



INTERIM REPORT 2015



奇峰國際
Superb Summit International

**SUPERB SUMMIT
INTERNATIONAL GROUP LIMITED**
奇峰國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 01228

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

JING Bin (*Chief Executive Officer*)

YANG Jilin

Independent Non-executive Directors

LI Qunsheng

CHEN Xiaoming

YUAN Jun

MEMBERS OF AUDIT COMMITTEE

LI Qunsheng (*Chairman*)

CHEN Xiaoming

YUAN Jun

MEMBERS OF REMUNERATION COMMITTEE

LI Qunsheng (*Chairman*)

CHEN Xiaoming

YUAN Jun

MEMBERS OF NOMINATION COMMITTEE

LI Qunsheng (*Chairman*)

CHEN Xiaoming

YUAN Jun

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rm. 3103, Office Tower

Convention Plaza,

No. 1 Harbour Road,

Wan Chai, Hong Kong

COMPANY SECRETARY

CHAN King Chung

PRINCIPAL BANKERS

Hang Seng Bank Limited

China Construction Bank (Asia) Corporation Limited

Bank of Shanghai (Hong Kong) Limited

Industrial Bank Co. Ltd.

Bank of Beijing

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC (Cayman) Limited

P.O. Box 484

HSBC House

68 West Bay Road

Grand Cayman

KY1-1106

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

AUDITORS

McMillan Woods SG CPA Limited

SOLICITORS

LOONG & YEUNG Solicitors

SIT, FUNG, KWONG & SHUM, SOLICITORS

WEBSITE

www.ssitimber.com.hk

STOCK CODE

01228

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	6	27,144	315,784
Cost of sales		(26,050)	(290,167)
Gross profit		1,094	25,617
Other income		16	75
Other gains		7	4,574
Distribution costs		—	(14,605)
Administrative expenses		(86,568)	(35,794)
Finance costs	7	(4,077)	(1,443)
Loss before tax	8	(89,528)	(21,576)
Income tax credit	9	12,815	—
Loss for the period		(76,713)	(21,576)
Attributable to:			
Owners of the Company	10	(56,809)	(22,793)
Non-controlling interests		(19,904)	1,217
		(76,713)	(21,576)
Loss per share attributable to owners of the Company for the period	10		
Basic		HK(0.71) cents	HK(0.31) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss for the period		(76,713)	(21,576)
Other comprehensive income/(expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,490	(93,473)
Total comprehensive expense for the period		(75,223)	(115,049)
Comprehensive expense for the period attributable to:			
Owners of the Company		(55,376)	(116,549)
Non-controlling interests		(19,847)	1,500
		(75,223)	(115,049)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Non-Current Assets			
Goodwill		—	—
Prepaid land lease payments		54,565	55,469
Property, plant and equipment	12	11,625	13,404
Biological assets	13	3,303,002	3,308,823
Intangible assets	14	1,187,740	1,239,000
		4,556,932	4,616,696
Current Assets			
Prepaid land lease payments		1,614	1,617
Trade receivables	15	2,895	3,556
Prepayments, deposits and other receivables	16	1,084,138	858,862
Tax recoverable		432	433
Cash and cash equivalents		30,333	129,666
		1,119,412	994,134
Non-Current Liabilities			
Bonds	19	73,000	73,000
Deferred tax liabilities		296,935	309,750
		369,935	382,750
Current Liabilities			
Trade payables	17	43,335	42,787
Other payables and accruals	18	364,647	311,681
Promissory notes	19	302,000	352,000
		709,982	706,468
Net Current Assets		409,430	287,666
Total Assets Less Current Liabilities		4,966,362	4,904,362
Net Assets		4,596,427	4,521,612
Capital and Reserves			
Share capital	20	818,521	803,211
Reserves		3,372,988	3,293,636
Equity attributable to owners of the Company		4,191,509	4,096,847
Non-controlling interests		404,918	424,765
Net Equity		4,596,427	4,521,612

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Foreign currency translation reserve HK\$'000	Share options reserve HK\$'000	Warrant reserve HK\$'000	Convertible notes		Total HK\$'000	Non-Controlling Interests HK\$'000	Total equity HK\$'000
						equity reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2015 (audited)	803,211	2,520,510	564,059	279,332	110,930	–	(181,195)	4,096,847	424,765	4,521,612
Loss for the period	–	–	–	–	–	–	(56,809)	(56,809)	(19,904)	(76,713)
Other comprehensive income for the period	–	–	1,433	–	–	–	–	1,433	57	1,490
Total comprehensive income/(expense) for the period	803,211	2,520,510	565,492	279,332	110,930	–	(238,004)	4,041,471	404,918	4,446,389
Exercise of share options	15,310	207,779	–	(73,051)	–	–	–	150,038	–	150,038
At 30 June 2015 (unaudited)	818,521	2,728,289	565,492	206,281	110,930	–	(238,004)	4,191,509	404,918	4,596,427

