



金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00663)

2013

INTERIM REPORT





CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Xu Zhendong (*Chairman*)
Mr. Zhang Wanzhong
Mr. Zong Hao
Mr. Tian Wenwei
Mr. Xu Zhuliang
Mr. Benjamin Clark Danielson

Non-Executive Director

Mr. Zhang Yongli

Independent Non-Executive Directors

Mr. Chiu Sui Keung
Mr. Li Peiming
Mr. Lu Binghui
Mr. Liu Shengming
Mr. Lee Ping

Audit Committee

Mr. Chiu Sui Keung (*Chairman*)
Mr. Li Peiming
Mr. Lu Binghui

Remuneration Committee

Mr. Chiu Sui Keung (*Chairman*)
Mr. Li Peiming
Mr. Tian Wenwei

Nomination Committee

Mr. Zhang Wanzhong (*Chairman*)
Mr. Li Peiming
Mr. Chiu Sui Keung

Authorised Representatives

Mr. Xu Zhendong
Mr. Zong Hao

Company Secretary

Mr. Lee Tao Wai

Auditors

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Legal Advisers

Michael Li & Co
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

Registered Office & Principal Place of Business in Hong Kong

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99 Queen's Road Central
Hong Kong

Share Registrar

Tricor Secretaries Limited
Level 25, Three Pacific Place
1 Queen's Road East, Hong Kong

Company Website

<http://www.663hk.com>

Stock Code

00663



Hengtai Coal Mine

	Resources (million tons)	Reserves (million tons)
Total resources/reserves (JORC compliant)	181.7	71.9
Less:		
Actual output in 2010	(4.0)	(4.0)
Actual output in 2011	(3.6)	(3.6)
Actual output in 2012	(2.5)	(2.5)
Actual output in 1H 2013	(0.4)	(0.4)
Resources/reserves as at 30 June 2013	171.2	61.4

Note: The resources/reserves as at 30 June 2013 are derived from total resources/reserves extracted from technical report issued by John T. Boyd Company dated 18 November 2009 after deduction of actual output up to 30 June 2013 based on Hengtai's record.

Liaoyuan Coal Mine

	Resources (million tons)
Total resources as at 31 December 2011 (JORC equivalent)	15.8
Less:	
Actual output in 2012	(0.5)
Actual output in 1H 2013	(0.1)
Resources as at 30 June 2013	15.2

Note: The resources as at 30 June 2013 are derived from resources extracted from technical report issued by Roma Oil and Mining Associated Limited dated 30 March 2012 after deduction of actual output up to 30 June 2013 based on Liaoyuan's record.





OPERATING MINES

Leixin Silver Mine

	Mineral reserves (million tons)	Silver metal volume (million tons)	Ore grade (grams/ton)
The West Mine	2.2	647.6	293
The East Mine	3.3	405.3	122

Note: The above information are extracted from a PRC geology report issued in 2009 and a supplemental report issued in 2012.

Capital Expenditure

The capital expenditure for development and mining production activities was approximately HK\$114 million (Period ended 30 June 2012: HK\$226 million) during the period.



The unaudited consolidated results of King Stone Energy Group Limited (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2013 with comparative figures for the corresponding period in 2012 are as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

		For the six months ended 30 June	
	Notes	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
REVENUE	4	67,707	396,170
Cost of inventories sold		(171,505)	(356,835)
Gross profit/(loss)		(103,798)	39,335
Other income and gains		102	32,470
Selling and distribution expenses		(2,682)	(4,063)
Administrative expenses		(50,240)	(52,534)
Other expenses		(173,086)	(855,734)
Finance costs	5	(97,834)	(63,901)
Share of profit of a jointly-controlled entity		3,616	2,711
Loss before income tax	6	(423,922)	(901,716)
Income tax credit	7	91,741	180,527
Loss for the period		(332,181)	(721,189)
Other comprehensive income/(loss) — Item will be reclassified to profit or loss in subsequent periods when specific conditions are met — exchange differences on translation of foreign operations		14,731	(22,683)
Total comprehensive loss for the period		(317,450)	(743,872)
Loss for the period attributable to:			
Owners of the Company		(311,738)	(680,196)
Non-controlling interests		(20,443)	(40,993)
		(332,181)	(721,189)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(297,212)	(701,580)
Non-controlling interests		(20,238)	(42,292)
		(317,450)	(743,872)
Loss per share attributable to ordinary equity holders of the Company	8		
Basic and diluted		(HK\$0.114)	(HK\$0.476)

Condensed Consolidated Statement of Financial Position

As at 30 June 2013 and 31 December 2012

	Notes	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,617,232	1,547,178
Prepaid land premiums		16,113	14,856
Mining rights		2,067,067	1,739,255
Goodwill	15	92,931	—
Investment in a jointly-controlled entity		27,130	23,117
Prepayments and deposits		80,656	60,734
Total non-current assets		3,901,129	3,385,140
CURRENT ASSETS			
Inventories		16,819	15,479
Trade and bills receivables	10	58,061	46,026
Prepayments, deposits and other receivables		173,863	90,686
Pledged deposits		142,588	3,517
Cash and cash equivalents		168,170	15,913
Total current assets		559,501	171,621
CURRENT LIABILITIES			
Trade and other payables	11	1,478,950	789,453
Interest-bearing borrowings	12	847,886	1,013,511
Income tax payable		229,801	228,721
Total current liabilities		2,556,637	2,031,685
NET CURRENT LIABILITIES		(1,997,136)	(1,860,064)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,903,993	1,525,076

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2013 and 31 December 2012

	Notes	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
NON-CURRENT LIABILITIES			
Interest-bearing borrowings	12	388,030	382,513
Convertible notes		47,789	242,556
Deferred tax liabilities		126,281	125,028
Total non-current liabilities		562,100	750,097
Net assets		1,341,893	774,979
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	298,429	142,873
Reserves		859,065	610,060
		1,157,494	752,933
Non-controlling interests		184,399	22,046
Total equity		1,341,893	774,979



Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 (unaudited)

