



**IR RESOURCES LIMITED**

**同仁資源有限公司**

*(Incorporated in the Bermuda with limited liability)*

**(Stock Code: 8186)**

## **2014 INTERIM RESULTS**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM is positioned as a market designed to accommodate companies to which a higher investment risk may be attached other than companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the board (the “Board”) of directors (the “Directors”) of IR Resources Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading.*

## INTERIM RESULTS (UNAUDITED)

The Board would like to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for each of the three months and the six months ended 30 June 2014, together with the comparative unaudited figures for the corresponding periods in 2013, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Revenue</b>	2	—	405	—	3,248
Cost of sales		—	(333)	—	(2,876)
<b>Gross profit</b>		—	72	—	372
Other income and gains	4	71	92	267	232
Selling and distribution costs		—	(247)	—	(423)
Administrative expenses		(2,749)	(4,133)	(6,597)	(9,615)
Finance costs		(6,424)	(158)	(12,698)	(176)
Impairment loss on prepayments, deposits and other receivables		—	—	—	—
Impairment loss on biological assets		—	(747)	(481)	(1,815)
Share of loss of associates		—	2,116	—	3,120
<b>Loss before tax</b>	5	(9,102)	(3,005)	(19,509)	(8,305)
Income tax expenses	6	—	—	—	—
<b>LOSS FOR THE PERIOD</b>		(9,102)	(3,005)	(19,509)	(8,305)
<b>Loss attributable to:</b>					
Equity holders of the Company		(9,102)	(3,005)	(19,509)	(8,305)
Non-controlling interests		—	—	—	—
		(9,102)	(3,005)	(19,509)	(8,305)
		2014 HK Cents	2013 HK Cents	2014 HK Cents	2013 HK Cents
<b>Basic and diluted loss per share</b>					
For loss for the period	7	(0.35)	(0.11)	(0.74)	(0.32)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>LOSS FOR THE PERIOD</b>	<b>(9,102)</b>	<b>(3,005)</b>	<b>(19,509)</b>	<b>(8,305)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences on translation of foreign operations	(68)	981	(1,230)	411
Less: Income tax effect	—	—	—	—
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(68)</b>	<b>981</b>	<b>(1,230)</b>	<b>411</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>(9,170)</b>	<b>(2,024)</b>	<b>(20,739)</b>	<b>(7,894)</b>
<b>Attributable to:</b>				
Equity holders of the Company	(9,170)	(2,024)	(20,739)	(7,894)
Non-controlling interests	—	—	—	—
	<b>(9,170)</b>	<b>(2,024)</b>	<b>(20,739)</b>	<b>(7,894)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2014 HK\$'000 (Unaudited)	At 31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	19,682	20,427
Biological assets		—	—
Intangible assets	9	307,164	307,164
Goodwill		—	—
Interest in associates		3,007	3,231
<b>Total non-current assets</b>		<b>329,853</b>	330,822
<b>Current assets</b>			
Inventories		—	—
Trade receivables	10	—	—
Prepayments, deposits and other receivables		11,578	12,410
Cash and bank balances		2,055	3,280
<b>Total current assets</b>		<b>13,633</b>	15,690
<b>Current liabilities</b>			
Other loans, other payables and accruals	11	108,249	90,536
<b>Total current liabilities</b>		<b>108,249</b>	90,536
<b>Net Current Liabilities</b>		<b>(94,616)</b>	(74,846)
<b>Net assets</b>		<b>235,237</b>	255,976
<b>EQUITY</b>			
Issued capital	12	131,198	131,198
Reserves		104,042	124,781
<b>Total equity attributable to:</b>			
Equity holders of the Company		235,240	255,979
Non-controlling interests		(3)	(3)
<b>Total equity</b>		<b>235,237</b>	255,976