Six months ended 30 June 2014

Attributable to owners of the Company

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from operating activities		
Net cash used in operating activities	(202,713)	(234,559)
Cash flows from investing activities		
Net cash generated from/(used in) investing activities	18	(598,952)
Cash flows from financing activities		
Net cash generated from financing activities	95,961	820,142
Net decrease in cash and cash equivalents	(106,734)	(13,369)
Cash and cash equivalents, at beginning of period	129,666	32,400
Effect of foreign exchange rate changes, net	7,401	(5,162)
Cash and cash equivalents, at the end of period	30,333	13,869
Analysis of balance of cash and cash equivalents		
Cash at bank and in hand	30,333	13,869

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. CORPORATION INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is principally engaged in the exploitation and management of timber resources and sales of coal products and other bulk commodities in the People’s Republic of China (the “PRC”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2014.

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group and the Company. None of these developments are relevant to the Group’s results and financial position. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

5. SEGMENT INFORMATION

(a) Operating segment information

	Sale of coal and related products six months ended 30 June		Other products six months ended 30 June		Logging and trading of timbers six months ended 30 June		Natural resource product six months ended 30 June		Total six months ended 30 June	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue from external customers	27,144	295,259	–	–	–	–	–	20,525	27,144	315,784
Reportable segment results	859	10,896	(55,992)	(957)	(980)	(971)	(29,338)	(29,101)	(85,451)	(20,133)
Profit/(Loss) from operations	859	10,896	(55,992)	(957)	(980)	(971)	(29,338)	(29,101)	(85,451)	(20,133)
Finance costs	–	–	(1,543)	(482)	–	–	(2,534)	(961)	(4,077)	(1,443)
Profit/(Loss) before taxation	859	10,896	(57,535)	(1,439)	(980)	(971)	(31,872)	(30,062)	(89,528)	(21,576)
Income tax credit	–	–	12,815	–	–	–	–	–	12,815	–
Profit/(Loss) for the period	859	10,896	(44,720)	(1,439)	(980)	(971)	(31,872)	(30,062)	(76,713)	(21,576)
Amortisation	–	–	51,260	–	806	811	–	–	52,066	811
Depreciation	63	63	29	32	151	21	1,525	565	1,768	681
(Gain) on trading of short-term financial instruments	–	–	–	–	–	–	(7)	–	(7)	–
Fair value (gain) on equity investments at fair value through profit or loss	–	–	–	–	–	–	–	(3,176)	–	(3,176)
Total assets	127,667	305,698	1,194,020	1,566,940	3,360,724	3,415,903	993,933	449,855	5,676,344	5,738,396
Total liabilities	371,532	431,361	609,032	951,212	21,797	21,766	77,556	90,225	1,079,917	1,494,564
Capital expenditure	–	34	–	322	–	–	–	170	–	526

(b) Geographical information

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

6. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Income from trading of coal and related products	27,144	295,259
Sales of natural resources products	–	20,525
	27,144	315,784

7. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest on:		
Promissory notes	1,543	482
Bonds	2,534	961
	4,077	1,443

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cost of inventories sold	26,050	290,167
Depreciation of property, plant and equipment	1,768	681
Amortisation of prepaid land lease payments	806	811
Amortisation of intangible assets	51,260	—
Fair value gain on equity investments at fair value through profit or loss, net	—	(3,176)

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax — Charge for the period:		
Hong Kong	—	—
The PRC	—	—
	—	—
Deferred tax	(12,815)	—
Income tax credit	(12,815)	—

9. INCOME TAX CREDIT (CONTINUED)

Hong Kong profits tax is calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

During six months ended 30 June 2015, no Hong Kong profits tax has been provided for as the Group did not generate any taxable profits from Hong Kong (2014: nil).

During six months ended 30 June 2015, taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%).

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss		
Loss attributable to owners of the Company	(56,809)	(22,793)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	8,056,441	7,253,138

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as the impact of the share options and warrants issued by the Company had an anti-dilutive effect on the basic loss per share amounts presented.

Basic loss per share is HK\$0.71 cents per share (2014: HK\$0.31 cents per share), based on the loss for the period from operations and the denominators detailed above for basic loss per share.

11. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group has no additions to property, plant and equipment and no disposals respectively. During the six months ended 30 June 2014, the Group spent approximately HK\$525,370 on additions to furniture and fixtures and no disposals respectively.

13. BIOLOGICAL ASSETS

During the period, the Group recognised biological assets of approximately HK\$Nil (2014: Nil) which were included in cost of sales.

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
As at 1 January	3,308,823	3,441,264
Direct disposal	—	(36,833)
Losses on changes in fair value less cost to sell of biological assets	—	(19,485)
Exchange realignment	(5,821)	(76,123)
	3,303,002	3,308,823

As at 30 June 2015, after taking into account the carrying amount of the biological assets of the Group which were stated at values previously revalued as at 31 December 2014, the directors of the Company considered there were no material differences between their estimated carrying amounts and their carrying amounts determined by reference to their fair values. As such, no revaluation surplus or deficit was recognised during the period, and the change in value as at 30 June 2015 was attributable to the exchange realignment loss on translation of Renminbi into Hong Kong dollars.

During the six months ended 30 June 2015, the Group has no disposals of biological assets. During the year ended 2014, the Group disposed the biological assets located in Zhuozhou Hebei and recognised approximately HK\$36,833,000 included in the cost of sales.

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

	Forest volume (excluding shrubs) m³	Value as at 31 December 2014 and 30 June 2015 RMB'000	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)	Exchange realignment as at 30 June 2015 HK\$'000 (Unaudited)
The PRC					
Fengqing, Yunnan	52,294	505,830	521,540	522,459	(919)
Jiangcheng, Yunnan	87,470	1,334,684	1,147,437	1,149,460	(2,023)
Heishan, Yunnan	70,550	1,371,670	1,310,091	1,312,400	(2,309)
Mapu, Yunnan	35,467	468,544	323,934	324,504	(570)
	245,781	3,680,728	3,303,002	3,308,823	(5,821)

As at 31 December 2014 and 2013, the Group had taken certain measures, including conducting together with LCH (Asia Pacific) Surveyors Limited ("LCH") valuation of the tree species in and the area of its forestland. LCH is a professional surveyor and international valuer and consultant with offices in Hong Kong and Beijing.

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

13. BIOLOGICAL ASSETS (CONTINUED)

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

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

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

Valuation Procedures Adopted

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

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

13. BIOLOGICAL ASSETS (CONTINUED)

Basis of valuation and assumptions

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

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

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

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

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

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

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

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

13. BIOLOGICAL ASSETS (CONTINUED)

Yunnan Fengqing County Forestland

Located in Fengqing County, Lincang City, Yunnan Province, Yunnan Fengqing County Forestland comprises mainly Lacey oak, Yunnan camphor, rosewood, Osmanthus trees, Pin leaf trees, hardwood and softwood trees. During the year ended 31 December 2013 and 2014, there had been no material changes in the distribution of trees in Yunnan Fengqing County Forestland, whereas except that Rosewood, Osmanthus trees price remained stable and Lacey oak, Hardwood trees price increased, prices of other tree species, including Yunnan camphor, Pin leaf trees and softwood trees, recorded declines ranging from 1% to 12%. As the increase in market price of Lacey oak and hardwood offset the losses arising from the decreases in market prices of Yunnan camphor, Pin leaf trees and Softwood, which led to the gains on changes in fair value less cost to sell of trees in Yunnan Fengqing County Forestland of HK\$20,491,000 as at 31 December 2014.

Yunnan Jiangcheng County Forestland

Located in Yunnan Jiangcheng Hani and Yi Autonomous County, Yunnan Province, Yunnan Jiangcheng County Forestland comprises mainly mixed hardwood forest and Simao pine forest. Mixed hardwood forest stock in Yunnan Jiangcheng County Forestland increased to 633,054 m³ as at 31 December 2014 (31 December 2013: 622,197 m³), among which the area of young mixed hardwood forest increased by approximately 7% to 24,949 m³, the area of mid-aged mixed hardwood forest increase by approximately 4% to 74,255 m³ and the area of near-mature mixed hardwood forest increased by approximately 2% to 173,120 m³. During the year ended 31 December 2014 and 2013, there had been no material changes in the market prices of mixed hardwood forest. The stock of Simao pine forest in Yunnan Jiangcheng County Forestland also increased to 701,630 m³ (31 December 2013: 688,260 m³), among which the area of young Simao pine forest increased by approximately 7% to 14,927 m³, the area of mid-aged Simao pine forest increased by approximately 4% to 125,035 m³, and the area of near-mature Simao pine forest increased by approximately 2% to 252,577 m³. However, their market prices in 2014 declined by approximately 51% from 2013.