Notes	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Equity component of convertible notes			Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				convertible notes HK\$'000	Share option reserve HK\$'000	Share					
At 1 January 2013	142,873	1,166,813	523	538,884	63,594	195,069	(1,354,823)	752,933	22,046	774,979	
Loss for the period	—	—	—	—	—	—	(311,738)	(311,738)	(20,443)	(332,181)	
Other comprehensive income – exchange differences on translation of foreign operations	—	—	—	—	—	14,526	—	14,526	205	14,731	
Total comprehensive income/(loss) for the period	—	—	—	—	—	14,526	(311,738)	(297,212)	(20,238)	(317,450)	
Issue of new shares	155,556	544,444	—	—	—	—	—	700,000	—	700,000	
Share issue expense	—	(1,320)	—	—	—	—	—	(1,320)	—	(1,320)	
Early redemptions of convertible notes	—	—	—	(465,832)	—	—	465,832	—	—	—	
Lapsed of share options	—	—	—	—	(45,600)	—	45,600	—	—	—	
Forfeiture of share options	—	—	—	—	(13,455)	—	13,455	—	—	—	
Acquisition of subsidiaries	—	—	—	3,093	—	—	—	3,093	182,567	185,660	
Capital contributions by non-controlling shareholders	—	—	—	—	—	—	—	—	24	24	
At 30 June 2013	298,429	1,709,937*	523*	76,145*	4,539*	209,595*	(1,141,674)*	1,157,494	184,399	1,341,893	

For the six months ended 30 June 2012 (unaudited)

Notes	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Equity component of convertible notes			Exchange fluctuation reserve HK\$'000	Retained earnings/(Accumulated losses) HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
				convertible notes HK\$'000	Share option reserve HK\$'000	Share					
At 1 January 2012	142,873	1,166,813	523	538,884	55,565	171,900	300,440	2,376,998	120,528	2,497,526	
Loss for the period	—	—	—	—	—	—	(680,196)	(680,196)	(40,993)	(721,189)	
Other comprehensive income – exchange differences on translation of foreign operations	—	—	—	—	—	(21,384)	—	(21,384)	(1,299)	(22,683)	
Total comprehensive loss for the period	—	—	—	—	—	(21,384)	(680,196)	(701,580)	(42,292)	(743,872)	
Equity-settled share option arrangement (note 14)	—	—	—	—	6,624	—	—	6,624	—	6,624	
At 30 June 2012	142,873	1,166,813	523	538,884	62,189	150,516	(379,756)	1,682,042	78,236	1,760,278	

* These reserve accounts comprise the consolidated reserves of HK\$859,065,000 (31 December 2012: HK\$610,060,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Net cash flows from/(used in) operating activities	(162,018)	149,436
Net cash flows used in investing activities	(495,060)	(177,111)
Net cash flows from financing activities	809,476	20,113
Net increase/(decrease) in cash and cash equivalents	152,398	(7,562)
Cash and cash equivalents at beginning of period	15,913	51,928
Effect of foreign exchange rate changes	(141)	64
Cash and cash equivalents at end of period	168,170	44,430



Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 are unaudited but have been reviewed by the Audit Committee of the Company.

These financial statements have been prepared under the going concern basis, notwithstanding that the Group had net current liabilities of HK\$1,997,136,000 as at 30 June 2013. This is because (1) a substantial shareholder of the Company has confirmed its ability and agreed to provide financial support to the Group to enable it to meet with its liabilities as and when they fall due in the foreseeable future; and (2) the directors are also considering/taking other alternatives to monitor and improve the cash flows of the Group including extension of repayment dates of existing bank loans and to solicit other financing arrangements. In particular, subsequent to the end of the financial period, on 30 August 2013, the Group entered into a loan agreement with a lender, pursuant to which the lender will provide a loan with principal amount of HK\$360 million to the Group. Further details are set out in note 18 to this report.

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2012 annual financial statements.

The accounting policies and method of computation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2012 except as stated in note 2 below.



2. Changes in Accounting Policies

The HKICPA has issued certain new, revised or amendments to the standards and interpretations (the “new HKFRSs”) and the Group has applied the followings new HKFRSs, which are or have become effective for the first time for the current period financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 – <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 – <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities Consolidated Financial Statements</i>
HKFRS 10	<i>Joint Arrangements</i>
HKFRS 11	<i>Disclosure of Interests in Other Entities</i>
HKFRS 12	<i>Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Fair Value Measurement</i>
HKFRS 13	<i>Amendments to HKAS 1 – Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income</i>
HKAS 1 Amendments	<i>Employee Benefits</i>
HKAS 19 (2011)	<i>Separate Financial Statements</i>
HKAS 27 (2011)	<i>Investments in Associates and Joint Ventures</i>
HKAS 28 (2011)	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
HK(IFRIC)-Int 20	<i>Amendments to a number of HKFRSs issued in June 2012</i>
<i>Annual Improvements 2009–2011 Cycle</i>	

The adoption of those new, revised and amended HKFRSs has had no significant financial effect on these interim financial statements and there have been no significant changes to the accounting policies applied in these interim 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 would have a material impact on its results of operations and financial position.



3. Operating Segment Information

During the period ended 30 June 2012, over 90% of the Group's revenue, expenses and assets were generated from the business of mining and selling of coal in Mainland China. The management of the Group made decisions about resources allocation and assessed performance of the Group based on the operating results from these business activities. Accordingly, the directors were of the opinion that mining and selling of coal in Mainland China was a single reportable segment of the Group for that period.

During the period ended 30 June 2013, upon the acquisition of the Million Grow Group, further details of which are set out in note 15 to this report, the Group also engaged in the mining and selling of silver.

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

- (a) the "Coal" operating segment engages in the mining and selling of coal; and
- (b) the "Silver" operating segment engages in the mining and selling of silver.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that share of profit of a jointly-controlled entity and corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude investment in a jointly-controlled entity, pledged deposits, cash and cash equivalents and corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude corporate and other unallocated liabilities as these liabilities are managed on a group basis.



3. Operating Segment Information *(continued)*

Intersegment sales and transfers, if any, are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Coal HK\$'000 (unaudited)	Silver HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Period ended 30 June 2013			
Segment revenue — Sales to external customers			
	67,111	596	67,707
Segment results	(370,343)	(2,356)	(372,699)
<i>Reconciliation:</i>			
Share of profit of a jointly-controlled entity			3,616
Corporate and other unallocated expenses			(54,839)
Loss before tax			(423,922)
Segment assets	3,280,494	609,297	3,889,791
<i>Reconciliation:</i>			
Investment in a jointly-controlled entity			27,130
Pledged deposits			142,588
Cash and cash equivalents			168,170
Corporate and other unallocated assets			232,951
Total assets			4,460,630
Segment liabilities	(2,911,818)	(158,407)	(3,070,225)
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			(48,512)
Total liabilities			(3,118,737)

3. Operating Segment Information *(continued)*

	Coal	Silver	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other segment information:				
Depreciation	70,832	404	184	71,420
Amortisation of prepaid land premiums	226	—	—	226
Amortisation of mining rights	10,523	9	—	10,532
Impairment of property, plant and equipment	71,000	—	—	71,000
Impairment of mining rights	99,000	—	—	99,000
Other non-cash expenses	—	—	41,899	41,899
Capital expenditure	105,846	6,645	1,629	114,120

The Group's revenue from external customers is derived solely from its operations in the People's Republic of China ("PRC"), and over 90% of the non-current assets (other than financial assets) of the Group are located in the PRC.