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity holders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2013 (audited)	131,198	972,987	5,265	1,579	(1,221)	(672,025)	(437,783)	(3)	437,780
Loss for the period	—	—	—	—	—	(8,305)	(8,305)	—	(8,305)
Other comprehensive income for the period: Exchange differences on translation of foreign operations	—	—	—	—	411	—	411	—	411
Total comprehensive income for the period	—	—	—	—	411	(8,305)	(7,894)	—	(7,894)
At 30 June 2013 (unaudited)	131,198	972,987	5,265	1,579	(810)	(680,330)	424,889	(3)	429,886
At 1 January 2014 (audited)	131,198	972,987	5,265	1,579	(179)	(854,871)	255,979	(3)	255,976
Lapse of share options	—	—	—	(1,579)	—	1,579	—	—	—
Loss for the period	—	—	—	—	—	(19,509)	(19,509)	—	(19,509)
Other comprehensive income for the period: Exchange differences on translation of foreign operations	—	—	—	—	(1,230)	—	(1,230)	—	(1,230)
Total comprehensive income for the period	—	—	—	—	(1,230)	(19,509)	(20,739)	—	(20,739)
At 30 June 2014 (unaudited)	131,198	972,987	5,265	—	(1,409)	(872,801)	235,240	(3)	235,237

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(744)	(690)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(481)	(1,886)
NET CASH FLOWS FROM FINANCING ACTIVITIES	—	—
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,225)	(2,576)
Cash and cash equivalents at beginning of the period	3,280	7,161
Effect of foreign exchange rate changes	—	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,055	4,585
Analysis of cash and cash equivalents		
Cash and bank balances	2,055	4,585

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”) and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual consolidated financial statements.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRSs”); Hong Kong Accounting Standards (“HKASs”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s consolidated financial statements.

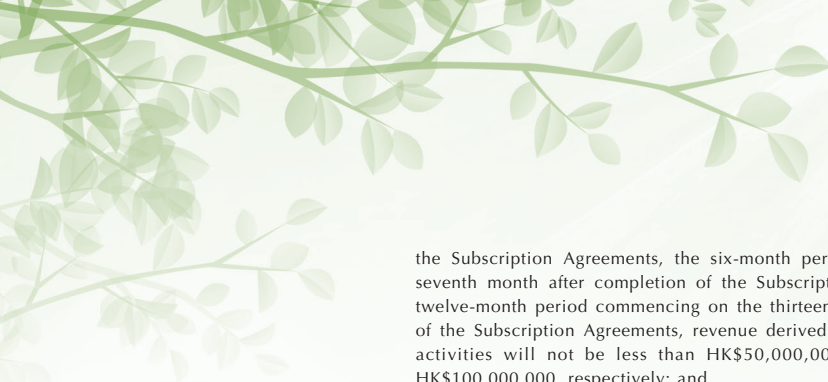
The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs will have a material impact on its results of operations and financial position.

As at 30 June 2014, the Group had cash and bank balances of approximately HK\$2.1 million and recorded a consolidated net current liabilities of approximately HK\$94.6 million. The Directors of the Company are of the opinion that the Group would be able to continue as a going concern and to meet their financial obligations in full after taken into consideration of the following factors:

#### (a) Attainment of profitable operations and improvement of operating cash flows

##### (i) *Forestry and agricultural segment*

- (1) In July 2015, the Company entered into a subscription agreement as supplemented by a supplemental agreement dated 30 September 2015 (collectively, the “Subscription Agreements”) with six subscribers (the “Subscribers”), who are independent third parties and have substantial experience in the timber industry with sales network. The relevant Subscribers (the “Timber Logging Subscribers”) will collaborate with a team of experienced personnel to establish an operating management team to revitalise the timber logging activities of the Group. Pursuant to the Subscription Agreements, (a) the Company will undergo an internal restructuring (the “Restructuring”); (b) the Timber Logging Subscribers will enter into working capital loan agreements with the Company, pursuant to which, the Timber Logging Subscribers will in aggregate provide an working capital loan up to HK\$51,750,000 for the carrying out of the timber logging activities; and (c) the Timber Logging Subscribers have guaranteed that for the six-month period immediately after completion of



the Subscription Agreements, the six-month period commencing on the seventh month after completion of the Subscription Agreements and the twelve-month period commencing on the thirteenth month after completion of the Subscription Agreements, revenue derived from the timber logging activities will not be less than HK\$50,000,000, HK\$50,000,000 and HK\$100,000,000, respectively; and

- (2) In November 2015, the Group entered into a cooperation agreement (the "Plantation Cooperation Agreement") with an experienced plantation operator (the "Plantation Partner"), which has substantial experience in the business of plantation and has operations in Southeast Asia. Pursuant to the Plantation Cooperation Agreement, the Plantation Partner will engage in the plantation business of the Group and, together with the relevant Subscribers (the "Plantation Subscribers"), will provide funding to carry out the plantation business of the three forests and will undertake that the annual plantation volume of each of the three forests will be no less than those required by the local registration under the investment contracts. In addition, the Plantation Partner and the Plantation Subscribers will compensate the Company any penalty imposed by the Cambodian government for reasons that the annual plantation volume cannot be met.