As the decline in market price of Simao pine offset the gains arising from the increases in market prices of mixed hardwood forest, losses on changes in fair value less cost to sell of trees in Yunnan Jiangcheng County Forestland amounted to HK\$462,110,000 as at 31 December 2014.

Yunnan Heishan Forestland

Located in Heishan, Lancang Lagu Autonomous County, Yunnan Province, Yunnan Heishan Forestland comprises mainly Simao pine and hardwood forest. As at 31 December 2014, stock of Simao pine and hardwood increased slightly by 1.2% and 0.64%, respectively from the same period in 2013. And their market prices increased by approximately 9% and 46%, respectively. As such, gains on changes in fair value less cost to sell of trees in Yunnan Heishan Forestland of HK\$405,163,000 as at 31 December 2014.

Yunnan Mapu Forestland

Located in Mapu, Ning'er Hani and Yi Autonomous County, Yunnan Province, Yunnan Mapu Forestland comprises mainly Simao pine, alder, oak, castanopsis, birch and mixed forest. As at 31 December 2014, oak stock was its largest stock and amounted to 220,873 m³, 2% up from the same period in 2013. Simao pine stock was the second largest, amounting to 157,664 m³, 2% up from the same period in 2013. Except that Oak, Castanopsis and Birch declined in market price, as at 31 December 2014 market prices of other trees generally increased compared to the same period in 2013, with increases of approximately 9% for Simao Pine, approximately 115% for Alder and approximately 28% for mixed forest. As such, gains on changes in fair value less cost to sell of trees in Yunnan Mapu Forestland amounted to HK\$16,971,000 as at 31 December 2014.

14. INTANGIBLE ASSETS

	HK\$'000
Cost	
At 1 January 2014	—
Acquisition through business combinations	1,537,810
At 31 December 2014 and 30 June 2015	1,537,810
Accumulated amortisation and impairment	
At 1 January 2014	—
Amortisation expense	102,520
Impairment losses recognised in profit or loss	196,290
At 31 December 2014 and 1 January 2015	298,810
Amortisation expense	51,260
At 30 June 2015	350,070
Net carrying amount	
At 30 June 2015	1,187,740
At 31 December 2014	1,239,000

The intangible assets represents the coal-to-liquid fuel (the "CTL") technology acquired during the year ended 31 December 2014, which has been submitted to State Intellectual Property Office of The PRC in 2014 for registration as patents. The net carrying amount for the period ended 30 June 2015: HK\$1,187,740,000 (31 December 2014: HK\$1,239,000,000). The technology entitles the Group to produce liquid fuels from coal using CTL technology for 15 years from the date of acquisition. The net carrying amount will therefore be amortised over the remaining useful lives of 15 years.

15. TRADE RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Trade receivable	34,815	35,532
Less: allowance for doubtful debts	(31,920)	(31,976)
	2,895	3,556

15. TRADE RECEIVABLES (CONTINUED)

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
0-30 days	—	—
31-60 days	—	—
61-90 days	—	—
91-180 days	—	—
Over 180 days	34,815	35,532
	34,815	35,532

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Prepayment	4,066	3,220
Deposits	1,073	868
Other receivables	1,075,518	851,526
Other tax receivables	169	166
Trade deposit paid	63,750	63,627
Amount due from non-controlling entities	3,720	3,726
Less: Impairment losses	(64,158)	(64,271)
	1,084,138	858,862

17. TRADE PAYABLES

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

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
0-30 days	—	—
31-60 days	—	—
61-90 days	624	—
91-180 days	—	—
Over 180 days	42,711	42,787
	43,335	42,787

18. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Other payables	45,103	43,461
Accruals	663	757
Trade deposit received	313,123	261,022
Interest payables	5,758	6,441
	364,647	311,681

19. LOANS AND BORROWINGS

	Bonds (Note a) HK\$'000	Promissory notes (Note b) HK\$'000
Balance at 1 January 2015	73,000	352,000
Repayment during the period	—	(50,000)
Balance at 30 June 2015 (Unaudited)	73,000	302,000

Note:

- (a) The unsecured bonds bore interest at 7% per annum with a maturity date of 7 years.
- (b) The promissory notes bore interest at 1% per annum. During the period, the Group has repaid HK\$50,000,000 of the notes and entered into supplementary deed with the promissory notes holder on 27 February 2015, pursuant to which the parties agreed to extend the maturity of the notes to 28 February 2016.