During the period, the Group had transactions with two (Period ended 30 June 2012: two) individual external customers which contributed to over 10% of the Group's total revenue. The revenue generated from sales to each of these customers is set out follows:

	For the six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A	11,003	—
Customer B	7,318	—
Customer C	—	134,410
Customer D	—	63,457

4. Revenue

Revenue, which is also the Group's turnover, represents the invoiced value of goods sold to customers, net of sales tax, value-added tax and government surcharges, and after allowances for returns and trade discounts.

5. Finance Costs

	For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest on bank and other loans wholly repayable within five years	55,935	53,803
Losses on early redemptions of convertible notes [#]	33,964	—
Imputed interest of convertible notes	7,935	10,098
	97,834	63,901

[#] During the period, the Company exercised the rights attached to the convertible notes to early redeem convertible notes in the principal amount of HK\$250,000,000 (Period ended 30 June 2012: Nil). As a result, losses of HK\$33,964,000 were recognised as finance costs during the period and the equity component of the relevant convertible notes amounting to HK\$465,832,000 was transferred to the accumulated losses during the period.

6. Loss Before Income Tax

Loss before income tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Depreciation	71,420	123,730
Amortisation of prepaid land premiums	226	211
Amortisation of mining rights	10,532	76,062
Impairment of property, plant and equipment ^{# &}	71,000	300,000
Impairment of mining rights ^{# &}	99,000	400,000
Impairment of an other receivable [#]	—	153,629
Write-back of an other payable	—	(29,349)

[#] These items are included in "Other expenses" in the condensed consolidated statement of comprehensive income during the period.

[&] In view of the adverse conditions, inter alia, decline of coal prices and sales volumes, during the period, which are indicators of impairment, the directors of the Company had estimated the recoverable amounts of the assets of the coal mining businesses (i.e. cash-generating units) of the Group (the "Mining Assets") which included property, plant and equipment, and mining rights.

During the period, based on the assessment, the directors of the Company are of the opinion that additional impairment loss of the Mining Assets of HK\$170 million (Period ended 30 June 2012: HK\$700 million) was resulted during the six months ended 30 June 2013 and was allocated to property, plant and equipment, and mining rights based on their relative carrying amounts amongst the Mining Assets. Accordingly, impairment provision of items of property, plant and equipment of HK\$71,000,000 (Period ended 30 June 2012: HK\$300,000,000) and impairment provision of mining rights of HK\$99,000,000 (Period ended 30 June 2012: HK\$400,000,000) were recognised as "Other expenses" in the condensed consolidated statement of comprehensive income during the six months ended 30 June 2013.

7. Income Tax Credit

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2013 as the Group did not generate any assessable profits arising in Hong Kong during the period (Period ended 30 June 2012: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Current — Mainland China	—	19,949
Deferred	(91,741)	(200,476)
Income tax credit for the period	(91,741)	(180,527)

The share of tax attributable to the jointly-controlled entity amounting to HK\$2,204,000 (Period ended 30 June 2012: HK\$996,000) is included in "Share of profit of a jointly-controlled entity" in the condensed consolidated statement of comprehensive income.

8. Loss per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 2,726,457,372 (Period ended 30 June 2012: 1,428,729,168) in issue during the period.

For the six months ended 30 June 2013 and 30 June 2012, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the share options of the Company outstanding during these periods and the deemed conversion of the convertible notes issued by the Company have either no dilutive effect or anti-dilutive effects on the basic loss per share amounts for these periods.



9. Property, Plant and Equipment

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
At beginning of year/period		
Cost	2,767,000	2,447,875
Accumulated depreciation and impairment	(1,219,822)	(296,699)
Net carrying amount	1,547,178	2,151,176
At beginning of year/period, net of accumulated depreciation and impairment	1,547,178	2,151,176
Additions	114,120	334,253
Acquisition of a subsidiary (note 15)	78,943	—
Impairment (note 6)	(71,000)	(684,145)
Depreciation provided during the year/period	(71,420)	(248,778)
Written back on disposal	(5,401)	(24,187)
Exchange realignment	24,812	18,859
At end of year/period, net of accumulated depreciation and impairment	1,617,232	1,547,178
At end of year/period		
Cost	2,996,923	2,767,000
Accumulated depreciation and impairment	(1,379,691)	(1,219,822)
Net carrying amount	1,617,232	1,547,178

10. Trade and Bills Receivables

	Notes	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Trade and bills receivables	(a)	68,651	56,450
Impairment of trade receivables	(b)	(10,590)	(10,424)
	(c)	58,061	46,026

Notes:

- (a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to six months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.
- (b) The movements in the provision for impairment of trade receivables are as follows:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
At beginning of the year/period	10,424	—
Impairment losses recognised	—	10,424
Exchange realignment	166	—
At end of the year/period	10,590	10,424

At 30 June 2013, the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK\$10,590,000 (31 December 2012: HK\$10,424,000) with a carrying amount before provision of HK\$21,114,000 (31 December 2012: HK\$20,783,000). The individually impaired trade receivables were related to customers that were in financial difficulties and the receivables may not be fully recovered.

10. Trade and Bills Receivables *(continued)*

Notes: *(continued)*

- (c) An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Less than six months	32,763	30,409
Six months to one year	10,642	4,674
Over one year	25,246	21,367
	68,651	56,450
Provision for impairment (note (b))	(10,590)	(10,424)
	58,061	46,026

An aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Neither past due nor impaired	17,483	20,769
Past due for less than six months	12,373	9,640
Past due for over six months	17,681	5,258
	47,537	35,667

Receivables that were neither past due nor impaired relate to various customers with no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. Trade and Other Payables

The trade and other payables balance included trade payables of HK\$10,365,000 (31 December 2012: HK\$5,943,000), an aged analysis of which as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Less than six months	6,225	5,263
Six months to one year	3,969	645
More than one year	171	35
	10,365	5,943

The trade and other payables are non-interest-bearing and are normally settled on a term of 60-day for trade payables and 180-day for other payable.

