福山國際能源集團有限公司

Fushan International Energy Group Limited

Interim Report 2005

INTERIM RESULTS

The board of directors (the "Directors") of Fushan International Energy Group Limited (the "Company") announces that the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June 2005 (the "period") together with the unaudited interim results for the six months ended 30th June 2004 for comparison are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2005

	Notes	Six months ended 30th June **2005** **(Unaudited)** ***HK$'000***	2004 (Unaudited) *HK$'000*
Turnover	*2*	**4,225**	907
Cost of sales	*3*	**(3,667)**	–
Gross profit		**558**	907
Other revenue		**167**	312
Administrative expenses		**(7,612)**	(4,806)
Other operating expenses		**(1,552)**	(1,874)
Operating loss	*2,3*	**(8,439)**	(5,461)
Finance costs	*4*	**(62)**	(4)
Share of losses of associates		**(1,196)**	(1,417)
Loss before taxation		**(9,697)**	(6,882)
Income tax	*5*	**–**	–
Loss for the period		**(9,697)**	(6,882)
Attributable to:			
Equity holders of the Company		**(6,938)**	(6,557)
Minority interest		**(2,759)**	(325)
		(9,697)	(6,882)
Loss per share for loss attributable to the equity holders of the Company for the period			
– Basic	*6*	**(0.33 cents)**	(0.32 cents)
– Diluted	*6*	**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30th June 2005

	Notes	As at 30th June 2005 (Unaudited) HK$'000	As at 31st December 2004 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	**111,471**	75,299
Goodwill		**–**	–
Interest in associates	8	**13,127**	–
Prepayments and deposits	9	**101,917**	91,408
		226,515	166,707
Current assets			
Inventories		**–**	–
Trade receivables	10	**703**	502
Prepayments, deposits and other receivables		**6,463**	5,635
Pledged bank deposit		**–**	4,703
Cash and cash equivalents	11	**9,962**	31,628
		17,128	42,468
Current liabilities			
Bills payable		**–**	4,703
Trade payables	12	**–**	1,152
Other payables		**27,966**	29,138
Secured bank loan		**37,622**	37,622
		65,588	72,615
Net current liabilities		**(48,460)**	(30,147)
Total assets less current liabilities		**178,055**	136,560
Non-current liabilities			
Other loans	13	**42,325**	–
Amounts due to related companies	14	**14,108**	9,406
Amount due to a minority equity holder of a subsidiary	15	**2,822**	–
Interest payables	16	**1,343**	–
		60,598	9,406
		117,457	127,154
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**208,080**	208,080
Reserves		**(129,944)**	(123,006)
		78,136	85,074
Minority interest		**39,321**	42,080
Total equity		**117,457**	127,154

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2005

	Attributable to equity holders of the Company				Minority interest	Total equity
	Share Capital	Share premium	Accumulated losses	Other reserves		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2005 (audited)	208,080	399,169	(522,057)	(118)	42,080	127,154
Loss for the period (unaudited)	–	–	(6,938)	–	(2,759)	(9,697)
At 30th June 2005 (unaudited)	**208,080**	**399,169**	**(528,995)**	**(118)**	**39,321**	**117,457**
At 1st January 2004 (audited)	208,080	399,169	(507,349)	(118)	–	99,782
Acquisition of non-wholly owned subsidiaries (unaudited)	–	–	–	–	48,297	48,297
Loss for the period (unaudited)	–	–	(6,557)	–	(325)	(6,882)
At 30th June 2004 (unaudited)	208,080	399,169	(513,906)	(118)	47,972	141,197

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2005

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(1,638)**	4,164
Net cash (used in)/generated from investing activities	**(58,863)**	9,039
Net cash generated from/(used in) financing activities	**34,132**	(4)
Net (decrease)/increase in cash and cash equivalents	**(26,369)**	13,199
Cash and cash equivalents at 1st January	**36,331**	53,833
Cash and cash equivalents at 30th June	**9,962**	67,032
Analysis of balances of cash and cash equivalents:		
Deposits with banks	**6,048**	70,012
Cash at bank and on hand	**3,914**	22,011
Less: Bank overdrafts	**–**	(24,991)
	9,962	67,032

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation of financial statements and accounting policies

The unaudited condensed interim financial statements of the Group have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies adopted and the basis of preparation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has in the current period applied, for the first time, new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

The adoption of new HKFRSs did not have significant effects on the results and financial position of Group for the six months ended 30th June 2005 except on the presentation of the condensed interim financial statements under HKAS 1.