20. SHARE CAPITAL

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
Issued and fully paid:		
8,185,209,405 (2014: 8,032,109,405) Ordinary shares of HK\$0.1 each	818,521	803,211

21. SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants to subscribe new shares of the Company. A summary of the terms of the share option scheme adopted by the Company has been disclosed in the Company's 2014 annual report.

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

Name/Category of participants	At 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2015	Date of grant of share options	Exercised period of share options	Exercise price per share HK\$
Consultants								
In aggregate	20,000,000	–	–	–	20,000,000	30/08/2012	30/08/2012 to 10/11/2021	0.15
	30,000,000	–	–	–	30,000,000	17/01/2012	17/01/2012 to 10/11/2021	0.145
	146,200,000	–	53,100,000	–	93,100,000	28/07/2014	28/07/2014 to 27/07/2024	0.98
Employees								
In aggregate	–	–	–	–	–	30/08/2012	30/08/2012 to 10/11/2021	0.15
	–	–	–	–	–	17/01/2012	17/01/2012 to 10/11/2021	0.145
	430,000,000	–	100,000,000	–	330,000,000	28/07/2014	28/07/2014 to 27/07/2024	0.98

Notes:

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

22. CAPITAL COMMITMENTS

The Group 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:

	At 30 June 2015 HK\$'000 (Unaudited)	At 31 December 2014 HK\$'000 (Audited)
Within one year	2,041	3,462
In the second to fifth years, inclusive	—	205
	2,041	3,667

24. CONTINGENT LIABILITIES

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

25. FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value				
	Trade and other receivables HK\$'000 (Unaudited)	Cash and cash equivalent HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
As at 30 June 2015							
Financial assets not measured at fair value							
Trade receivable	2,895	—	2,895				
Prepayments, deposits and other receivables	1,084,138	—	1,084,138				
Cash and cash equivalents	—	30,333	30,333				
	1,087,033	30,333	1,117,366				
As at 31 December 2014							
Financial assets not measured at fair value							
Trade receivable	3,556	—	3,556				
Prepayments, deposits and other receivables	858,862	—	858,862				
Cash and cash equivalents	—	129,666	129,666				
	862,418	129,666	992,084				

25. FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2015

	Carrying amount		Fair value					
	Non-current liabilities and borrowings HK\$'000 (Unaudited)	Current liabilities Trade and other payables HK\$'000 (Unaudited)	Loans and borrowings HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Financial liabilities not measured at fair value								
Bonds	73,000	—	—	73,000				
Trade payables	—	43,335	—	43,335				
Other payables and accruals	—	358,889	—	358,889				
Promissory notes	—	—	302,000	302,000				
Loan interest payables	—	5,758	—	5,758				
	73,000	407,982	302,000	782,982				

As at 31 December 2014

	Carrying amount		Fair value					
	Non-current liabilities and borrowings HK\$'000 (Audited)	Current liabilities Trade and other payables HK\$'000 (Audited)	Loans and borrowings HK\$'000 (Audited)	Total HK\$'000 (Audited)	Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	Total HK\$'000 (Audited)
Financial liabilities not measured at fair value								
Bonds	73,000	—	—	73,000				
Trade payables	—	42,787	—	42,787				
Other payables and accruals	—	305,240	—	305,240				
Promissory notes	—	—	352,000	352,000				
Loan interest payables	—	6,441	—	6,441				
	73,000	354,468	352,000	779,468				

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

- Level 1: Fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

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

26. RELATED PARTY TRANSACTIONS

- (a) Except for transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group has no other significant transactions and balances with its related parties during the six months ended 30 June 2015.
- (b) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short term employee benefits	1,350	—
Post-employment benefits	18	—
Equity-settled share-based payment	—	—
Total compensation paid to key management personnel	1,368	—

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW ANALYSIS

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 unaudited revenue for the six months ended 30 June 2015 amounted to HK\$27.144 million, representing 91.40% decrease as compared with HK\$315.784 million for the six months ended 30 June 2014.

The Group's loss attributable to shareholders was HK\$56.809 million, an increase of 149.24% compared with HK\$22.793 million in the corresponding period of last year. The increase in loss attributable to shareholders is mainly due to a decrease in revenue to HK\$27,144,000 during the reporting period from HK\$315,784,000 for the corresponding period of last year, and other gain decreased to HK\$7,000 during the report period from other gain HK\$4,574,000 for the corresponding period of last year.