**(ii) Disposal of associates**

The Group had disposed of its loss-making associates (the "Associates") which is engaged in the processing and distribution of basic goods for a cash consideration of HK\$2,500,000 in August 2015.

**(b) Loan facilities**

In November 2014, the Company entered into a loan facility agreement with its related company ("RC", with a director of the Company was also a sole director and sole shareholder of RC who (i) resigned as a sole director of RC; and (ii) disposed of all equity interests in RC on 14 November 2014. RC ceased to be a related company of the Company since then) for a loan amount up to HK\$25,000,000 (the "RC Loan"). The lender has agreed not to demand for repayment until the completion of the fund raising exercise after the shares of the Company have been resumed for trading and the Company is in a position to do so.

**(c) Rights issue**

On 24 February 2016, the Company entered into an underwriting agreement with an underwriter to raise fund of approximately HK\$262 million (before expenses) by way of a rights issue (the "Rights Issue"), which, subject to fulfillment of certain conditions precedent pursuant to the underwriting agreement, is expected to be completed in May 2016, for purposes of general working capital and debt repayment.



(d) **Further funding from the Timber Logging Subscribers, the Plantation Partner and Plantation Subscribers**

As mentioned above, the working capital loans provided by the Timber Logging Subscribers and further funding provided by the Plantation Partner and the Plantation Subscribers will be applied to carry out the plantation business of the three forests.

In light of all the measures adopted and arrangements implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financial requirements, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis, notwithstanding the Group's financial and liquidity position as at 30 June 2014. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

2. **REVENUE**

Revenue recognised during the period is analysed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Sales of wood and agricultural products	—	405	—	3,248
	—	405	—	3,248

3. **OPERATING SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

- (a) the forestry and agricultural segment is the timber logging, plantation and sales of wood and agricultural products;
- (b) the resources and logistics segment is the provision of resources and logistics business; and
- (c) the basic goods business segment is the processing and distribution of basic goods.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax from continuing operations. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income and finance costs, as well as head office and corporate expenses are excluded from such measurement.

	For the six months ended 30 June 2014				For the six months ended 30 June 2013			
	Forestry and agricultural segment	Basic goods business segment	Resources and logistics segment	Total	Forestry and agricultural segment	Basic goods business segment	Resources and logistics segment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	—	—	—	—	3,248	—	—	3,248
Segment results	(4,745)	—	—	(4,745)	(5,998)	—	—	(5,998)
Share of loss of associates	—	—	—	—	—	3,120	—	3,120
Other income and gains				108				—
Impairment loss on biological assets				(481)				(1,815)
Write-down of inventories to net realisable value				—				(166)
Unallocated expenses				(1,693)				(3,270)
Finance costs				(12,698)				(176)
Loss before tax				(19,509)				(8,305)
Income tax expenses				—				—
Loss for the period				(19,509)				(8,305)

#### 4. OTHER INCOME AND GAINS

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Gain on the deregistration of a subsidiary	—	—	32	—
Others	71	92	235	232
	71	92	267	232

## 5. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Finance costs				
Interest on loans	<b>6,424</b>	158	<b>12,698</b>	176
Staff costs (excluding directors' emoluments)				
Wages and salaries	<b>787</b>	813	<b>1,838</b>	1,286
Pension scheme contributions	<b>7</b>	19	<b>16</b>	25
Other items				
Auditors' remuneration	<b>258</b>	315	<b>516</b>	1,131
Depreciation of property, plant and equipment	<b>330</b>	613	<b>677</b>	1,122
Impairment loss on biological assets	—	747	<b>481</b>	1,815
Minimum lease payments under operating lease: land and building	<b>198</b>	233	<b>456</b>	516
Amortisation of the intangible assets	—	—	—	—

## 6. INCOME TAX EXPENSES

### (a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made for the three months and the six months ended 30 June 2014 (2013: Nil) as the Group did not generate any assessable profits arising in Hong Kong during the Reporting Period.