12. Interest-bearing Borrowings

	Maturity	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Current			
Bank loans — unsecured	2013	—	472,682
Bank loans — secured	2013–2014	770,857	497,560
Current portion of other loans — secured	2013–2014	77,029	43,269
		847,886	1,013,511
Non-current			
Bank loans — secured	2014–2015	189,555	310,975
Other loans — secured	2014–2016	198,475	71,538
		388,030	382,513
Total interest-bearing borrowings		1,235,916	1,396,024
Analysed into:			
Bank loans repayable:			
Within one year		770,857	970,242
In the second year		189,555	124,390
In the third to fifth years, inclusive		—	186,585
		960,412	1,281,217
Other loans repayable:			
Within one year		77,029	43,269
In the second year		108,224	46,886
In the third to fifth years, inclusive		90,251	24,652
		275,504	114,807
		1,235,916	1,396,024

12. Interest-bearing Borrowings *(continued)*

Notes:

- (a) All interest-bearing borrowings of the Group are denominated in RMB and their respective carrying amounts approximate to their fair values as at the end of the reporting period.
- (b) Certain of the Group's bank loans are secured by the Group's mining rights (31 December 2012: by certain of the Group's mining rights).
- (c) Certain of the Group's bank loans are guaranteed by a subsidiary of the Group, Shanxi Puhua Deqin, and certain independent third parties, including 內蒙古蒙發煤炭有限責任公司, 山西普大煤業集團有限公司, Mr. Zhao Ming (a former shareholder and convertible notes holder of the Company) and Mr. Hao Shenhai (a former director of Eerduosi Hengtai Coal Company Limited, "Hengtai") (31 December 2012: also included 內蒙古恒東能源集團有限責任公司 and 內蒙古東達蒙古王有限公司).
- (d) At 31 December 2012, the Group's other loan from an independent third party is secured by certain of the Group's construction in progress and prepayments, deposits and other receivables, bears interest at a fixed annual rate of 6.15% and is repayable by 12 quarterly instalments commenced on 18 April 2012. In addition, at 30 June 2013, the Group's other loans from independent third parties also included a loan which is secured by certain items of the Group's property, plant and equipment, bears interest at a fixed annual rate of 8.15% and is repayable by 12 quarterly instalments commenced on 16 July 2013.

13. Share Capital

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Authorised: 15,000,000,000 ordinary shares of HK\$0.1 each	1,500,000	1,500,000
Issued and fully paid: 2,984,284,168 (31 December 2012: 1,428,729,168) ordinary shares of HK\$0.1 each	298,429	142,873

13. Share Capital *(continued)*

A summary of the transactions during the period/year with reference to the movements in the Company's issued share capital and share premium account is as follows:

		Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2012, 31 December 2012 and 1 January 2013 (audited)		1,428,729,168	142,873	1,166,813	1,309,686
Issue of new shares	Note	1,555,555,000	155,556	544,444	700,000
Share issue expense		—	—	(1,320)	(1,320)
At 30 June 2013 (unaudited)		2,984,284,168	298,429	1,709,937	2,008,366

Note: On 31 January 2013, pursuant to the completion of a subscription agreement entered into between the Company and an investor dated 12 October 2012, the Company issued and allotted 1,555,555,000 new ordinary shares with par value of HK\$0.1 each at a cash consideration of HK\$0.45 per share. Net proceeds of the issuance amounted to approximately HK\$698,680,000. Further details of the transactions are set out in the Company's announcements dated 17 October 2012 and 31 January 2013 and the circular dated 15 November 2012.

14. Share Option Scheme

The Company operated a share option scheme which was expired on 28 May 2012 (the "Expired Scheme") and a new share option scheme (the "Scheme") was approved by the shareholders of the Company which was effective from 30 May 2012, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Upon the expiry of the Expired Scheme, no further share options can be granted under the Expired Scheme but the outstanding share options granted under the Expired Scheme shall remain in full force and effect until the options expired. Further details of the Scheme were disclosed in the circular of the Company dated 27 April 2012.

14. Share Option Scheme *(continued)*

All share options are vested upon the commencement of the exercise period. The movements of the number of share options outstanding during the current period is as follows:

				For the six months ended 30 June	
	Notes	2013 (unaudited)	2012 (unaudited)		
At beginning of the period		24,616,000	24,616,000		
Lapsed during the period	(a)	(16,000,000)	—		
Forfeited during the period	(b)	(5,500,000)	—		
At end of period	(c)	3,116,000	24,616,000		

Notes:

- (a) 16,000,000 (Period ended 30 June 2012: Nil) share options lapsed during the period upon the expiry of the exercise period on 11 May 2013. Accordingly, the portion of share option reserves of HK\$45,600,000 (Period ended 30 June 2012: Nil) was transferred to accumulated losses.
- (b) 5,500,000 (Period ended 30 June 2012: Nil) share options were forfeited during the period upon the expiry of the three-month post-resignation exercisable period of two ex-directors. Accordingly, the portion of share option reserves of HK\$13,455,000 (Period ended 30 June 2012: Nil) was transferred to accumulated losses.
- (c) No share options were granted or exercised during the period ended 30 June 2013 (Period ended 30 June 2012: Nil).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

		Number of share options outstanding	
Exercise period	Exercise price HK\$ per share	30 June 2013	31 December 2012
29 September 2008 to 29 September 2013	2.50	616,000	616,000
12 May 2011 to 11 May 2013	4.96	—	8,000,000
12 May 2012 to 11 May 2013	4.96	—	8,000,000
26 August 2011 to 25 August 2013	4.96	1,250,000	1,500,000
26 August 2012 to 25 August 2013	4.96	1,250,000	1,500,000
10 November 2011 to 9 November 2013	4.96	—	2,500,000
10 November 2012 to 9 November 2013	4.96	—	2,500,000
		3,116,000	24,616,000

14. Share Option Scheme *(continued)*

During the period ended 30 June 2012, equity-settled share-based payment expenses amounted to HK\$6,624,000 was recognised in the condensed consolidated statement of comprehensive income.

At the end of the reporting period, the Company had 3,116,000 (31 December 2012: 24,616,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,116,000 (31 December 2012: 24,616,000) additional ordinary shares of the Company and additional share capital of HK\$312,000 (31 December 2012: HK\$2,462,000) and share premium of HK\$13,628,000 (31 December 2012: HK\$118,118,000) (before issue expenses and transfer from the share option reserve).

At the date of approval of these interim condensed financial statements, the Company had 616,000 share options outstanding, which represented approximately 0.02% of the Company's shares in issue as at that date.

15. Business combination

Pursuant to a sale and purchase agreement and a subscription agreement both dated 30 April 2013, the Company acquired a total of 50% of the equity interest in Million Grow Investments Limited ("Million Grow") from two independent third parties (the "Vendors") for a total consideration of RMB217,000,000 (equivalent to approximately HK\$272,485,000), satisfied as to RMB202,000,000 (equivalent to approximately HK\$256,058,000) in cash and the remaining RMB15,000,000 (equivalent to approximately HK\$18,884,000) by the issuance of convertible notes by the Company.

Million Grow is an investment holding company and its subsidiaries (collectively, the "Million Grow Group") possess mining/exploration rights of two silver mines in Fujian province, the PRC.

On 30 April 2013, the Company also entered into a call option agreement with the Vendors pursuant to which in consideration of HK\$1 paid by the Company, the Vendors had granted a call option ("Call Option") to the Company, exercisable by the Company within 3 business days after competent person's report of the two silver mines under JORC code in compliance with the requirements under Chapter 18 of the Listing Rules ("JORC Code Report") is issued, for acquisition of the remaining 50% equity interest in Million Grow at RMB463 million (subject to downward adjustments with reference to an agreed formula as stated in the call option agreement).

Further details of the acquisition have been set out in the announcements of the Company dated 1 May 2013 and 13 June 2013. The acquisition of 50% equity interest in Million Grow has been completed in May 2013 and the Call Option has not been exercised as at the date of this report.

Million Grow is a subsidiary of the Company as the Company controls the composition of its board of directors and the Company has the power over Million Grow to affect the amount of the Company's returns.

15. Business combination *(continued)*

The assessment of the fair value of the Call Option requires, inter alia, the total amount of silver metals and ore grade of the two mines (the "Parameters") as stated in the JORC Code Report. In the opinion of the directors, before the JORC Code Report is available, the variability of reasonable range of the Parameters is so significant that the fair value of the Call Option would not be reliably measured. Accordingly, no fair value of the Call Option was recognised at the acquisition date and at the end of the reporting period.

The Group has elected to measure the non-controlling interest in the Million Grow Group at the non-controlling interest's proportionate share of the Million Grow Group's identifiable net assets.

The fair value of the identifiable assets and liabilities of the Million Grow Group as at the date of the acquisition were as follow:

	Notes	HK\$'000
Property, plant and equipment	9	78,943
Prepaid land premiums		1,256
Mining rights	(a)	409,248
Inventories		5,434
Prepayments, deposits and other receivables		4,754
Cash and bank balances		901
Other payables and accruals		(46,888)
Other interest-bearing borrowings		(126)
Deferred tax liabilities	(a)	(91,401)
Non-controlling interests	(a)	(182,567)
		179,554
Goodwill	(a)	92,931
		272,485
Satisfied by:		
Cash		256,058
Convertible notes	(b)	16,427
		272,485

15. Business combination *(continued)*

Notes:

- (a) The fair value of the mining rights of the Million Grow Group as at acquisition date was assessed using a geology report prepared based on the PRC geology standards, of which, in the opinion of the directors, is the best estimate of the resource/reserve quantities of the Million Grow Group currently available to the Group. As the Group had engaged a competent person to prepare the JORC Code Report, which is expected to be issued no later than 31 March 2014, the fair value of the mining rights will be reassessed to reflect the changes in resource/reserve quantities and/or classifications, if any. Accordingly, fair values of mining assets, deferred tax liabilities, non-controlling interests and the goodwill arising from the acquisition may be amended when the JORC Code Report is available to the Group.
- (b) The conversion option of the convertible notes is classified as an equity component, the fair value of which at the issue date was HK\$3,093,000. The fair value of the debt, which is classified as a liability component has a fair value of HK\$13,334,000 at the issue date. The aggregate fair value of the convertible notes at the issue date was HK\$16,427,000.

An analysis of the net outflow of cash and cash equivalents in respect of the above acquisition of subsidiaries are as follows:

	For the six months ended 30 June 2013 (unaudited) HK\$'000
Cash consideration	(256,058)
Cash and bank balances acquired	901
Net outflow of cash and cash equivalents in respect of the acquisition	(255,157)

16. Operating Lease Commitments

The Group leases certain of its office premises and directors' quarters under operating lease arrangements. Leases for the office premises are negotiated for a term of three years and leases for the directors' quarters are for terms of one to two years. None of the leases includes contingent rentals.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 HK\$'000 (unaudited)	31 December 2012 HK\$'000 (audited)
Within one year	4,545	593
In the second to the fifth years, inclusive	3,244	105
	7,789	698

17. Capital Commitments

At 30 June 2013, the Group had contracted capital commitments not provided for in the consolidated financial statements of HK\$32,857,000 (31 December 2012: HK\$32,520,000) in respect of acquisition of property, plant and equipment.

18. Events after the Reporting Period

On 30 August 2013, the Group and an independent third party (the "Lender") entered into a loan agreement pursuant to which the Lender will provide a loan with principal amount of HK\$360 million, subject to a fixed annual interest rate of 8%. The loan is secured by 99% equity interest in Shanxi Puhua Deqin Metallurgy Technology Co., Ltd. held by the Group and the maturity date is six months commencing from the date of the receipt of the first instalment of the loan, with an extension of additional six months subject to further agreement by both parties.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2013 (Period ended 30 June 2012: Nil).

Management Discussion and Analysis

Business Review

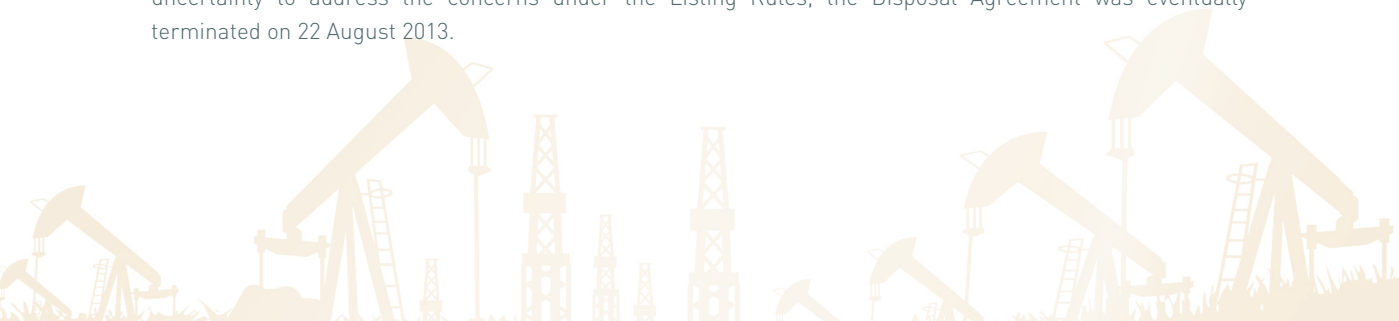
Following the completion of the subscription of majority stakes of the Company by Beida Jade Bird Group in January, the Group has been proactively restructuring its asset portfolio in the first half of 2013.