GROSS PROFIT

	Six months ended 30 June			
	2015		2014	
	Gross profit HK\$'000 (Unaudited)	Gross profit margin	Gross profit HK\$'000 (Unaudited)	Gross profit margin
Total	1,094	4.03%	25,617	8.11%

The Group's overall gross profit for the six months ended 30 June 2015 was HK\$1,094,000, representing a decrease of HK\$24,523,000 as compared with HK\$25,617,000 for the corresponding period in 2014. The gross profit margin decrease to 4.03% as compared against 8.11% for the corresponding period of last year. The decrease in operating profit margin from the corresponding period of last year was mainly because the demand for and market selling price of coal declined in Mainland China.

SELLING AND DISTRIBUTION EXPENSES

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Selling and distribution expenses	—	14,605
As a percentage of total revenue	0%	4.62%

Selling and distribution expenses were nil of the Group for the six months ended 30 June 2015 compared with HK\$14,605,000 for the corresponding period in 2014, mainly due to the transportation and distribution of selling to the customers were directly borne by suppliers. As a percentage of total revenue, selling and distribution costs decrease to 0% in the first half of 2015 as compared with 4.62% in the corresponding period of 2014.

ADMINISTRATIVE EXPENSES

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Administrative expenses	86,568	35,794
As a percentage of total revenue	318.92%	11%

Administrative expenses increased by HK\$50,774,000 to HK\$86,568,000 for the six months ended 30 June 2015 from HK\$35,794,000 for the corresponding period in 2014. The net increase of HK\$50,774,000 was primarily attributable to the amount of an amortisation of intangible assets HK\$51,260,000 (the corresponding period in 2014 was HK\$0) of the Group. As a percentage of total revenue, administrative expenses significantly increased to 318.92% in the first half of 2015 as compared with 11% in the corresponding period of 2014.

INCOME TAX EXPENSE

For the six months ended 30 June 2015, there is no income tax expense for the Group, (2014: Nil).

NET PROFIT

Net loss and basic loss per share of the Group amounted to HK\$76,713,000 and HK\$0.71 cents for the six months ended 30 June 2015, as compared with net loss of HK\$21,576,000 and basic loss per share of HK\$0.31 cents for the six months ended 30 June 2014. The amount of net loss increased HK\$55,137,000 in the first half of 2015 mainly due to a substantial decrease in the revenue of the Group for the six months ended 30 June 2015 as the demand for and market price of coal declined in Mainland China resulted in the Group's customers placing a significantly lower number of orders with the Group in order to mitigate the business risk relating to operating coal business, and the amount of amortisation of the Group's intangible assets HK\$51,260,000.

Liquidity and Finance Resources

During the period, the Group principally financed its operations with internally generated resources and through exercise of share options. As at 30 June 2015, the Group had interest-bearing borrowings of HK\$375,000,000 in total (31 December 2014: 425,000,000), including 7-year bonds of HK\$73,000,000 bearing interest at 7% per annum and promissory notes of HK\$302,000,000 bearing interest at 1% per annum and repayable within one year.

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

As at 30 June 2015, the Group had current assets of approximately HK\$1,119,412,000 (31 December 2014: HK\$994,134,000) and current liabilities of approximately HK\$709,982,000 (31 December 2014: HK\$706,468,000). The Group's current ratio is approximately 1.58 times as at 30 June 2015 as compared with approximately 1.41 times as at 31 December 2014. The Group had total assets of approximately HK\$5,676,344,000 (31 December 2014: HK\$5,610,830,000) and total liabilities of approximately HK\$1,079,917,000 (31 December 2014: HK\$1,089,218,000), representing a gearing ratio (expressed as total liabilities to total assets) of approximately 19.02% as at 30 June 2015 as compared with approximately 19.41% as at 31 December 2014. The lower gearing ratio was primarily attributable to the amount of HK\$50,000,000 repayment for promissory notes during the reporting period, the date of maturity of the promissory notes extends to 28 February 2016. The details are set out in the announcement dated 27 February 2015.

CAPITAL EXPENDITURES

During the reporting period, the Group has not utilized (for the corresponding period of 2014: HK\$525,370) and nil (for the corresponding period of 2014: nil for the disposal) for the addition to the furniture and fixture and the disposal of furniture and fixture respectively.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

BUSINESS REVIEW

In the first half of 2015, the Group focused on the development of the "Heavy Energy Hydrogenation and Upgrading Project", a new energy technology project. Beijing Jin Fei Te Energy Technology Company Limited ("JFT"), a subsidiary of the Group, entered into a technology service contract with 煤炭直接液化工程國家試驗室暨中國神華煤制油化工有限公司研究院 (the National Laboratory of Direct Coal Liquefaction & the Institute of China Shenhua Coal to Liquid and Chemical Co., Ltd.) (the "National Laboratory"), pursuant to which the National Laboratory conducted a test of the recovery rate of heavy material engineering fluid hydrogenation light oil products and nature of light oil products on the direct coal liquefaction plant of Shenhua Coal and issued a test report. In addition, 國家石油石化產品質量監督檢驗中心(廣東)(the National Quality Supervision & Testing Centre for Petroleum and Petrochemical Products (Guangdong)) conducted on-site supervision, sample collection and examination and evaluation of liquid products at the research site of China Shenhua and issued a liquid product evaluation report. The test reports and results above have paved the way for the Group's future development and promotion of new energy technology projects.