### (b) PRC Corporate Income Tax

No provision for the PRC corporate income tax has been made for the subsidiaries of the Company in the People's Republic of China (the "PRC") as they did not generate any assessable profits arising in the PRC for the three months and the six months ended 30 June 2014 (2013: Nil) determined in accordance with the relevant income tax rules and regulations in the PRC.

### (c) Cambodia Corporate Income Tax

No provision for Cambodia corporate income tax has been made for the subsidiaries of the Company in the Kingdom of Cambodia ("Cambodia") as they did not generate any assessable profits arising in Cambodia for the three months and the six months ended 30 June 2014 (2013: Nil) determined in accordance with the relevant tax rules and regulations in Cambodia.

### (d) Deferred Taxation

No provision for deferred taxation is deemed necessary as the Group does not have any material deductible or taxable temporary differences for the three months and the six months ended 30 June 2014 (2013: Nil).

## 7. LOSS PER SHARE

The calculations of the basic and diluted loss per share for the three months and the six months ended 30 June 2014 are based on the loss attributable to the owners of the Company being HK\$9.1 million (2013: HK\$3.0 million) and HK\$19.5 million (2013: HK\$8.3 million), respectively, divided by the weighted average number of 2,623,950,965 ordinary shares for the three months and the six months ended 30 June 2014 (2013: 2,623,950,965 ordinary shares) in issue during the relevant periods.

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

## 8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

## 9. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

There was no additions to the property, plant and equipment of the Group during the six months ended 30 June 2013 and 2014.

There was no additions to the intangible assets of the Group during the six months ended 30 June 2013 and 2014.

## 10. TRADE RECEIVABLES

	At 30 June 2014 <i>HK\$'000</i>	At 31 December 2013 <i>HK\$'000</i> (Audited)
Trade receivables	2,001	2,001
Less: Impairment	(2,001)	(2,001)
	—	—

## 11. OTHER LOANS, OTHER PAYABLES AND ACCRUALS

	At 30 June 2014 <i>HK\$'000</i>	At 31 December 2013 <i>HK\$'000</i> (Audited)
Other payables and accrued liabilities	38,599	37,245
Related parties		
Due to director*	3,752	3,655
Loan from Mr. Zhang Zhenzhong (note 14(i)(a))		
— Principal	47,541	43,977
— Accrued interest	18,357	5,659
	108,249	90,536

\* The amount due to director is unsecured, interest free and has no fixed terms of repayment.

## 12. SHARE CAPITAL

	At 30 June 2014			At 31 December 2013 (Audited)		
	No. of shares '000	Amount per share HK\$	Amount HK\$'000	No. of shares '000	Amount per share HK\$	Amount HK\$'000
Authorised						
At beginning and at the end of the year/ period	4,000,000	0.05	200,000	4,000,000	0.05	200,000
Issued and fully paid						
At beginning and at the end of the year/ period	2,623,951	0.05	131,198	2,623,951	0.05	131,198

## 13. OPERATING LEASE COMMITMENTS

### As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of two years.

At 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000 (Audited)
Within 1 year	301	270
In the second to fifth years, inclusive	154	27
	455	297

#### 14. RELATED PARTY TRANSACTIONS

- (i) Save as those transactions and balances disclosed elsewhere in the Interim report, the Group had the following material transactions with related parties during the Reporting Period:

	For the six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Interest on the KW Loan (notes 11)	12,698	150
	<b>12,698</b>	150

*Notes:*

- (a) As detailed in note 11, Keen Wood Group Limited (“Keen Wood”), a wholly owned subsidiary of the Company, entered into a loan agreement (the “KW Loan Agreement”) with Mr. Zhang Zhenzhong (“Mr Zhang”) a former chief executive officer. Pursuant to the KW Loan Agreement, Mr. Zhang would provide two loans facilities in an aggregate principal amount of up to HK\$76,300,000 to Keen Wood which was interest bearing at 5% per annum, secured by 100% of the shares in Forest Glen Group Limited (“Forest Glen”) and China Cambodia Resources Limited (“China Cambodia”). As at 30 June 2014, the outstanding balances of the principal drawn down by Keen Wood under the KW Loan Agreement amounted to approximately HK\$37,323,000 and HK\$10,218,000 respectively, (31 December 2013: HK\$37,323,000 and HK\$6,654,000) (collectively, the “KW Loan”).