Silver Mining

In May 2013, the Company completed the acquisition of 50% equity interest in Million Grow, which indirectly owns Fujian Leixin Mining Company Limited ("Fujian Leixin") and which in turn operates two quality silver mines in Fujian Province. The West Mine has a valid mining permit with approved production capacity of 100,000 tpa. A processing plant with daily ore processing capacity of 300 tpd is already in place. With further equipments upgrade, its capacity can ramp up to 700 tpd. The estimated mineral resources and silver metals (according to the Chinese standard) of the West Mine are 2.2 million tons and 647.6 tons respectively with average ore grade of 293 g/t. The nearby East Mine has an exploration permit covering 7.03 km². Its estimated mineral resources and silver metals are 3.3 million tons and 405.3 tons respectively with average ore grade of 122 g/t. Detailed exploration work is expected to be completed by the end of 2013. A processing plant with ore processing capacity up to 1,500 tpd is planned to be constructed by the end of 2014. In the first half of 2013, Fujian Leixin sold 40.76 tons silver concentrates and contributed revenue of HK\$0.6 million to the Group.

Coal Mining

Coal mining and selling business of the Group has remained struggling during the first half of 2013. Both sales volume and selling prices of Hengtai and Inner Mongolia Liaoyuan Coal Mining Co., Ltd. ("Liaoyuan") dropped significantly as compared to last year as a result of the dampened coal market. While the market outlook remains uncertain, the tightened government policies, particularly on safety and environment measures, have also casted significant pressure to the coal mining operation in terms of production cost and sustainability. In response to this adverse situation, on 6 June 2013, the Company entered into an agreement with an interested buyer to dispose of the coal mining business (the "Disposal Agreement"). However due to uncertainty to address the concerns under the Listing Rules, the Disposal Agreement was eventually terminated on 22 August 2013.



Management Discussion and Analysis *(continued)*

Results Review

Revenue, cost of inventories sold and gross profit/(loss)

The Group recorded a total revenue of approximately HK\$67.7 million (Period ended 30 June 2012: HK\$396.2 million) representing a significant decrease of 83% compared with last comparable period. Hengtai and Liaoyuan contributed revenue from mining and selling of coal of approximately HK\$47.9 million (Period ended 30 June 2012: HK\$282.9 million) and HK\$19.2 million (Period ended 30 June 2012: HK\$113.3 million) during the period, respectively. Revenue from sales of silver concentrates of HK\$0.6 million (Period ended 30 June 2012: nil) was generated by Fujian Leixin during the period.

The average selling prices of raw coal produced in Hengtai and Liaoyuan during the period were approximately RMB93 per ton (Period ended 30 June 2012: RMB140) and RMB142 per ton (Period ended 30 June 2012: RMB243 per ton), respectively. During the period, Hengtai and Liaoyuan recorded sales volume of approximately 0.41 million tons (Period ended 30 June 2012: 1.64 million tons) and 0.11 million tons (Period ended 30 June 2012: 0.38 million tons), respectively.

Cost of inventories sold primarily consists of depreciation and amortisation, salaries and related labour cost for the production, taxes, supplies, utilities and other incidental expenses in relation to production. During the period, cost of inventories sold of coal and silver concentrates were approximately HK\$170.4 million (Period ended 30 June 2012: HK\$356.8 million), and HK\$1.1 million (Period ended 30 June 2012: nil), respectively.

The Group recorded a gross loss of approximately HK\$103.8 million during the period (Period ended 30 June 2012: gross profit of HK\$39.3 million).

Other income and gains

Other income and gains were approximately HK\$0.1 million (Period ended 30 June 2012: HK\$32.5 million). The decrease was mainly due to the absence of a one-off write-back of an other payable of approximately HK\$29 million recognised in 2012.



Management Discussion and Analysis *(continued)*

Results Review *(continued)*

Selling and distribution expenses and administrative expenses

Selling and distribution expenses and administrative expenses were approximately HK\$2.7 million and HK\$50.2 million, respectively during the period as compared to approximately HK\$4.1 million and HK\$52.5 million, respectively for the same period of last year.

Administrative expenses mainly comprised staff cost for administrative and finance functions including legal and professional fee incurred for operation, depreciation and other incidental administrative expenses.

Other expenses

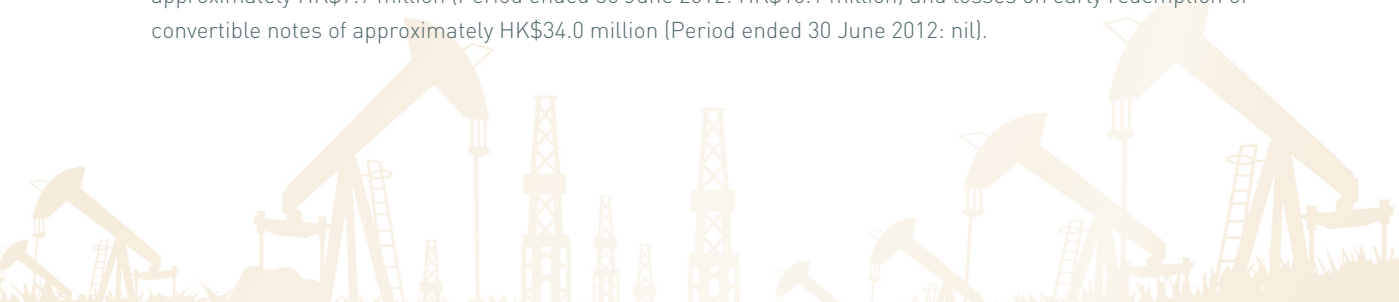
Other expenses mainly comprised impairments of property, plant and equipment, and mining rights of Hengtai and Liaoyuan of approximately HK\$71 million (Period ended 30 June 2012: HK\$300 million) and HK\$99 million (Period ended 30 June 2012: HK\$400 million), respectively, during the period.