In addition to the said creative energy project, the Group's major energy commodities trading business recorded a substantial decrease in revenue for the period ended 30 June 2015 as the overall economic conditions in the PRC and the decline in the demand for and market price of coal in Mainland China resulted in the Group's customers placing a significantly lower number of orders with the Group in order to mitigate the business risk relating to operating coal business.

As China's environment protection situation becomes increasingly harsh and the government strengthens its regulation of environment protection, timber business is no longer a focus of the Group. During the Period, the Group negotiated with potential buyers in relation to the overall disposal of its forest and forestland development rights, but an agreement had not been reached.

BUSINESS OUTLOOK

Taking into account the best interests of the Company and its shareholders, the management of the Group will continue to focus on the implementation of development plans for energy resource products and business. The “Heavy Energy Hydrogenation and Upgrading Project”, a new energy technology project, has produced remarkable test results, which is conducive to the Group promoting new energy technology projects to large enterprise groups in the PRC and will hopefully bring other income such as technical service fees. With the repeated fluctuation and decline in the prices of coal and crude oil and the decrease in domestic demand for coal and crude oil in the first half of 2015, the Group expects its coal trading business to continue to face challenging situations and have a thin profit. Although the Group will continue to develop major energy commodities trading business, it will carry out such transactions using extra caution to lower the coal-related business risk. Given that its timber business has not produced any results, the Group will change its timber business model by seeking overall disposal of its forest and forestland development rights and will continue to identify suitable potential buyers in the market for discussion.

OPERATING RISK

As for coal trading business, in addition to weak demand, the price of coal also experienced wide fluctuations and showed a general downward trend in the first half of 2015. The volume of sales orders for coal trading had significantly declined in the first half of the year. The Group had to conduct negotiations with its customers, otherwise defaults may occur.

FOREIGN EXCHANGE EXPOSURE

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies, where the revenue and cost of sales are denominated in USD or HKD. The exchange rate between HKD and USD are relatively stable as a result of the Linked Exchange Rate System, and the 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 foreign exchange risk for the six months ended 30 June 2015. As RMB experienced depreciation in the second half of the year and most of the Group’s assets are located in mainland China, such assets therefore are expected to impair upon conversion into HKD at the end of the year.

CREDIT RISK

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

INTEREST RATE RISK

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

EMPLOYEES AND REMUNERATION PACKAGE & POLICY

As at 30 June 2015, the Group had approximately 35 employees (2014: 60 employees). The decrease in the number of employees was mainly because certain sales persons of 天津市利寶煤炭銷售有限公司 (Tianjin Libao Coal Trading Limited), a subsidiary of the Group, quitted as a result of the decline in its revenue from coal sales. The remuneration package was based on their work performance, experience and the industry practice. The Group also participated in retirement benefits schemes for its staff in Hong Kong and the PRC. The remuneration of the Group’s employees is commensurate with their responsibilities and market rates, with discretionary bonuses given on a merit basis.

DISCLOSURE OF ADDITIONAL INFORMATION

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

As at 30 June 2015, the interests of the directors and chief executives of the Company in the shares and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position

Ordinary shares of HK\$0.10 each of the Company

Name of directors	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital
Mr. JING Bin	Interest in controlled corporation (Note 1)	263,145,137	3.215%
Mr. YANG Jilin	Beneficial owner	2,440,000	0.030%
		265,585,137	3.245%

Note:

1. These shares of the Company are held by Magic Stone Fund (China), a company incorporated in the Cayman Islands. Mr. JING Bin owns 17.77% of the issued share capital of Magic Stone Fund (China).