HKAS 1 affects certain presentation in the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interest has been changed. The changes in presentation have been applied retrospectively.

The adoption of HKAS 16 and HKAS 17 does not have significant effects on the Group. In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. The land and building components of the Group's leasehold property for self-use cannot be separated, thus such leases are accounted for land and buildings and measured using the cost model under HKAS 16.

The adoption of HKFRS 2 does not have significant effects on the Group. In fact, the adoption of HKFRS 2 has resulted in a change in accounting policy for share options. Prior to this, the provision of share options to employees did not result in an expense in the income statement. Following the adoption of HKFRS 2, the fair value of share options at the date of grant is charged to the income statement at the date of vest which is the same as the date of grant. The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(i) all options granted to grantees on or before 7 November 2002; and

(ii) all options granted to grantees after 7 November 2002 but which had vested before 1 January 2005.

As all options were granted by the Company and expired on or before 7 November 2002, this change in accounting policy has no significant effects on the results and financial position of the Group for the six months ended 30th June 2005.

2. Revenue and segmental information

The Group is principally engaged in production and sales of coking coal products and side products, acting as an agent in the coal business and sales of jewellery products. An analysis of the Group's turnover and contribution to operating loss for the periods by principal activities and markets is as follows:

	Turnover For the six months ended 30th June		**Operating loss For the six months ended 30th June**	
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal activities:				
Sales of coal products	**4,225**	–	**(5,116)**	–
Commission from coal business	**–**	757	**–**	757
Sales of jewellery products	**–**	150	**–**	150
	4,225	907	**(5,116)**	907
Gain on disposal of partial equity interest in a subsidiary			**–**	269
Gain on disposal of property, plant and equipment			**40**	–
Bank interest income			**127**	43
Unallocated corporate expenses			**(3,490)**	(6,680)
			(8,439)	(5,461)
Principal markets:				
The Mainland	**4,225**	757	**(5,050)**	(1,210)
Hong Kong	**–**	150	**(3,389)**	(4,251)
	4,225	907	**(8,439)**	(5,461)

3. Operating loss

Operating loss is arrived after charging/(crediting) :

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**3,667**	1,266
Less: Provision for inventories written back upon disposal	**–**	(1,266)
Cost of sales	**3,667**	–
Staff costs *(including directors' remuneration and retirement benefits scheme contribution)*	**3,862**	2,441
Retirement benefits scheme contribution	**39**	39
Depreciation and amortization of property, plant and equipment	**1,361**	415
Operating leases charges in respect of land and building	**109**	–
Other operating expenses		
– amortization and impairment of goodwill	**–**	1,248
– exploration costs incurred for a potential mining project	**894**	–
– design fee incurred for a potential mining project	**658**	–
Other revenue		
– gain on disposal of partial equity interest In a subsidiary	**–**	(269)
– gain on disposal of property, plant and equipment	**(40)**	–
– bank interest income	**(127)**	(43)

4. Finance costs

	Six months ended 30th June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**1,505**	4
Interest on other loans	**1,343**	–
	2,848	4
Less: Borrowing costs capitalized into the construction in progress*	**(2,786)**	–
	62	4

* *The borrowing costs have been capitalized at rates of 7% to 8% per annum (2004: NIL).*

5. Income tax

No provision for current Hong Kong profits tax and the PRC income tax has been made in the interim financial statements in respect of the Company and its subsidiaries for the period (2004: NIL), as the Company and its subsidiaries either have substantial accumulated tax losses brought forward which are available for setting off against current period's assessable profits or have tax losses for the period ended 30th June 2005.

As at 30th June 2005, no deferred tax liabilities have been provided (2004: NIL) as the amount involved was immaterial and no deferred tax assets have been recognized (2004: NIL) in relation to the deductible temporary differences and unused tax losses as it is uncertain whether future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

6. Loss per share

(a) Basic

The calculation of basic loss per share is based on the consolidated loss attributable to the equity holders of the Company for the six months ended 30th June 2005 of HK$6,938,000 (2004: HK$6,557,000) and 2,080,800,000 (2004: 2,080,800,000) ordinary shares in issue during the period.

(b) Diluted

No diluted loss per share has been presented as the Company did not have any share options outstanding for both 2004 and 2005.

7. Property, plant and equipment

During the period, the Group acquired property, plant and equipment at costs of HK$37,021,000 (2004: HK$53,762,000) in relation to construction in progress for a coking coal plant of a subsidiary.