During the period ended 30 June 2014, the accrued interest regarding the KW Loan of approximately HK\$12,698,000 was recognised. Subsequently, the KW Loan together with the accrued interest had been assigned to RC.

The related party transactions were conducted on terms negotiated between the Group and the related parties.

(ii) Outstanding balances with related parties:

As disclosed in note 11, the Group had an amount due to Mr. Zhang of HK\$47,541,000 (31 December 2013: HK\$43,977,000) as at 30 June 2014, was interest bearing at 5% per annum, secured by 100% of the shares in Forest Glen and China Cambodia. All rights of the KW Loan had been assigned to RC on 31 October 2014, details of which, are set out in note 16 to the Interim report.

(iii) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Short term employee benefits	974	980
Post-employment benefits	—	—
Equity-settled share option expenses	—	—
Total compensation paid to key management personnel	974	980

## 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group had the following material events:

- (i) As detailed in notes 1(a)(i) and 1(b) to the Interim report, the Company entered into (1) a loan facility of the RC Loan in November 2015; and (2) the Subscription Agreements with the Subscribers in July and September 2015; and (3) the Plantation Agreement with the Plantation Planter in November 2015, for the purpose of the attainment of profitable operations and improvement of operating cash flows of the Group;
- (ii) As detailed in note 1(a)(ii) to the Interim report, the disposal of the Associates was completed in August 2015; and
- (iii) As detailed in note 1(c) to the Interim report, the Company entered into an underwriting agreement with an underwriter subsequent to the end of the reporting period on 24 February 2016 regarding the Rights Issue of approximately HK\$262 million (before expenses). At the date of the Interim report, the Rights Issue was not yet been completed.



## 16. LITIGATIONS

### Litigation with Mr. Zhang

On 21 May 2013, Keen Wood entered into the KW Loan Agreement with Mr. Zhang to provide the KW Loan in the aggregate principal amount of up to HK\$76,300,000 to Keen Wood. The KW Loan bore interest at the rate of 5% per annum, and was secured by 100% of the shares (the "Shares Charges") in Forest Glen and China Cambodia, in which, as to HK\$37,323,000 should be repaid on or before 20 May 2015 and the remaining balances of HK\$9,464,000 should be repaid on or before 20 May 2016. If defaults (the "Defaults") in the KW Loan Agreement is triggered, an additional interest of (i) 15% will be charged for the first 20 business days from said due date; (ii) 30% will be charged for the first 3 months immediately following the first 20 business days; and (iii) 50% will be charged thereafter.

On 10 March 2014, 28 March 2014 and 21 August 2014, respectively, the Group received the letters issued by Mr. Zhang, he purported to declare that Defaults had occurred and the KW Loan would immediately due and payable and the Shares Charges were enforceable. Mr. Zhang also commenced legal proceeds (the "Litigation") in the British Virgin Island Court against with Keen Wood, Forest Glen and China Cambodia.

On 31 October 2014, RC acquired the KW Loan from Mr. Zhang. As such, Mr. Zhang is no longer a creditor of the Group in respect of the KW Loan and ceased to have any right to enforce the security under the Shares Charges. The Litigation was withdrawn by Mr. Zhang on 15 December 2014.

### Other litigations

Apart from the above, the Group has certain litigations arising from its former landlord and staff regarding the settlement of the accrued salaries, rental and other outstanding balances of approximately HK\$2,480,000. The litigations with the former landlord and the staff have been subsequently settled in March 2015 and January 2016. Such amounts have been fully provided in the consolidated financial statements of the Group and did not have further material financial impact of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL AND BUSINESS REVIEW

The Group is principally engaged in (i) forestry and agricultural business in Cambodia (logging of existing trees from and subsequent plantation of rubber trees or other agricultural produce on the three forests (the “Three Forests”) for which the Group has been granted the exploitation concession right and the subsequent sale of wood and agricultural products); and (ii) resources and logistics business.

The Group did not generate revenue for the six months ended 30 June 2014 (2013: HK\$3.2 million) from sales of wood and agricultural products. During the period, no revenue was generated from the Group’s coal and logistics business.


The consolidated loss attributable to its equity holders of the Company for the six months ended 30 June 2014 amounted to HK\$19.5 million (2013: HK\$8.3 million). The increase of the losses over the prior period was attributable to the substantial increase in finance costs arising from the default interest of the KW Loan.

The basic and diluted loss per share for the six months ended 30 June 2014 was HK0.74 cents (2013: HK0.32 cents).

