoverable amounts of individual trade receivables to ensure full provision has been made for the amounts that are likely to be unable to recover. In this regard, the Directors consider that the Group's credit risks have been significantly reduced.

## **Interest Rate Risk**

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

## **Employees and Remuneration Package & Policy**

As at 31 December 2014, the Group had approximately 60 employees (2013: 69 employees). The decrease in the number of employees was mainly attributable to the disposal of a subsidiary, 拉薩奇峰乾景實業發展有限公司, and a forestland located in Zhuozhou, Hebei. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC. The remuneration of the Group's employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis.

## **Audit Opinion**

The auditor of the Group will issue an opinion with an emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "Extract of the Auditor's Report" below.

## **Extract of the Auditor's Report**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of matter**

Without qualifying our opinion, we draw your attention to Note 1 of the consolidated financial statements, which states that the Group has negative operating cash flows for the year ended 31 December 2014. If this matter continues, along with other matters as described in Note 1 to the consolidated financial statements, the Group would have to obtain additional funding from other sources of finance to maintain the Group to operate on a going concern basis.

## **Purchase, Redemption or Sale of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2014.

## **Corporate Governance**

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

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

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2014, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

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

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

In addition, Code Provision A.2.1 provides that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. Due to focus on his personal business development, Mr. Lee Chi Kong, former chairman of the Company, resigned as chairman of the Company with effect from 16 July 2014. Since then, the Board has been unable to identify suitable candidates for chairman, and the role of chairman is temporarily performed by the Board until the appointment of new chairman.

### **Model Code For Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiries by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2014.

### **Audit Committee Review**

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

The Audit Committee has reviewed the Group’s annual results for the year ended 31 December 2014.

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

Hong Kong, 30 March 2015

*As at the date of this announcement, the executive Directors are Mr. Jing Bin (Chief Executive Officer) and Mr. Yang Jilin and the independent non-executive Directors are Mr. Chen Xiaoming, Mr. Li Qunsheng and Mr. Yuan Jun.*