8. Interest in associates

	As at 30th June 2005 Unaudited ***HK$'000***	As at 31st December 2004 Audited *HK$'000*
Share of net assets	**13,127**	–
Amount due from an associate	**3,739**	3,739
	16,866	3,739
Less: Provision for doubtful amount	**(3,739)**	(3,739)
	13,127	–

As at 30th June 2005, share of net assets represented 38% net assets of 山西曜鑫煤焦有限公司 (Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin")). The Group held 38% equity interest in Shanxia Yao Zin which was a sino-foreign equity joint-venture established on 15th December 2004. As no capital contribution has been injected to Shanxi Yao Zin by the Group and other equity holders of Shanxi Yao Zin as at 31 December 2004, net assets of Shanxi Yao Zin was zero as at 31st December 2004. The Group and other equity holders paid up their portion of registered capital to Shanxi Yao Zin in January 2005. Shanxi Yao Zin is engaged in the production and sales of coking coal products and side products.

9. Prepayments, deposits and other receivables

Included in prepayments, deposits and other receivables were (a) a deposit of HK$47,028,000 (2004: HK$23,514,000) paid by a subsidiary for a potential mining project; and (b) prepayments of HK$54,889,000 (HK$67,894,000) paid by another subsidiary for construction and installation of certain property, plant and machinery for a coking coal plant.

10. Trade receivables

General credit terms of the Group range from 60 to 90 days. Ageing analysis of trade receivables (net of specific provision for bad and doubtful debts) was as follows:

	As at 30th June 2005 (Unaudited) ***HK$'000***	As at 31st December 2004 (Audited) *HK$'000*
Current – 3 months	**703**	502

11. Cash and cash equivalents

	As at 30th June 2005 (Unaudited) *HK$'000*	As at 31st December 2004 (Audited) *HK$'000*
Deposits with banks	**6,048**	27,275
Cash at bank and on hand	**3,914**	9,056
	9,962	36,331
Pledged bank deposits	**–**	(4,703)
Cash and cash equivalents	**9,962**	31,628

Included in cash and cash equivalents of the Group are cash and bank balances of HK$2,625,000 (2004: HK$11,308,000) denominated in Renminbi.

12. Trade payables

At 30th June 2005, the ageing analysis of the trade payables was as follows:

	As at 30th June 2005 (Unaudited) *HK$'000*	As at 31st December 2004 (Audited) *HK$'000*
Current – 3 months	**–**	1,152

13. Other loans

The other loans are unsecured, bear interest at a rate of 7% per annum and are not expected to be settled within one year from the balance sheet date. The other loans were used to finance the construction and installation of a coking coal plant of a subsidiary.

14. Amounts due to related companies

The amounts due to related companies, in which a major shareholder of the Company who is also a director of the Company has beneficial interest, are unsecured, bear interest at a rate of 7% per annum (2004: NIL) and are not expected to be settled within one year from the balance sheet date. The amounts were used to finance the construction and installation of a coking coal plant of a subsidiary.

15. Amount due to a minority equity holder of a subsidiary

The amount due to a minority equity holder of a subsidiary is unsecured, bears interest at a rate of 7% per annum and is not expected to be settled within one year from the balance sheet date.

16. Interest payables

The amounts represent accrued interest expenses for other loans (Note 13), amounts due to related companies (Note 14) and amount due to a minority equity holder of a subsidiary (Note 15), which are repayable after 30th June 2006 together with the repayment of the loans.

17. Commitments

(a) Capital commitments outstanding at 30th June 2005 not provided for in the financial statements were as follows:

	As at 30th June 2005 (Unaudited) *HK$'000*	As at 31st December 2004 (Audited) *HK$'000*
Contracted but not provided for :		
– capital expenditure in respect of acquisition of property, plant and equipment	**51,991**	56,753
– capital expenditure in respect of exploration for a potential mining project	**376**	1,270
– capital investment in an associate	**–**	17,799
– capital investment in respect of acquisition of a subsidiary *(Note 19)*	**4,891**	–
	57,258	75,822

(b) At 30th June 2005, the total future minimum lease payments under non-cancellable operating leases in respect of leasehold land and buildings are payable as follows:

	As at 30th June 2005 (Unaudited) *HK$'000*	As at 31st December 2004 (Audited) *HK$'000*
Within one year	**204**	279
In the second to fifth years	**615**	615
After five years	**6,651**	6,728
	7,470	7,622

The Group leases certain leasehold land and buildings under operating lease arrangements for terms ranging from 2 to 50 years.