In view of the adverse conditions, inter alia, decline of coal prices and sales volumes, during the period, which are indicators of impairment, the directors of the Company had estimated the recoverable amounts of the assets of the coal mining businesses (i.e. cash-generating units) of the Group (the "Mining Assets") which included property, plant and equipment, and mining rights. Based on the assessment, impairment loss totaling HK\$170 million was resulted and was allocated as to HK\$71 million to property, plant and equipment (Hengtai: HK\$62 million, Liaoyuan: HK\$9 million) and HK\$99 million to mining rights (Hengtai: HK\$78 million, Liaoyuan: HK\$21 million) based on their relative carrying amounts.

An impairment of the indemnification asset of HK\$153.6 million due from the vendor of Liaoyuan was made during the period ended 30 June 2012 in view of uncertainties as to the ultimate recovery of the said asset. There was no such impairment loss recognised during the period.

Finance costs

Finance costs were approximately HK\$97.8 million (Period ended 30 June 2012: HK\$63.9 million) which mainly represented interest expenses for loans raised in Hengtai of approximately HK\$55.9 million (Period ended 30 June 2012: HK\$53.8 million) during the period, amortisation of liability component of convertible notes of approximately HK\$7.9 million (Period ended 30 June 2012: HK\$10.1 million) and losses on early redemption of convertible notes of approximately HK\$34.0 million (Period ended 30 June 2012: nil).



Management Discussion and Analysis *(continued)*

Results Review *(continued)*

Share of profit of a jointly-controlled entity

Share of profit of a jointly-controlled entity represented share of profit generated from the fund management company set up by the Group with CITIC Trust.

Income tax

Income tax credit was approximately HK\$91.7 million (Period ended 30 June 2012: HK\$180.5 million) during the period which included write-back of deferred tax liabilities due to losses incurred by the Group during the period of approximately HK\$91.7 million (Period ended 30 June 2012: HK\$200.4 million). No provision for profits tax in Hong Kong (Period ended 30 June 2012: nil) and PRC operation (Period ended 30 June 2012: HK\$19.9 million) has been made during the period.

Liquidity and Financial Review

The Group mainly financed its day-to-day operations by internally generated cash flow, banking facilities and subscription of new shares as mentioned below during the period. As at 30 June 2013, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.22:1, compared with 0.08:1 as at 31 December 2012.

On 12 October 2012, the Company entered into a subscription agreement with an investor pursuant to which the Company has conditionally agreed to issue and allot and the investor has conditionally agreed to subscribe in cash for 1,555,555,000 new shares at the subscription price of HK\$0.45 per subscription share. The subscription was completed in January 2013, raising net proceed of approximately HK\$698.7 million. Details of the subscription were set out in the announcements of the Company dated 17 October 2012 and 31 January 2013 and the circular of the Company dated 15 November 2012.

As at 30 June 2013, the cash and cash equivalents of the Group were approximately HK\$168.2 million (31 December 2012: HK\$15.9 million). During the period, the Group recorded a net cash outflow generated from its operating activities of approximately HK\$162.0 million (Period ended 30 June 2012: inflow of HK\$149.4 million).



Management Discussion and Analysis *(continued)*

Liquidity and Financial Review *(continued)*

As at 30 June 2013, the Group had outstanding interest-bearing borrowings amounted to approximately HK\$1,235.9 million (31 December 2012: HK\$1,396 million). Of the Group's interest-bearing borrowings, 69%, 24% and 7%, respectively, were repayable within one year, in the second year and in the third to the fifth years, inclusive (31 December 2012: 73%, 12%, 15%). All the interest-bearing borrowings of the Group were denominated in Renminbi. As at 30 June 2013, loans of approximately HK\$758.2 million (31 December 2012: HK\$870.7 million) were interest-bearing with floating interest rates and loans of approximately HK\$477.7 million (31 December 2012: HK\$525.3 million) were charged at fixed interest rates ranged from 6.15% to 8.15% (31 December 2012: 6.15% and 7.87%) per annum.

As at 30 June 2013, the carrying amounts of the liability component of the Group's zero coupon redeemable convertible notes which have a 5-year term from 21 December 2009 ("2009 CN") and a 3-year term from 11 June 2013 ("2013 CN") were approximately HK\$34.4 million (31 December 2012: HK\$242.6 million) and approximately HK\$13.4 million (31 December 2012: nil), respectively. The 2009 CN are redeemable in whole or in part at face value by the Company at any time after 3 years from the issuance date (i.e. after 22 December 2012). During the period, 2009 CN of principal amount of HK\$250 million have been early redeemed at par by the Company. The 2013 CN of principal amount of approximately HK\$18.9 million, being part of consideration payable for acquisition of Million Grow as mentioned, were issued in June 2013. No conversion of the 2009 CN and 2013 CN took place during the period.

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

Gearing Ratio

The gearing ratio of the Group, measured as net debt, which represents trade and other payables and interest-bearing borrowings, less cash and cash equivalents to the total capital, which represents liability component of convertible notes and equity attributable to owners of the Company, was 2.11 as at 30 June 2013, as compared to 2.18 as at 31 December 2012.



Management Discussion and Analysis *(continued)*

Significant Investments, Material Acquisitions and Disposals

Acquisition of Million Grow

Pursuant to a sale and purchase agreement and a subscription agreement both dated 30 April 2013, the Company acquired a total of 50% of the equity interest in Million Grow, which indirectly held two silver mines in Fujian Province, from two independent third parties (the "Vendors") for a total consideration of RMB217,000,000, satisfied as to RMB202,000,000 in cash and the remaining RMB15,000,000 by the issuance of 2013 CN by the Company.

On 30 April 2013, the Company also entered into a call option agreement with the Vendors pursuant to which in consideration of HK\$1 paid by the Company, the Vendors had granted a call option ("Call Option") to the Company, exercisable by the Company within 3 business days after the JORC Code Report is issued, for acquisition of the remaining 50% equity interest in Million Grow at RMB463 million (subject to downward adjustments with reference to an agreed formula as stated in the call option agreement).

Further details of the acquisition have been set out in the announcements of the Company dated 1 May 2013 and 13 June 2013. The acquisition of 50% equity interest in Million Grow has been completed in May 2013 and the Call Option has not been exercised as at the date of this report.

Termination of proposed disposal of Triumph Fund A Limited

On 6 June 2013, the Group and Brothers Union International Limited ("Brothers Union") entered into an agreement in relation to the disposal of the entire interest in Triumph Fund A Limited which indirectly held Hengtai and Liaoyuan. On the same day, the Company and Brothers Union entered into an option agreement pursuant to which in consideration of HK\$1 paid by the Company, the Group has the right to exercise the option to exchange for the possible new coal mine interest to be obtained by Hengtai with the coal processing plant within three years from the completion of the proposed disposal. The proposed disposal was terminated on 22 August 2013. Further details of the proposed disposal have been set out in the announcement of the Company dated 23 August 2013.

Save as disclosed above, the Group had no material acquisition and disposal during the period.



Management Discussion and Analysis *(continued)*

Capital Commitment, Charge on Group Assets and Contingent Liabilities

As at 30 June 2013, the capital commitments of the Group were approximately HK\$32.9 million. The capital commitments were mainly related to purchasing plant and equipment.

As at 30 June 2013, the bank loans of approximately HK\$960.4 million were secured by certain of the Group's mining rights and guarantees given by a former shareholder of Triumph Fund A Limited (a subsidiary of the Company), a former director of Hengtai and certain independent third parties. In addition, other loans from independent third parties of HK\$275.4 million are secured by certain of the Group's property, plant and equipment and prepayments, deposits and other receivables.

As at 30 June 2013, bank balances of approximately HK\$142.6 million were pledged for bills issued by the Group.

Save as disclosed above, the Group had no other assets pledged as at 30 June 2013.

As at 30 June 2013, there was no material contingent liability of the Group.

Human Resources and Share Option Scheme

As at 30 June 2013, the Group had 420 (31 December 2012: 355) full-time employees. The total staff costs for the six months ended 30 June 2013 were approximately HK\$21.8 million (Period ended 30 June 2012: HK\$48.2 million). The Group's remuneration policy is primarily based on the individual performance and experience of employees, prevailing industry practice and market rates. In addition to the basic salaries, the Group provides staff benefits including medical insurance and contributions to the provident fund. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. The Group also provides appropriate training programmes for benefits to employees' better personal development and growth.

Pursuant to the Scheme, the Company may offer to any employee of the Group options to subscribe for shares in the Company. As at 30 June 2013, there were 3,116,000 share options outstanding. No share options were granted or exercised during the period.



Future Outlook

Since the Company acquired Fujian Leixin in May 2013, it has successfully diversified its business into precious metals of which selling price is expected to be relatively stable in the foreseeable future due to their scarcity and the increasing market demand. It is believed that the Company will receive economic benefits from the stable revenue and cash flows generated by the silver mining business. In the meantime, the Company is currently seeking opportunity to acquire heavy oil extraction technology and pursuing oil and gas transactions in North America and South East Asia to further strengthen the asset portfolio of the Group. The management of the Company will continue to bring premier assets with higher investment yields into the Group and to protect shareholders' value.

Directors' Interests in Shares and Underlying Shares

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at 30 June 2013, the following directors or chief executive of the Company had or were deemed to have an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the "Model Code"):

Long position in the shares and underlying shares of the Company:

Name of Director	Capacity	Interest in shares	Interest in underlying shares	Total interest in shares/ underlying shares	Approximate percentage of the Company's issued share capital
Mr. Chiu Sui Keung (note)	Beneficial owner	—	500,000	500,000	0.02%

Note: Options were granted to Mr. Chiu Sui Keung under the Expired Scheme which are exercisable at the subscription price of HK\$4.96 per share (subject to adjustments) at any time during a period of two years commencing from and including 26 August 2011 to 25 August 2013. The number of underlying shares represent the number of shares which would be allotted and issued to him upon the exercise in full of the options granted.

Directors' Interests in Shares and Underlying Shares *(continued)*

(a) Directors' interests and short positions in the securities of the Company and its associated corporations *(continued)*

Save as disclosed above, as at 30 June 2013, none of the directors and the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directors' rights to acquire shares

The Company operates the Expired Scheme until 28 May 2012 and thereafter the Scheme under which the directors might grant options to eligible participants to subscribe up to 10% of the nominal amount of the issued share capital of the Company. No share options were granted during the period. Further details of the share options granted to directors under the Expired Scheme are set out in part (a) above.

Save as disclosed 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 spouses 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.



Persons who have an Interest or Short Position which is Discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the directors and the chief executive of the Company, as at 30 June 2013, the following persons (not being directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity	Total interests in long position of shares/underlying shares	Approximate percentage of the Company's issued share capital
Belton Light Limited (note 1)	Beneficial owner	1,555,555,000	52.12%
Wang Da Yong (note 2)	Through controlled corporation/Beneficial owner/spouse	278,784,500	9.34%

Notes:

1. Belton Light Limited is wholly owned by Jade Bird Energy Fund II, L.P.
2. The shares are held by Mr. Wang Da Yong under the below capacities:
 - (a) 120,082,000 shares are held by Join Ascent Limited which is held as to 80% and 20% by Mr. Wang Da Yong and Mr. Tian Wenwei, respectively.
 - (b) 27,838,500 shares are held by China Coal and Coke Investment Holding Company Limited which is wholly owned by Sino Bridge Investments Limited, a company wholly owned by Mr. Wang Da Yong.
 - (c) 121,885,000 shares are held by Sky Circle International Limited which is wholly owned by Mr. Wang Da Yong.
 - (d) 2,671,000 shares are held by Ms. Yuan Hong, the spouse of Mr. Wang Da Yong.
 - (e) 6,308,000 shares are held directly by Mr. Wang Da Yong.

Save as disclosed above, as at 30 June 2013, the Directors were not aware of any other person (other than the directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO.

Purchase, Redemption or Sale of Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

Corporate Governance Code

In the opinion of the directors, save as below deviations, the Company has complied with the Corporate Governance Code ("the Code") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2013.

- (1) Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All of the existing non-executive directors and independent non-executive directors of the Company are not appointed on specific terms, though all of them are subject to retirement by rotation at the annual general meeting of the Company.

According to the Articles of Association of the Company, one third of the directors shall retire from office by rotation. The Board considers that sufficient measures will be taken to ensure the corporate governance practices of the Company are not less than those in the Code.

- (2) Under provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the chairman of the board was unable to attend the annual general meeting due to his personal engagement.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry, all directors of the Company have complied with required standard set out in the Model Code throughout the six months ended 30 June 2013.



Review by Audit Committee

The 2013 interim report is unaudited, but has been reviewed by the Audit Committee of the Company which comprises the three Independent Non-Executive Directors of the Company namely, Mr. Chiu Sui Keung, Mr. Li Peiming and Mr. Lu Binghui. The Audit Committee was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

On behalf of the Board

Xu Zhendong

Chairman

Hong Kong, 30 August 2013