Save as disclosed above, none of the other directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2015.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executive, the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.10 each of the Company

Name of shareholders	Capacity	Number of issued ordinary shares held	Number of underlying shares (convertible notes or share options) held	Percentage of the issued share capital of the Company
Magic Stone Fund (China)	Investment manager (Note 5)	1,611,111,000	—	19.683%
Mr. YANG Dongjun	Interest of controlled corporation (Note 1)	1,611,111,000	—	19.683%
	Beneficial owner	200,000,000	—	2.443%
Wider Success Holdings Limited	Beneficial owner	789,425,000	—	9.645%
Ms. HUANG Ying	Interest of controlled corporation (Note 2)	789,425,000	—	9.645%
Ms. GONG Diqing	Beneficial Owner	605,689,000	—	7.400%
Mr. LI Kwong Yuk	Interest of controlled corporation (Note 3)	303,955,000	—	3.713%
	Beneficial Owner	588,620,000	—	7.191%
China State Shipbuilding Corporation	Interest of controlled corporation (Note 4&5)	400,000,000	—	4.887%
China Shipbuilding Industry Complete Equipment Logistics Company Limited	Person having a security interest in shares (Note 5)	400,000,000	—	4.887%

Note:

1. Mr. YANG Dongjun owned 80.25% of Magic Stone Fund (China), a company incorporated in the Cayman Islands. Accordingly, Mr. YANG Dongjun was deemed to be interested in 1,611,111,000 shares held by Magic Stone Fund (China) under the SFO. Mr. YANG Dongjun is the father of Mr. YANG Jilin, an executive director of the Company.
2. Ms. HUANG Ying owned 76.46% of Wider Success Holdings Limited, a company incorporated in the British Virgin Islands (the "BVI"). Accordingly, Ms. HUANG Ying is deemed to be interested in 789,425,000 underlying shares held by Wider Success Holdings Limited.
3. These shares are owned as to 303,955,000 shares by Win Master Group Limited ("Win Master"), a company incorporated in the BVI. Win Master is wholly-owned by Mr. LI Kwong Yuk. As such, Mr. LI Kwong Yuk is deemed to be interested in the 303,955,000 shares held by Win Master.
4. 中國船舶工業集團公司 (China State Shipbuilding Corporation) ("CSSC") is interested in 100% of the shares of 中船工業成套物流有限公司 (China Shipbuilding Industry Complete Equipment Logistics Company Limited) ("China Shipbuilding"), a company incorporated in the People's Republic of China. Accordingly, CSSC is deemed to be interested in the 400,000,000 shares pledged by Magic Stone Fund (China) in favour of China Shipbuilding.
5. Pursuant to a share mortgage agreement entered into between Magic Stone Fund (China) and China Shipbuilding, China Shipbuilding holds a security interest in 400,000,000 shares beneficially owned by Magic Stone Fund (China).

Other than as disclosed above, the Company has not been notified of any other interests or short position in the issued share capital of the Company as at 30 June 2015.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2015.

CORPORATE GOVERNANCE

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

The Company has complied with the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2015, with deviations from code provisions A.4.1 of the Code in respect of term of office of non-executive directors.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Upon enquiries by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2015.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the unaudited condensed consolidated interim information of the Group for the six months ended 30 June 2015.

CLARIFICATION — ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2014 (THE “ANNUAL REPORT”)

Reference is made to the Annual Report. The Board wishes to clarify and confirm that:—

- (1) the sixth line of the second paragraph “representing approximately 1.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares” as shown on page 12 of the Annual Report should be amended as “representing approximately 1.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares”;
- (2) as for the disclosure in interest in long position on page 15 of the Annual Report, Mr. Yang Jilin should be added as a beneficial owner who held 2,440,000 ordinary shares in issue, representing 0.030% of the issued share capital, and the total number of issued ordinary shares held showed as 263,145,137, representing 3.276% of the issued share capital should be revised to 265,585,137, representing 3.306% respectively;
- (3) the phrase “Mr. YANG Dongjun owned 63.52% of Magic Stone Fund (China)” in Note 1 as shown on page 17 of the Annual Report should be amended as “Mr. YANG Dongjun owned 80.25% of Magic Stone Fund (China)”;

- (4) there was an inadvertent error with respect to the Chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on pages 19, 25 and 26 of the Annual Report. Mr. LI Qunsheng has been appointed as Chairman of each of the above three Committees on 16 July 2014. Therefore, any references to Mr. CHEN Xiaoming as Chairman of the above three Committees on pages 19, 25 and 26 of the Annual Report should be amended to Mr. LI Qunsheng accordingly;
- (5) the phrase “Mr. YUAN Jun (“Mr. Yuan”), aged 46, an economist, was appointed as an independent non-executive director of the Company on 6 July 2014.” as shown on page 32 of the Annual Report should be amended as “Mr. YUAN Jun (“Mr. Yuan”), aged 46, an economist, was appointed as an independent non-executive director of the Company on 16 July 2014.”.

Save as disclosed and clarified above, the remaining contents of the Annual Report remain unchanged.

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

Hong Kong, 28 August 2015