18. Related party transactions

The Company as a borrower entered into a loan agreement for a loan amount of HK$10,000,000 with Mr. Wong Lik Ping as a lender on 25th June 2005. The loan is unsecured, interest-free and is repayable in 2 years from the date of drawdown on 15 August 2005. Mr. Wong Lik Ping is a major shareholder and a director of the Company.

19. Post Balance Sheet Event

On 29th June 2005, the Group has entered into the acquisition agreement with 孝義市曜鑫煤焦有限責任公司 (Ziao Yi Shi Yao Zin Coal and Coking Company Limited ("Ziao Yi")) pursuant to which the Group agreed to acquire from Ziao Yi 13% of the equity interest in an associated company of the Group, Shanxi Yao Zin (Note 8), at a cash consideration of RMB5,200,000 (approximately HK$4,891,000). The acquisition was completed subsequent to the balance sheet date on 11th August 2005. Upon completion on 11th August 2005, Shanxi Yao Zin became a subsidiary of the Company and its financial statements are consolidated into those of the Company as the Group owned 51% of the equity interest in Shanxi Yao Zin.

BUSINESS REVIEW

In the first half of 2005, we continued to strengthen the development of our coal business by achieving an increase in revenue of coal trades from zero to approximately HK$4 million and push on with the construction of the coking coal plant operated under our subsidiary, namely 太原西山日盛煤焦有限公司 (Taiyuan Xishan Risheng Coal and Coking Company Limited). Notwithstanding the implementation of tight cost control measures by our management, both pre-operating expenses and cash outflow are increasing given that the Company is reaching the peak of investment period. As a result of the expansion in business development during the investment stage, the Group recorded a net loss of approximately HK$7 million for the period.

Over the past six months, apart from the progress of constructing the coking coal plant described above, we made another significant step to reflect our principal activities in, and future commitment to the energy sector through the change of the Company name to "Fushan International Energy Group Limited". In pursuit of increasing our exposure in the energy sector, the Company acquired the control in a joint venture company, namely 山西曜鑫煤焦有限公司 (Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin")), which was established for engaging in the production and sales of coking coal and side products, by entering into an acquisition agreement at the end of June 2005 for increasing its equity interest from 38% to 51%. Completion of the acquisition took place in August 2005 and Shanxi Yao Zin became the subsidiary of the Group. The Directors believe that the acquisition undoubtedly strengthen our competitiveness in the energy sector.

FINANCIAL POSITION

Material acquisitions
On 29th June 2005, the Group entered into the Acquisition Agreement to acquire further 13% equity interest in an associated company namely 山西曜鑫煤焦有限公司(Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin")) , which was owned 38% equity interest by the Group before the acquisition, at a consideration of RMB5,200,000. Upon completion of the Acquisition Agreement on 11th August 2005, Shanxi Yao Zin became a subsidiary of the Company as the Group held its 51% equity interest. Shanxi Yao Zin is engaged in the production and sale of coking coal products and side products. Details of the transaction were disclosed in the circular of the Company dated 23rd August 2005.

Charges on Assets
At 30th June 2005, except of certain construction in progress with a carrying value of approximately HK$45,392,000 pledged for a bank loan of HK$37,622,000, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities
At 30th June 2005, the Group was not liable to any borrowings or guarantees given to any banks or financial institutions.

Gearing Ratio
At 30th June 2005, the gearing ratio of the Group, which is computed from the Group's interest bearing liabilities divided by total equity, was approximately 82%. The borrowings were mainly used for the financing certain construction and installation of a coking coal plant of a subsidiary in the Mainland.

Exposure to Fluctuations in Exchange Rates
At 30th June 2005, the Group had no material exposure to foreign exchange fluctuations other than assets denominated in Renminbi.

Liquidity and Financial Resources
At 30th June 2005, the Group's current ratio (current assets divided by current liabilities) was approximately 0.26 and the Group's cash and bank deposits amounted to HK$9,962,000.

Staff
The Group had 8 Hong Kong employees and 95 Mainland employees at 30th June 2005 with remuneration package to be reviewed annually. The Group provides a mandatory provident fund scheme for Hong Kong employees and the state-sponsored retirement plan for Mainland employees. The Group has also adopted share option scheme since 20 June 2003. No share option has been granted since the adoption of the share option scheme.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30th June 2005.