### FINANCIAL RESOURCES, BORROWINGS, BANKING FACILITIES AND LIQUIDITY

During the period ended 30 June 2014, the net cash used in operating activities amounted to HK\$0.7 million (2013: HK\$0.7 million) and the net cash used in investing activities amounted to HK\$0.5 million (2013: HK\$1.9 million) and net cash inflow from financing activities was nil (2013: nil). As a result of the cumulative effect described above, the Group recorded a net cash outflow of HK\$1.2 million (2013: HK\$2.6 million).

As at 30 June 2014, the Group had total assets of HK\$343.5 million (31 December 2013: HK\$346.5 million) and total liabilities of HK\$108.2 million (31 December 2013: HK\$90.5 million). The Groups gearing ratio (calculated as percentage of the Group’s total liabilities to total assets) was 31.5% (31 December 2013: 26.1%). As at 30 June 2014, the Group did not have any outstanding bank borrowings (31 December 2013: Nil).



As at 30 June 2014, the Group's current assets amounted to HK\$13.6 million (31 December 2013: HK\$15.7 million), of which HK\$2.1 million (31 December 2013: HK\$3.3 million) was cash and bank deposits, and current liabilities amounted to HK\$94.6 million (31 December 2013: HK\$90.5 million).

As at 30 June 2014, the net asset value of the Group amounted to HK\$235.2 million (including non-controlling interest) (31 December 2013: HK\$256.0 million) and the net asset value per Share amounted to HK\$0.09 (31 December 2013: HK\$0.10).

### **CAPITAL COMMITMENT**

During the period ended 30 June 2014, the Group did not have any capital commitment.

### **SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS**

During the period, the Group did not make any significant investment and any material acquisition/disposal.

### **CHARGE ON ASSETS OF THE GROUP**

The issued share capital of Forest Glen and China Cambodia were pledged to secure the KW Loan as at 30 June 2014.

### **RISKS**

#### **Exposure to Exchange Fluctuation**

The Group mainly operates in Hong Kong, Cambodia and the PRC and is exposed to foreign exchange risk. The Group does not have a foreign currency hedging policy but it continuously monitors its foreign exchange exposure and will apply appropriate measures if necessary. The Group's business is also subject to a number of risks including the weather conditions, natural hazards and, illegal loggings in the Three Forests and the price movement of the wooden products.



## **CONTINGENT LIABILITIES**

As at 30 June 2014, the Group and the Company did not have any material outstanding contingent liabilities.

## **LITIGATION**

Details of the litigations of the Group are disclosed in note 16 to the Interim report.

## **EVENTS AFTER THE REPORTING PERIOD**

Details of the events after the reporting period of the Group are disclosed in note 15 to the Interim report.

## **SUSPENSION IN TRADING IN THE SHARES**

Trading in the shares of the Company has been suspended since April 2013 and will remain suspended pending the fulfillment of the resumption conditions.

## **PROSPECTS**

Looking forward, the Group will (i) continue to implement strategies to strengthen its forestry and agricultural business and (ii) seize appropriate investment/business in its resources and logistics business as well as debt/equity fund raising opportunities so as to enhance the financial condition of the Group for its continuous development.

## **EMPLOYEES' INFORMATION AND BENEFIT SCHEMES FOR THE EMPLOYEES**

As at 30 June 2014, the Group had 25 (2013: 147) employees. The Group remunerates its employees based on their performance, working experience and the prevailing market condition.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name	Capacity Interest	Number of Ordinary Shares held	Number of underlying Shares held (Note 1)	Approximate Percentage of shareholding in the Company
Better Day International Limited ("Better Day") (Note 2)	Beneficial owner	446,370,967	—	17.01%
Mr. Gong Ting (Note 3)	Beneficial owner	415,000,000	—	15.82%
Mr. Leung Sze Yuen, Alan (Note 4)	Beneficial owner	10,950,917 —	— 5,000,000	0.42% 0.19%
Mr. Zhang ZhenZhong (Note 5)	Beneficial owner	27,328,000 —	— 5,000,000	1.04% 0.19%

Notes:

1. represents the share options granted but not yet exercised.
2. Better Day is wholly and beneficially owned by Ms. Yu Xiao Min, an executive Director.
3. Mr. Gong Ting resigned as an executive Director in September 2014.
4. Mr. Leung Sze Yuan, Alan resigned as an executive Director in March 2015.
5. Mr. Zhang Zhenzhong was removed as the chief executive officer of the Company in October 2014.

## SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company on 10 June 2011, the Company approved and adopted a new share option scheme (the "Share Option Scheme"), pursuant to which any employees and Directors of the Company and its subsidiaries may be granted options to subscribe for the shares, and terminated the previous share option scheme adopted on 14 December 2001. The principal terms of the Share Option Scheme are set out in the Company's circular dated 27 April 2011.

The Share Option Scheme was expired on 3 June 2014.

## SHARE OPTION SCHEME OF THE COMPANY

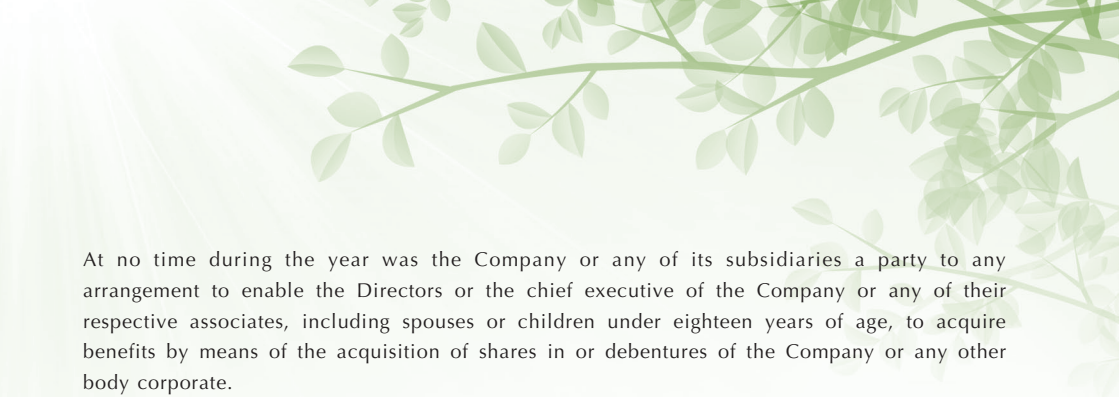
Details of the movements in share options granted under the Share Option Scheme and as at 30 June 2014 were as follows:

Grantee	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of share options				At 30 June 2014	
				As 1 January 2014	Granted during the period	Exercised during the period	Lapsed during the period		
Director (Note 1)	4-6-2010	4-6-2010 to 3-6-2014	0.365	5,000,000	—	—	(5,000,000)	—	
Employees	4-6-2010	4-6-2010 to 3-6-2014	0.365	7,300,000	—	—	(7,300,000)	—	
				<b>total:</b>	<b>12,300,000</b>	<b>—</b>	<b>—</b>	<b>(12,300,000)</b>	<b>—</b>

Note 1: represented the share options granted to Mr. Leung Sze Yuen, Alan who resigned as an executive Director of the Company in March 2015.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, as at 30 June 2014, no other Directors or the chief executive of the Company or their associates had any interests or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SFO.



At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their respective associates, including spouses or children under eighteen years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## **INTERESTS OF SUBSTANTIAL SHAREHOLDERS**

As at 30 June 2014, so far as is known to any of the Directors and the chief executive of the Company, no other person (other than a Director or the chief executive of the Company as disclosed above) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, who is interested in 10% or more of any class of share capital carrying rights to vote at general meetings of the Company.

## **INTERIM DIVIDENDS**

The Board does not recommend the payment of any interim dividends for the six months ended 30 June 2014 (2013: Nil).

## **DIRECTORS' INTEREST IN CONTRACTS**

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at 30 June 2014 or during the six months ended 30 June 2014.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **COMPETING INTERESTS**

None of the Directors, or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules), engaged in any businesses that compete or may compete with the business of the Group or have any other conflicts of interests with the Group for the six months ended 30 June 2014.



## CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules.

## APPROVAL OF THE INTERIM REPORT 2014

The audit committee has reviewed the Company's unaudited interim financial report for the six months ended 30 June 2014 and was of the opinion that the preparation of the Interim Results complied with applicable accounting standards, the GEM Listing Rules and that adequate disclosure had been made.

By order of the Board  
**Yu Xiao Min**  
*Chairperson of the Board*

Hong Kong, 24 February 2016