FUTURE PROSPECTS

Oil price was in a record high position during the past 6 months and is still on the rising track. Its impact on the global economy will become apparent and more indicative in the foreseeable future. The implementation of cooling measures by the Chinese government in the past year on certain overheated industries such as property market and steel industry has proved to be effective and the investment rates in these segments have slowed down as compared with those a year ago even though the overall economic environment remained on a rising trend. For the overall benefits of the Group, we managed to adjust the production schedules of the two coking coal plants in accordance with the change in demand.

As economy of the PRC remains in a strong position, resources continue to play a major role to support the robust domestic growth. Over the past two years, we have devoted much effort to vertical integration by seeking coal mine investments in the PRC for the purpose of securing stable and quality supply of raw coal, having better cost control and diversifying our coal product range. Having completed the due diligence exercise and mining survey reports on a target mine, the Group was granted with the exploration permit and rights for the target mine by the relevant departments of the PRC government. The Group is endeavouring to carry out all necessary procedures for obtaining the mining rights eventually.

Due to the fast global economic growth, the rate of resources consumption has become a major issue for the world economy. The Board believes that the Group is well poised to take advantage of this global environment by making strategic investments in the energy sector which is expected to benefit the long-term business growth of the Group. Despite that the strategic investments may not be able to bring immediate positive effect to the short-term profitability of the Group, the Group will continue to pursue its plan of investing in both coke and coal businesses with a view to establish a comprehensive platform of our core business for future growth and better returns.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30th June 2005, the interests and short positions of the directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in ordinary shares (HK$0.10 each) of the Company:

	Number of ordinary shares held			% of issued share capital
Name of Director	**Personal interests**	**Corporate interests**	**Total**	**Total**
Mr. Wong Lik Ping	90,750,000	1,149,200,000 *(Note)*	1,239,950,000	59.59%

Note: Mr. Wong Lik Ping is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 1,149,200,000 ordinary shares in the Company as at 30th June 2005.

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, debentures or underlying shares of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements which enable a director or chief executive of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate and none of the directors or their spouses or their children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30th June 2005, no other person, not being a director or chief executive of the Company, other than the directors or chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions" above, had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the registered required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20th June 2003, the shareholders of the Company approved the adoption of a new option scheme ("the Scheme") and to give the Directors the power to implement and administer the Scheme with effect from the date of passing of the resolution. The Scheme is designed to reward and provide incentive to, and strengthen the Group's business relationship with, the prescribed classes of participants who may contribute to the growth and development of the Group.

The exercise price of options is to be determined by the Directors and is the highest of the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and the nominal value of the share on the date of grant.

No share option has been granted since the adoption of the Scheme

CHANGE OF COMPANY NAME

Pursuant to the special resolution in respect of the change of name of the Company from "Fushan Holdings Limited 福山控股有限公司" to "Fushan International Energy Group Limited 福山國際能源集團有限公司" at the last annual general meeting of the Company held on 17th June 2005 and the Certificate of Change of Name of the Company was issued by the Companies Registry in Hong Kong on 24th June 2005, the name of the Company was changed with effect from 24th June 2005. The new name of the Company is to reflect that the current principal activities of the Group are production and sales of coking coal products and side products as well as acting as an agent in the coal business.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30th June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30th June 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th June 2005, in compliance with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on the Stock Exchange, which came into effect on 1st January 2005, except for the following deviations:

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.
All non-executive directors of the Company are appointed for a specific term but are not subject to re-election. The Directors is aware of such deviation and propose to amend to articles of association of the Company to comply with this code accordingly at the forthcoming annual general meeting.

Code Provision B.1.1 stipulates that issuers should establish a remuneration committee with specific written terms of reference. A majority of the members of the remuneration committee should be independent non-executive directors.
The Company set up a Remuneration Committee in accordance with the relevant requirements of the Code on 21st September 2005. The Committee comprises four members, including three independent non-executive directors namely Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam and one executive director namely Mr. So Kwok Hoo. The Committee is chaired by Mr. Kee Wah Sze.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of code of conduct regarding securities transactions by directors (the "Code of Conduct"). The Directors have made enquiry to all directors of the Company to confirm that they have complied with the Code of Conduct during the six months ended 30th June 2005.

By Order of the Board
SO Kwok Hoo
Executive Director

Hong Kong, 21st September 2005

As at the date of this interim report, the executive directors of the Company comprise Mr. Wong Lik Ping, Mr. So Kwok Hoo and Mr. Li King Luk; the independent non-executive directors of the Company comprise Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam.