



SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 639

INTERIM REPORT **2014**



CONTENTS

CORPORATE INFORMATION	2
FINANCIAL HIGHLIGHTS	4
INDEPENDENT REVIEW REPORT	6
INTERIM FINANCIAL REPORT	
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS	14
NOTES TO THE INTERIM FINANCIAL REPORT	16
MANAGEMENT DISCUSSION AND ANALYSIS	37
INTERIM DIVIDEND	46
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	46
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	47
INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO	48
SHARE OPTIONS	49
AUDIT COMMITTEE	51
COMPLIANCE WITH CORPORATE GOVERNANCE CODE	51
COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	51
DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES	52
CHANGE OF DIRECTORS	52
APPRECIATION	52

CORPORATE INFORMATION

Board of Directors

Li Shaofeng (*Chairman*)
Ding Rucai (*Vice-chairman and Managing Director*)
(*appointed with effect from 1 September 2014*)
Chen Zhouping (*Vice-chairman and Managing Director*)
(*resigned with effect from 1 September 2014*)
Wong Lik Ping (*Vice-chairman*)
So Kwok Hoo (*Deputy Managing Director*)
Chen Zhaoqiang (*Deputy Managing Director*)
Liu Qingshan (*Deputy Managing Director*)
Leung Shun Sang, Tony (*Non-executive Director*)
Zhang Yaoping (*Non-executive Director*)
Xiang Xu Jia (*Non-executive Director*)
Kee Wah Sze (*Independent Non-executive Director*)
Choi Wai Yin (*Independent Non-executive Director*)
Chan Pat Lam (*Independent Non-executive Director*)
Chan Chung Chun (*Independent Non-executive Director*)
Japhet Sebastian Law (*Independent Non-executive Director*)

Executive Committee

Li Shaofeng (*Chairman*)
Ding Rucai (*appointed as a member with effect from*
1 September 2014)
Chen Zhouping (*ceased to act as a member with effect*
from 1 September 2014)
Wong Lik Ping
So Kwok Hoo
Chen Zhaoqiang
Liu Qingshan

Audit Committee

Choi Wai Yin (*Chairman*)
Kee Wah Sze
Chan Pat Lam
Chan Chung Chun
Japhet Sebastian Law

Nomination Committee

Li Shaofeng (*Chairman*)
Wong Lik Ping
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam
Chan Chung Chun
Japhet Sebastian Law



CORPORATE INFORMATION (continued)

Remuneration Committee	Chan Chung Chun (<i>Chairman</i>) Li Shaofeng Leung Shun Sang, Tony Kee Wah Sze Choi Wai Yin Chan Pat Lam Japhet Sebastian Law
Company Secretary	Cheng Man Ching
Auditor	BDO Limited
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office and Principal Place of Business	6th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Stock Code	639
Website	www.shougang-resources.com.hk

FINANCIAL HIGHLIGHTS

<i>(HK\$'000)</i>	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Percentage change
Revenue	1,702,459	2,321,979	-27%
Gross profit	747,677	1,284,655	-42%
Gross profit margin	44%	55%	
Operating profit	17,929	1,023,111	-98%
of which: Impairment loss on goodwill	(300,152)	–	
EBITDA ¹	571,695	1,318,884	-57%
(Loss)/Profit for the period	(161,049)	702,985	
(Loss)/Profit attributable to owners of the Company ("Owners")	(191,517)	582,346	
Basic (loss)/earnings per share <i>(HK cents)</i>	(3.61)	10.98	
	As at 30 June 2014	As at 31 December 2013	Percentage change
<i>(HK\$'000)</i>			
Total assets	25,106,122	26,870,908	-7%
of which: Cash and cash equivalents and time deposits with original maturity over three months	5,055,019	5,588,217	-10%
Unpledged bill receivables	718,012	854,801	-16%
Total liabilities	(4,665,038)	(5,211,743)	-10%
of which: Total borrowings	(330,225)	(580,009)	-43%
Total borrowings (excluding asset-backed financing)	–	(2,286)	-100%
Gearing ratio ²	1.62%	2.68%	-40%
Adjusted gearing ratio ³	0.00%	0.01%	-100%
Current ratio ⁴	3.2 times	2.9 times	+10%
Total equity/Net assets	20,441,084	21,659,165	-6%
of which: Equity attributable to Owners	18,831,486	19,927,383	-5%
Equity per share attributable to Owners (HK\$)	3.55	3.76	-6%

The board of directors has declared a 2014 interim dividend of HK1 cent (2013 interim: HK2.7 cents) per ordinary share.

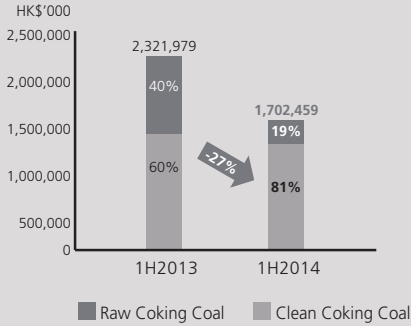
Notes:

1. EBITDA is defined as operating profit plus impairment loss on goodwill, depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.
3. Adjusted gearing ratio is computed from total borrowings (excluding asset-backed financing) divided by total equity.
4. Current ratio is computed from current assets divided by current liabilities.

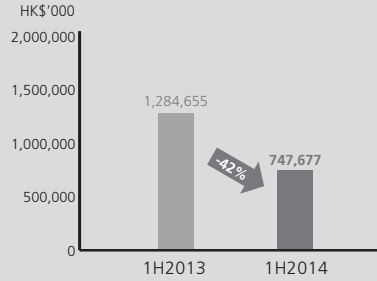


FINANCIAL HIGHLIGHTS (continued) Profit & Loss Summary

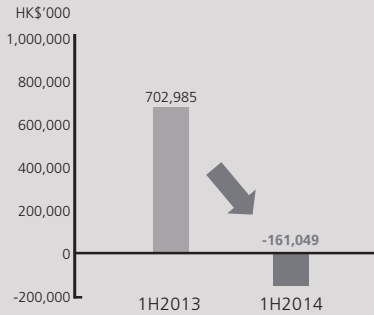
Revenue



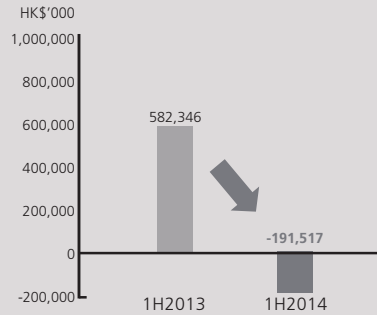
Gross profit



(Loss)/Profit for the period

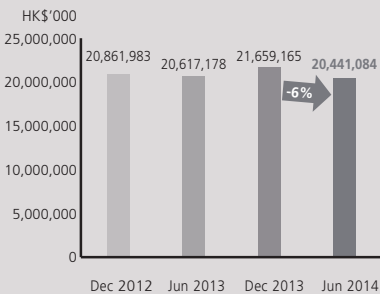


(Loss)/Profit attributable to Owners

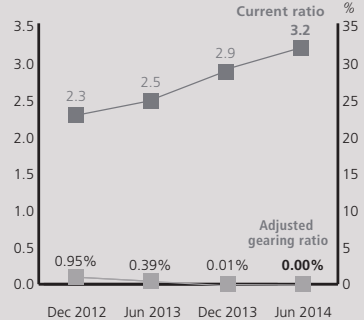


Healthy Financial Position

Net assets



Adjusted gearing ratio & current ratio



INDEPENDENT REVIEW REPORT



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25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

TO THE BOARD OF DIRECTORS OF SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 8 to 36, which comprise the consolidated statement of financial position of Shougang Fushan Resources Group Limited and its subsidiaries as of 30 June 2014 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Financial Reporting Standards.

Our responsibility is to express a conclusion on this interim financial report based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



INDEPENDENT REVIEW REPORT (continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Chiu Wing Cheung Ringo

Practising Certificate Number P04434

Hong Kong, 28 August 2014

INTERIM FINANCIAL REPORT

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	1,702,459	2,321,979
Cost of sales		(954,782)	(1,037,324)
Gross profit		747,677	1,284,655
Other operating income	4	126,633	217,227
Selling and distribution expenses		(102,614)	(62,305)
General and administrative expenses		(208,028)	(153,596)
Other operating expenses		(245,587)	(262,870)
Impairment loss on goodwill	5(b)	(300,152)	–
Operating profit		17,929	1,023,111
Finance costs	6	(8,389)	(13,994)
Change in fair value of derivative financial instruments		(39,242)	(1,436)
Share of loss of an associate		(540)	(385)
(Loss)/Profit before income tax	7	(30,242)	1,007,296
Income tax expense	8	(130,807)	(304,311)
(Loss)/Profit for the period		(161,049)	702,985



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(220,053)	207,150
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		(301,512)	(623,658)
Total comprehensive income for the period		(682,614)	286,477
(Loss)/Profit for the period attributable to:			
Owners of the Company		(191,517)	582,346
Non-controlling interests		30,468	120,639
(Loss)/Profit for the period		(161,049)	702,985
Total comprehensive income for the period attributable to:			
Owners of the Company		(682,354)	138,415
Non-controlling interests		(260)	148,062
Total comprehensive income for the period		(682,614)	286,477
		HK(Cents)	HK(Cents)
(Loss)/Earnings per share			
– Basic and diluted	10	(3.61)	10.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	3,472,102	3,609,675
Prepaid lease payments		58,843	60,681
Mining rights		10,091,206	10,410,259
Goodwill	5(a)	1,978,332	2,319,205
Interest in an associate		18,020	18,894
Financial assets measured at fair value through other comprehensive income	12	989,365	1,290,877
Deposits, prepayments and other receivables		280,228	312,375
Deferred tax assets		24,744	27,586
Total non-current assets		16,912,840	18,049,552
Current assets			
Inventories		254,878	221,019
Trade and bill receivables	13	2,415,044	2,590,184
Deposits, prepayments and other receivables		249,778	203,485
Derivative financial instruments		8,130	13,661
Pledged bank deposits	14	210,433	204,790
Time deposits with original maturity over three months	15	2,777,827	3,450,606
Cash and cash equivalents	15	2,277,192	2,137,611
Total current assets		8,193,282	8,821,356
Current liabilities			
Trade and bill payables	16	587,144	663,324
Other payables and accruals		1,388,920	1,526,846
Borrowings	17	330,225	580,009
Derivative financial instruments		625	–
Amounts due to non-controlling interests of subsidiaries		3,796	20,635
Tax payables		276,782	269,627
Total current liabilities		2,587,492	3,060,441
Net current assets		5,605,790	5,760,915
Total assets less current liabilities		22,518,630	23,810,467



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		2,077,546	2,151,302
Total non-current liabilities		2,077,546	2,151,302
Net assets		20,441,084	21,659,165
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	15,156,959	530,184
Reserves		3,674,527	19,397,199
Total equity attributable to owners of the Company		18,831,486	19,927,383
Non-controlling interests		1,609,598	1,731,782
Total equity		20,441,084	21,659,165

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Equity attributable to owners of the Company									Non-controlling interests	Total equity	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Share-based compensation reserve HK\$'000	Security investment reserve HK\$'000	Translation reserve HK\$'000			Total HK\$'000
At 1 January 2013 (Audited)	530,184	14,618,903	7,872	448,068	519,374	2,572,860	564,179	(1,030,122)	992,366	19,223,684	1,638,299	20,861,983
Contribution from non-controlling interests of subsidiary (Unaudited)	-	-	-	-	-	-	-	-	-	-	91,875	91,875
2012 final dividends approved (Unaudited)	-	-	-	-	-	(530,184)	-	-	-	(530,184)	-	(530,184)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	-	-	-	-	-	-	-	-	-	-	(92,973)	(92,973)
Transactions with owners of the Company (Unaudited)	-	-	-	-	-	(530,184)	-	-	-	(530,184)	(1,098)	(531,282)
Profit for the period (Unaudited)	-	-	-	-	-	582,346	-	-	-	582,346	120,639	702,985
Other comprehensive income:												
- Exchange differences on translation of financial statements of foreign operations (Unaudited)	-	-	-	-	-	-	-	-	179,727	179,727	27,423	207,150
- Fair value loss on financial assets measured at fair value through other comprehensive income (Unaudited)	-	-	-	-	-	-	-	(623,658)	-	(623,658)	-	(623,658)
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	582,346	-	(623,658)	179,727	138,415	148,062	286,477
Appropriations to other reserves (Unaudited)	-	-	-	-	100,116	(100,116)	-	-	-	-	-	-
Lapse of share options (Unaudited)	-	-	-	-	-	2,083	(2,083)	-	-	-	-	-
At 30 June 2013 (Unaudited)	530,184	14,618,903	7,872	448,068	619,490	2,526,989	562,096	(1,653,780)	1,172,093	18,831,915	1,785,263	20,617,178



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2014

	Equity attributable to owners of the Company									Non-controlling interests	Total equity	
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Statutory reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Share-based compensation reserve HK\$'000	Security investment reserve HK\$'000	Translation reserve HK\$'000			Total HK\$'000
At 1 January 2014 (Audited)	530,184	14,618,903	7,872	448,068	538,881	3,006,458	552,806	(1,036,116)	1,260,327	19,927,383	1,731,782	21,659,165
Transfer upon the abolition of par value of shares on 3 March 2014 (Note 18) (Unaudited)	14,626,775	(14,618,903)	(7,872)	-	-	-	-	-	-	-	-	-
2013 final dividends approved (Unaudited)	-	-	-	-	-	(413,543)	-	-	-	(413,543)	-	(413,543)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	-	-	-	-	-	-	-	-	-	-	(121,924)	(121,924)
Transactions with owners of the Company (Unaudited)	-	-	-	-	-	(413,543)	-	-	-	(413,543)	(121,924)	(535,467)
Loss for the period (Unaudited)	-	-	-	-	-	(191,517)	-	-	-	(191,517)	30,468	(161,049)
Other comprehensive income:												
- Exchange differences on translation of financial statements of foreign operations (Unaudited)	-	-	-	-	-	-	-	-	(189,325)	(189,325)	(30,728)	(220,053)
- Fair value loss on financial assets measured at fair value through other comprehensive income (Unaudited)	-	-	-	-	-	-	-	(301,512)	-	(301,512)	-	(301,512)
Total comprehensive income for the period (Unaudited)	-	-	-	-	-	(191,517)	-	(301,512)	(189,325)	(682,354)	(260)	(682,614)
Appropriations to other reserves (Unaudited)	-	-	-	-	45,910	(45,910)	-	-	-	-	-	-
At 30 June 2014 (Unaudited)	15,156,959	-	-	448,068	584,791	2,355,488	552,806	(1,337,628)	1,071,002	18,831,486	1,609,598	20,441,084

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cash flows from operating activities		
(Loss)/Profit before income tax	(30,242)	1,007,296
Adjustments for:		
Amortisation of prepaid lease payments	763	781
Amortisation of mining rights	134,620	156,716
Depreciation of property, plant and equipment	118,231	138,276
Finance costs	8,389	13,994
Provision for impairment on trade receivables	–	3,380
Impairment loss on goodwill	300,152	–
Share of loss of an associate	540	385
Interest income	(98,843)	(63,714)
Dividend income on financial assets measured at fair value through other comprehensive income	–	(26,260)
Gain on disposals of property, plant and equipment	(12)	–
Change in fair value of derivative financial instruments	39,242	1,436
Net foreign exchange loss/(gain)	79,381	(75,727)
Operating profit before working capital changes	552,221	1,156,563
Increase in inventories	(37,775)	(77,235)
(Increase)/Decrease in trade and bill receivables	(94,720)	526,556
Increase in deposits, prepayments and other receivables	(43,079)	(7,526)
Increase/(Decrease) in trade and bill payables	12,722	(46,472)
Decrease in other payables and accruals	(16,847)	(190,144)
(Decrease)/Increase in amounts due to non-controlling interests of subsidiaries	(16,473)	1,284
<i>Cash generated from operations</i>	356,049	1,363,026
Income tax paid	(152,164)	(297,923)
<i>Net cash generated from operating activities</i>	203,885	1,065,103



CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(192,261)	(276,400)
Proceeds from disposals of property, plant and equipment		37	–
Increase in pledged bank deposits		(5,756)	(96,820)
Decrease/(Increase) in time deposits with original maturity over three months		672,779	(1,196,907)
Interest received		83,739	53,746
Dividend received		–	26,260
<i>Net cash generated from/(used in) investing activities</i>		558,538	(1,490,121)
Cash flows from financing activities			
Repayments of bank borrowings		–	(116,550)
Finance costs paid		(8,389)	(13,302)
Dividends paid to owners of the Company		(413,543)	–
Dividends paid to non-controlling interests of subsidiaries		(121,924)	(92,973)
Capital injection from non-controlling interest of a subsidiary		–	91,875
<i>Net cash used in financing activities</i>		(543,856)	(130,950)
Net increase/(decrease) in cash and cash equivalents		218,567	(555,968)
Cash and cash equivalents at 1 January		2,137,611	2,981,333
Effect of foreign exchange rates changes		(78,986)	61,669
Cash and cash equivalents at 30 June		2,277,192	2,487,034
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash	15	2,277,192	2,487,034

NOTES TO THE INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION

Shougang Fushan Resources Group Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office address is 6th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal places of business of the Company and its subsidiaries (collectively referred to as the “Group”) are in Hong Kong and the People’s Republic of China (the “PRC”).

The principal activities of the Group’s subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group’s operations during the six months ended 30 June 2014.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial report for the six months ended 30 June 2014 (the “Interim Financial Report”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). The Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

The Interim Financial Report has been reviewed by our auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The Interim Financial Report was approved for issue by the board of directors on 28 August 2014.



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2013, except for the adoption of the following standards as of 1 January 2014:

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Other than as noted below, the adoption of these new or revised HKFRSs has had no material impact on the Interim Financial Report.

2.1 Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

2.2 Amendments to HKFRS 36 Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of HKFRS 13 Fair Value Measurement on the disclosures required under HKAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generated units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group has provided those disclosures in Note 5.

2.3 Amendments to HKFRS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

2.4 HK(IFRIC) 21 Levies

HK(IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of HK(IFRIC) 21 did not have an impact on the Interim Financial Report.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

3. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. The Group has identified one reportable segment as follows:

Coking coal mining: Mining and exploration of coal resources and production of raw and clean coking coal in the PRC

For the six months ended 30 June 2014, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The operating segment is monitored and strategic decisions are made on the basis of adjusted segment operating results. The Group's segment operating profit reconciles to the Group's (loss)/profit before income tax as follows:

	Coking coal mining		Consolidated	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:				
Revenue from external parties	1,702,459	2,321,979	1,702,459	2,321,979
Segment operating profit	6,745	931,245	6,745	931,245
Interest income			98,843	63,714
Other operating income not allocated			-	76,727
General and administrative expenses not allocated			(87,659)	(48,575)
Operating profit			17,929	1,023,111
Finance costs			(8,389)	(13,994)
Change in fair value of derivative financial instruments			(39,242)	(1,436)
Share of loss of an associate			(540)	(385)
(Loss)/Profit before income tax			(30,242)	1,007,296



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

3. REVENUE AND SEGMENT INFORMATION (continued)

	Coking coal mining		Corporate		Consolidated	
	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Segment assets	19,096,347	20,093,380	4,969,516	5,426,510	24,065,863	25,519,890
Segment liabilities	2,259,694	2,718,436	50,391	72,378	2,310,085	2,790,814

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Bank interest income	98,843	63,714
Dividend income on financial assets measured at fair value through other comprehensive income	–	26,260
Income from sales of scrapped products	27,715	49,276
Net foreign exchange gain	–	75,727
Others	75	2,250
	126,633	217,227

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

5. GOODWILL/IMPAIRMENT LOSS ON GOODWILL

(a) Reconciliation of carrying amount of goodwill

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Gross carrying amount at the beginning of the period/year	2,321,215	2,266,920
Exchange retranslation	(40,721)	54,295
Gross carrying amount at the end of the period/year	2,280,494	2,321,215
<i>Less:</i>		
Accumulated impairment loss at the beginning of the period/year	(2,010)	(2,010)
Impairment loss for the period	(300,152)	–
Accumulated impairment loss at the end of the period/year	(302,162)	(2,010)
Net carrying amount at the end of the period/year	1,978,332	2,319,205

The carrying amount of goodwill was allocated as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu")	872,088	887,826
Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang")	511,822	826,627
Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi")	572,495	582,825
Jinshan Energy Group Limited	21,927	21,927
Net carrying amount at the end of the period/year	1,978,332	2,319,205



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

5. GOODWILL/IMPAIRMENT LOSS ON GOODWILL (continued)

(b) Impairment loss on goodwill

During the six months ended 30 June 2014, following the continuous downturn in the coal market, the Group reassessed its estimates on the recoverable amounts of CGUs of the coking coal mining segment.

The recoverable amounts of CGUs have been determined based on value-in-use calculations, which are based on certain key assumptions including discount rates, growth rates, expected changes in direct costs and remaining reserves. The recoverable amounts as at 30 June 2014 were measured by an independent valuer, Asset Appraisal Limited, who is a fellow member of the Hong Kong Institute of Surveyors.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the CGUs.

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately 0% to 8% (As at 31 December 2013: 0% to 17%) and with average discount rate of 13.44% (As at 31 December 2013: 15.24%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (As at 31 December 2013: 2%). Cash flow projections during the budget period for each of the above CGU are based on the budgeted revenue and expected gross margins during the budget period and the same inflation rate of 3% (As at 31 December 2013: 2%) during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inflation rate, have been determined based on market information, past performance and management's expectations for the market development.

The license periods of the mining rights held by the Group range from 2 to 30 years which are shorter than the estimated useful lives of the coal mines estimated by the Group, management is of the opinion that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges.

The carrying amount of Jinjiazhuang's CGU was determined to be higher than its recoverable amount of HK\$461,772,000 and an impairment loss of HK\$300,152,000 (Six months ended 30 June 2013: nil) was recognised during the six months ended 30 June 2014. This impairment loss was allocated fully to goodwill as the reduction of the carrying amount of goodwill, included in the consolidated statement of financial position, by HK\$300,152,000; and as "impairment loss on goodwill" in the consolidated statement of profit or loss and other comprehensive income. The key assumptions are the discount rate of 13.39% (As at 31 December 2013: 14.99%) per annum and the growth rates, covering a 5-year period, of approximately 0% to 8% (As at 31 December 2013: 0% to 17%).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

5. GOODWILL/IMPAIRMENT LOSS ON GOODWILL (continued)

(c) Sensitivity disclosures

The recoverable amount of Xingwu's CGU exceeds its carrying amount by HK\$295,072,000. The key assumptions are the discount rate of 13.35% per annum and the growth rate of approximately 0% to 8%. If the discount rate increased by 0.68% or the growth rate reduced by 0.41%, the carrying amount of Xingwu's CGU would equal to its recoverable amount.

6. FINANCE COSTS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interest charged on:		
– bank borrowings repayable within five years	–	2,099
– discounted bill receivables	8,389	11,895
Total finance costs	8,389	13,994

* No borrowing costs were capitalised for the six months ended 30 June 2014 and 2013.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	954,782	1,037,324
Amortisation of		
– prepaid lease payments	763	781
– mining rights	134,620	156,716
Depreciation of property, plant and equipment	118,231	138,276
Employee benefit expenses (including directors' remuneration and retirement benefits scheme contributions)	305,565	335,389
Net foreign exchange loss/(gain)	79,381	(75,727)
Provision for impairment on trade receivables	–	3,380
Operating lease charges in respect of land and buildings	792	3,432



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Current tax – PRC income tax	132,086	290,071
Deferred tax	(1,279)	14,240
	130,807	304,311

No provision for Hong Kong Profits Tax has been made in the Interim Financial Report as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2014 and 2013.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's certain major subsidiaries, namely Xingwu, Jinjiazhuang and Zhaiyadi, all established in the PRC, is subject to 25% enterprise income tax in the PRC.

The Group is also subject to withholding tax at the rate of 5% (Six months ended 30 June 2013: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

9. DIVIDENDS

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Interim dividend of HK1 cent per ordinary share (Six months ended 30 June 2013: HK2.7 cents per ordinary share)	53,018	143,150

Interim dividend of HK1 cent (Six months ended 30 June 2013: HK2.7 cents) per ordinary share declared after 30 June 2014 (Six months ended 30 June 2013: 30 June 2013) has not been recognised as a liability as at the reporting date.

Interim dividend for the six months ended 30 June 2014 is expected to be paid on or about 15 October 2014 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 15 September 2014. As at 30 June 2014, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2013: 5,301,837,842).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

10. (LOSS)/EARNINGS PER SHARE

The calculations of basic and diluted (loss)/earnings per share to owners of the Company are based on the following data:

	Six months ended 30 June	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
(Loss)/Profit used to determine basic and diluted (loss)/earnings per share	(191,517)	582,346
	'000 shares	<i>'000 shares</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	5,301,837	5,301,837
Effect of dilutive potential ordinary shares – share options	–	2,188
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	5,301,837	5,304,025

Diluted loss per share for the current interim period

In calculating the diluted loss per share for the current interim period, the potential issue of shares arising from the Company's share option would decrease the loss per share during the current interim period and was thereby not taken into account as they have an anti-dilutive effect. Therefore, the diluted loss per share was calculated based on the loss for the period of HK\$191,517,000 and on the weighted average of 5,301,837,842 ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic loss per share.



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK\$44,127,000 (Six months ended 30 June 2013: approximately HK\$98,859,000) mainly in relation to the additions of mining equipment and construction in progress for mining infrastructure and coal preparation plants. Property, plant and equipment of approximately HK\$25,000 was disposed during the six months ended 30 June 2014 (Six months ended 30 June 2013: nil).

During the period, no interest expense was capitalised (Six months ended 30 June 2013: nil) in property, plant and equipment.

The Group has no property, plant and equipment held under finance leases as at 30 June 2014 and 31 December 2013.

The Group's buildings are situated in the PRC and are held on leases of between 10 to 50 years. As at 30 June 2014, the Group is still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately HK\$162,144,000 (RMB129,975,000 equivalent) (As at 31 December 2013: approximately HK\$175,209,000 (RMB137,960,000 equivalent)). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Equity securities, at fair value		
– listed in Australia	825,889	1,150,345
– listed in Hong Kong	163,476	140,532
	989,365	1,290,877
Unlisted equity interest *	–	–
	989,365	1,290,877

* This represents the cost of 7% equity investment in an unlisted company incorporated in the PRC. As the company ceased its operation during the year ended 31 December 2013, fair value loss of approximately HK\$8,890,000 was recognised in other comprehensive income in 2013.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

13. TRADE AND BILL RECEIVABLES

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables	1,311,280	990,454
Less: Provision for impairment losses	(190,481)	(193,917)
	1,120,799	796,537
Bill receivables	1,294,245	1,793,647
	2,415,044	2,590,184

Ageing analysis of net trade and bill receivables, based on invoice dates, is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
1 to 3 months	1,535,130	1,333,259
4 to 6 months	796,719	1,235,654
7 to 12 months	83,195	21,271
	2,415,044	2,590,184

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2013: 60 to 90 days) and no interest has been charged during the period.

As at 30 June 2014, bill receivables included an amount of RMB112,220,000 (HK\$139,994,000 equivalent) (As at 31 December 2013: RMB150,289,000 (HK\$190,867,000 equivalent)) which was pledged for bill payables of RMB103,939,000 (HK\$129,663,000 equivalent) (As at 31 December 2013: RMB150,262,000 (HK\$190,833,000 equivalent)) (Note 16).

As at 30 June 2014, the Group discounted and endorsed certain amount of its bill receivables with full recourse to financial institutions and creditors. In the event of default by the debtors, the Group is obliged to pay the financial institutions and creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its discounted and endorsed bill receivables.



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

13. TRADE AND BILL RECEIVABLES (continued)

The discounting and endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted and endorsed bill receivables. At 30 June 2014, bill receivables of RMB349,690,000 (HK\$436,239,000 equivalent) (As at 31 December 2013: RMB588,960,000 (HK\$747,979,000 equivalent)) continue to be recognised in the Group's financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing (Note 17), trade payables (Note 16) and other payables until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. At 30 June 2014, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB264,709,000 (HK\$330,225,000 equivalent) (As at 31 December 2013: RMB454,900,000 (HK\$577,723,000 equivalent)), RMB74,631,000 (HK\$93,102,000 equivalent) (As at 31 December 2013: RMB90,060,000 (HK\$114,376,000 equivalent)) and RMB10,350,000 (HK\$12,912,000 equivalent) (As at 31 December 2013: RMB44,000,000 (HK\$55,880,000 equivalent)) respectively.

As the bill receivables have been legally transferred to the financial institutions and creditors, the Group does not have the authority to determine the disposition of the bill receivables.

14. PLEDGED BANK DEPOSITS

As at 30 June 2014, pledged bank deposits of RMB168,684,000 (HK\$210,433,000 equivalent) (As at 31 December 2013: RMB161,252,000 (HK\$204,790,000 equivalent)) were denominated in RMB and were pledged for bill payables of RMB159,618,000 (HK\$199,123,000 equivalent) (As at 31 December 2013: RMB152,222,000 (HK\$193,322,000 equivalent)) (Note 16).

The directors of the Company consider that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

15. BANK BALANCES AND CASH

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Cash at banks and on hand	76,692	137,216
Time deposits at banks	4,978,327	5,451,001
Bank balances and cash	5,055,019	5,588,217
Less: Time deposits with original maturity over three months	(2,777,827)	(3,450,606)
Cash and cash equivalents	2,277,192	2,137,611

16. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit periods ranging between 30 to 180 days (Six months ended 30 June 2013: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2014 is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
1 to 3 months	281,798	391,918
4 to 6 months	269,089	238,219
7 to 12 months	18,105	12,599
Over 1 year	18,152	20,588
	587,144	663,324

As at 30 June 2014, bill payables of RMB263,557,000 (HK\$328,786,000 equivalent) (As at 31 December 2013: RMB302,484,000 (HK\$384,155,000 equivalent)) were secured by the pledged bank deposits of RMB168,684,000 (HK\$210,433,000 equivalent) (As at 31 December 2013: RMB161,252,000 (HK\$204,790,000 equivalent)) (Note 14) and bill receivables of RMB112,220,000 (HK\$139,994,000 equivalent) (As at 31 December 2013: RMB150,289,000 (HK\$190,867,000 equivalent)) (Note 13).



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

16. TRADE AND BILL PAYABLES (continued)

As at 30 June 2014, included in trade payables of RMB74,631,000 (HK\$93,102,000 equivalent) (As at 31 December 2013: RMB90,060,000 (HK\$114,376,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 13).

17. BORROWINGS

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Other borrowings	–	2,286
Asset-backed financing	330,225	577,723
Total borrowings	330,225	580,009

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

18. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2014 '000 (Unaudited)	31 December 2013 '000 (Audited)	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Authorised (Note (a)): Ordinary shares of HK\$0.10 each (Note (b)) At 30 June/31 December	N/A	10,000,000	N/A	1,000,000
<i>Issued and fully paid:</i>				
At 1 January	5,301,837	5,301,837	530,184	530,184
Transfer from share premium and capital redemption reserve upon abolition of par value of shares on 3 March 2014 (Note (c))	–	–	14,626,775	–
At 30 June/31 December	5,301,837	5,301,837	15,156,959	530,184

Note:

- Under the Hong Kong Companies Ordinance (Cap.622), which effective on 3 March 2014, the concept of authorised share capital no longer exists.
- In accordance with Section 135 of the Hong Kong Companies Ordinance (Cap.622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), any amount standing to the credit of the share premium account and capital redemption reserve at the beginning of 3 March 2014 became part of the Company's share capital.



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Set out below is an overview of the carrying amount and fair value of financial assets and liabilities held by the Group:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	187,580	203,203
Financial assets measured at fair value through other comprehensive income	989,365	1,290,877
	1,176,945	1,494,080
Current assets		
Financial assets measured at amortised cost:		
– Trade and bill receivables	2,415,044	2,590,184
– Deposits and other receivables	148,610	123,559
– Pledged bank deposits	210,433	204,790
– Time deposit with original maturity over three months	2,777,827	3,450,606
– Cash and cash equivalents	2,277,192	2,137,611
Financial assets measured at fair value through profit or loss:		
– Derivative financial instruments	8,130	13,661
	7,837,236	8,520,411
Total	9,014,181	10,014,491
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	587,144	663,324
– Other payables and accruals	754,742	858,668
– Borrowings	330,225	580,009
– Amounts due to non-controlling interests of subsidiaries	3,796	20,635
Financial liabilities measured at fair value through profit or loss:		
– Derivative financial instruments	625	–
Total	1,676,532	2,122,636

Financial instruments not measured at fair value include trade and bill receivables, deposits and other receivables, amounts due to non-controlling interests of subsidiaries, bank balances and cash, trade and bill payables, other payables and accruals and borrowings. Due to their short term nature, the carrying value of these financial instruments approximates fair value.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

Fair value measurement recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

		30 June 2014			
	Notes	Level 1 HK\$'000 (Unaudited)	Level 2 HK\$'000 (Unaudited)	Level 3 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	(a)	989,365	–	–	989,365
– Unlisted equity securities		–	–	–	–
Financial assets measured at fair value through profit or loss					
– Derivative financial instruments	(b)	–	8,130	–	8,130
		989,365	8,130	–	997,495
Financial liabilities measured at fair value through profit or loss					
– Derivative financial instruments	(b)	–	625	–	625



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

Fair value measurement recognised in the consolidated statement of financial position (continued)

	Notes	31 December 2013			Total HK\$'000 (Audited)
		Level 1 HK\$'000 (Audited)	Level 2 HK\$'000 (Audited)	Level 3 HK\$'000 (Audited)	
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	(a)	1,290,877	–	–	1,290,877
– Unlisted equity securities		–	–	–	–
Financial assets measured at fair value through profit or loss					
– Derivative financial instruments	(b)	–	13,661	–	13,661
		1,290,877	13,661	–	1,304,538

There were no transfers between Level 1 and 2 of the fair value hierarchy during the six months ended 30 June 2014 (Year ended 31 December 2013: nil).

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting periods.

(a) Listed securities

The listed equity securities are denominated in AUD and HK\$. Fair values have been determined by reference to their quoted prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Derivative financial instruments

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. market currency and interest rates (Level 2). The derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

20. COMMITMENTS

(a) Operating lease commitments

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within one year	5,216	5,268
In the second to fifth years	12,676	14,053
After the fifth year	39,869	42,053
	57,761	61,374

The Group leases a number of land and buildings and other assets under operating lease arrangements. The leases run for an initial period of 3 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) Capital commitments

Capital commitments of the Group at 30 June 2014 are as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Contracted but not provided for:		
– Acquisition of property, plant and equipment	224,426	217,164
– Exploration and design fees for a potential mining project	9,331	9,500
	233,757	226,664



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

20. COMMITMENTS (continued)

(c) Other commitments

In accordance with notices issued by the Liulin County Government of Shanxi Province, certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the improvement of educational infrastructure and facilities in the Liulin County including construction of modern schools and provision of educational facilities from 2012 to 2014 (As at 31 December 2013: 2012 to 2014). Such subsidies are charged in consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 30 June 2014, management expects that RMB1,430,000 (HK\$1,784,000 equivalent) (As at 31 December 2013: RMB198,000,000 (HK\$251,460,000 equivalent)) is payable in 2014 (As at 31 December 2013: 2014).

21. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Interim Financial Report, the following transactions for the periods ended 30 June 2014 and 2013 were carried out with related parties:

- (a) During the period, the Group paid management fees and company secretarial service fees of HK\$780,000 (Six months ended 30 June 2013: HK\$780,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is the largest shareholder of the Company.
- (b) During the period, the Group paid office rental expenses of HK\$1,170,000 (Six months ended 30 June 2013: HK\$1,170,000) to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), which is the controlling shareholder of Shougang International.
- (c) During the period, the Group sold clean coking coal amounting to HK\$261,405,000 (Six months ended 30 June 2013: HK\$274,548,000) to Shougang Corporation, being Shougang Holding's ultimate holding company, and its group companies of Shougang Corporation (collectively referred to as the "Shougang Group"). These sales are made at market prices with a maximum discount of 3%. As at 30 June 2014, amount due from Shougang Group was HK\$473,246,000 (As at 31 December 2013: HK\$334,291,000).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

21. RELATED PARTY TRANSACTIONS (continued)

- (d) Included in staff costs are key management personnel compensation, which represents the remuneration to directors of the Company during the period was as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, bonuses, fees, allowances and benefits	12,600	22,805
Retirement benefits scheme contributions	636	1,263
	13,236	24,068



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the six months ended 30 June 2014 (the "period under review") together with that of the same period of 2013 is summarised as follows:

	Unit	Six months ended 30 June		Change		Change	
		2014	2013	Quantity/ Amount	%	2013FY	%
<i>Production volume:</i>							
Raw coking coal	Mt	2.96	3.39	-0.43	-13%	6.13	
Clean coking coal	Mt	1.49	1.28	+0.21	+16%	2.67	
<i>Sales volume:</i>							
Raw coking coal	Mt	0.56	1.32	-0.76	-58%	1.96	
Clean coking coal	Mt	1.41	1.12	+0.29	+26%	2.53	
<i>Average realised selling price (inclusive of VAT):</i>							
Raw coking coal	RMB/tonne	549	661	-112	-17%	632	-13%
Clean coking coal	RMB/tonne	912	1,158	-246	-21%	1,076	-15%

For the six months ended 30 June 2014, the Group produced approximately 2.96 million tonnes ("Mt") (Six months ended 30 June 2013: approximately 3.39 Mt) of raw coking coal, representing a year-on-year decrease of 13% and also produced approximately 1.49 Mt (Six months ended 30 June 2013: approximately 1.28 Mt) of clean coking coal, representing a year-on-year increase of 16%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Notwithstanding the influence of the economic slowdown in the Mainland China, the sales volume of clean coking coal increased by 26% even though sales volume of raw coking coal dropped by 58% during the period under review. We continued to make effort to expand our clean coking coal business. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal and hence both production and sales volume of clean coking coal increased by 16% and 26% respectively during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

For the six months ended 30 June 2014, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 17% to Renminbi ("RMB") 549/tonne when compared with that of the same period of 2013 (Six months ended 30 June 2013: RMB661/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 21% to RMB912/tonne when compared with that of the same period of 2013 (Six months ended 30 June 2013: RMB1,158/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 55% and 45% of the total raw coking coal sales volume respectively for the six months ended 30 June 2014 (Six months ended 30 June 2013: 61% and 39%). In addition, sales of No.1 and No.2 clean coking coal accounted for 57% and 43% of the total clean coking coal sales volume respectively for the six months ended 30 June 2014 (Six months ended 30 June 2013: 69% and 31%).

Financial Review

For the six months ended 30 June 2014, the Group recorded a turnover of approximately Hong Kong Dollars ("HK\$") 1,702 million, representing a decrease of approximately HK\$620 million or 27% as compared with that of approximately HK\$2,322 million for the same period of 2013. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 17% and 21% respectively for the period under review. It was also attributable to the substantial drop in the sales volume of raw coking coal by 58% under the current weak coal market situation, the impact of which has overridden the impact of the increase of sales volume in clean coking coal by 26% for the period under review. In terms of turnover, sales of raw and clean coking coal accounted for 19% and 81% of the Group's turnover respectively for the six months ended 30 June 2014. They accounted for 40% and 60% respectively for the six months ended 30 June 2013.

For the six months ended 30 June 2014, the total turnover to the top five customers accounted for 63% (Six months ended 30 June 2013: 53%) of the Group's turnover. Of which, the total turnover to the largest customer accounted for 15% (Six months ended 30 June 2013: 19%) of the Group's turnover.

For the six months ended 30 June 2014, gross profit margin was 44% while 55% for the same period in 2013. Decrease in gross profit margin was mainly due to the drop in realised selling prices as explained above under "Business Review".



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

For the six months ended 30 June 2014, the Group recorded a thin operating profit of approximately HK\$18 million, representing a year-on-year substantial decrease of approximately 98%. The Group recorded net loss of approximately HK\$161 million and loss attributable to the owners of the Company (the "Owner") of approximately HK\$192 million eventually. Such loss is primarily attributable to (i) substantial drop in turnover by HK\$620 million as explained above; (ii) a non-cash impairment loss on goodwill of approximately HK\$300 million arising from the continuous downturn in the coal market; and (iii) due to the depreciation in RMB, the Group suffered an unrealised related foreign exchange loss of approximately HK\$119 million ("the Foreign Exchange Loss") mainly arising from re-translation of its monetary assets (mainly cash) denominated in RMB into HK\$ as at 30 June 2014.

During the period under review, basic loss per share was HK3.61 cents (Six months ended 30 June 2013: basic earnings per share was HK10.98 cents).

By excluding such non-cash impairment loss on goodwill and the Foreign Exchange Loss, the Group would record net profit of approximately HK\$258 million, representing a substantial decrease of approximately HK\$445 million or 63% as compared with that of approximately HK\$703 million for the same period of 2013. In addition, the Group would record profit attributable to the Owners of approximately HK\$227 million, representing a substantial decrease of approximately HK\$355 million or 61% as compared with that of approximately HK\$582 million for the same period of 2013.

Cost of Sales

During the period under review, cost of sales was approximately HK\$955 million, representing a decrease of approximately HK\$82 million or 8%, as compared with that of approximately HK\$1,037 million for the same period of 2013. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales during the period under review.

Included in cost of sales, amortisation of mining rights was approximately HK\$135 million for the six months ended 30 June 2014, representing a decrease of approximately HK\$22 million or 14%, as compared with that of approximately HK\$157 million for the same period of 2013. The decrease in amortisation of mining rights was mainly due to the decrease in usage of raw coking coal for sales during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Cost of Sales (continued)

The unit production costs are summarised as follows:

	Unit	Six months ended		Change		2013FY	Change %
		30 June 2014	2013	Amount	%		
Production cost of raw coking coal	RMB/tonne	246	248	-2	-1%	260	-5%
of which, depreciation and amortisation	RMB/tonne	(57)	(60)	-3	-5%	(62)	-8%
Processing cost for clean coking coal	RMB/tonne	46	50	-4	-8%	53	-13%
of which, depreciation	RMB/tonne	(10)	(11)	-1	-9%	(11)	-9%

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK\$748 million for the six months ended 30 June 2014, representing a significant decrease of approximately HK\$537 million or 42% as compared with that of approximately HK\$1,285 million for the same period of 2013. During the period under review, gross profit margin was 44% compared with 55% for the same period of 2013. The drop in gross profit margin was mainly due to the drop in average realised selling prices for the six months ended 30 June 2014 when compared with that in the same period of 2013 as explained above under "Business Review".

Other Operating Income

During the period under review, other operating income was approximately HK\$127 million, representing a significant decrease of approximately HK\$90 million or 41% as compared with approximately HK\$217 million of the same period in 2013. The decrease in other operating income was mainly attributable to the decrease in dividend income of approximately HK\$26 million from equity securities listed in Australia and the decrease in net exchange gain of approximately HK\$76 million as explained below under "General and Administrative Expenses" during the period under review.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK\$103 million, representing a significant increase of approximately HK\$41 million or 66% as compared with that of approximately HK\$62 million for the same period of 2013. The increase was mainly as a result of the increase in transportation costs arising from the increase in sales volume of clean coking coal at C&F prices by approximately 224% from approximately 76,000 tonnes for the six months ended 30 June 2013 to approximately 246,000 tonnes for the six months ended 30 June 2014.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK\$208 million, representing a significant increase of approximately HK\$54 million or 35% as compared with approximately HK\$154 million for the same period of 2013. The increase was resulted from the substantial increase in net exchange loss of approximately HK\$79 million during the period under review. Such net exchange loss was mainly arose from re-translation of the Group's current assets (mainly cash) denominated in RMB to HK\$ as at 30 June 2014 as a result of the depreciation of RMB by approximately 2% as at 30 June 2014 compared with that as at 31 December 2013. On the other hand, it was recorded net exchange gain of approximately HK\$76 million for the same period of the last year as a result of the appreciation of RMB by approximately 2% as at 30 June 2013. By excluding such net exchange loss, the general and administrative expenses were approximately HK\$129 million for the six months ended 30 June 2014, representing a significant decrease of approximately HK\$25 million or 16% as compared with approximately HK\$154 million for the same period of 2013.

Impairment Loss on Goodwill

Due to the continuous downturn in the coal market, the Group incurred impairment loss of approximately HK\$300 million on goodwill during the period under review. Details are disclosed in Note 5 to the Interim Financial Report.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK\$246 million, which mainly represented the committed 2014 annual payment of charitable donation of approximately HK\$245 million paid by the Group to the Liulin County Government, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Finance Costs

During the period under review, finance costs were approximately HK\$8 million, representing a decrease of approximately HK\$6 million or 43% as compared with that of approximately HK\$14 million for the same period of 2013. The decrease in finance costs was due to the Group adopted short term financing by early redemption of bill receivables instead of long term bank borrowings. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2013: nil).

Income Tax Expense

During the period under review, income tax expense was approximately HK\$131 million (Six months ended 30 June 2013: approximately HK\$304 million), of which approximately HK\$11 million (Six months ended 30 June 2013: approximately HK\$55 million) represented the provision of withholding tax of 5% on the dividend declared from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC Subsidiaries") in accordance with the relevant tax regulations in the PRC. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%. The substantial decrease in income tax expense was decrease in line with the substantial drop in profits arising from the major PRC subsidiaries during the period under review.

Owner's Attributable Loss

By reasons of the foregoing, the loss attributable to the Owners during the period under review was approximately HK\$192 million while the profit attributable to the Owners was approximately HK\$582 million for the same period of 2013.

Material Investments and Acquisitions

During the six months ended 30 June 2014, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2014, the Group had no material disposals.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving stable coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming to build itself into a safety-oriented and environmentally-friendly enterprise. During the period under review, all coal mines of the Group operated smoothly.

Charges on Assets

As at 30 June 2014, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK\$210 million and bill receivables of approximately HK\$140 million were used for securing bills facilities of approximately HK\$329 million.

Contingent Liabilities

As at 30 June 2014, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2014, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 2%. Exclusion of the effect on early redemption of bill receivables amounting to approximately HK\$330 million, the Group's gearing ratio would be zero.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2014, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2014, RMB was depreciated by approximately 2% while AUD was appreciated by approximately 6%, when compared to that as at 31 December 2013. As the net assets value denominated in RMB represented approximately 76% of the Group's total net assets value as at 30 June 2014, the depreciation in RMB led to other exchange loss of approximately HK\$220 million recognised in other comprehensive income upon translation of financial statements of foreign operations in the PRC during the six months ended 30 June 2014, except for the Foreign Exchange Loss recognised in the profit or loss as disclosed above. Such fluctuations in exchange rates are not expected to have any material impact on the financial strength of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was approximately 3.2 times and the Group's cash and bank deposits amounted to approximately HK\$5,265 million, of which approximately HK\$210 million was deposited to secure bills facilities of approximately HK\$199 million.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK\$1,294 million (of which approximately HK\$436 million represented discounted and endorsed bill receivables and approximately HK\$140 million was used for securing bills facilities of approximately HK\$130 million) as at 30 June 2014 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bill receivables of approximately HK\$718 million, the Group's free cash resources would have approximately HK\$5,773 million as at 30 June 2014.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2014, the amount of capital was approximately HK\$20,771 million.

From the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014), the Company has no authorised share capital and its shares have no par value. Accordingly, approximately HK\$14,627 million was transferred from share premium and capital redemption reserve to the share capital of the Company upon abolition of par value. As at 30 June 2014, the share capital of the Company was approximately HK\$15,157 million, represented approximately 5,302 million shares in number. During the period under review, there is no change in number of issued shares.

As at 30 June 2014, all borrowings of the Group are denominated in RMB and are asset-backed financing.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees

As at 30 June 2014, the Group had 27 Hong Kong employees and 6,510 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group has a share option scheme. During the period under review, no share option was granted or exercised.

Future Prospects

Looking forward to the second half of 2014, both China and Global economy show a strong sign of recovery. Following the policy of ensuring steady growth, advancing reform and adjusting the structure, more micro economic stimulus measures would be gradually implemented by China government. With the recovery of the electricity consumption, a great increase of loans disbursed by banks under a loose monetary policy, and the strong performance of Purchasing Managers' Index, it is widely expected that economy would realise an upturn in the second half of 2014. In addition, the financial support to the redevelopment of run-down urban areas arranged by the Chinese central government, continual increase of investment amount in railway construction plan, encouragement in investment in new energy vehicles and charging facilities constructions and lifting home buying restrictions policy by Chinese regional governments would become great impetus for the steel industry, which would help to increase the demand and consumption of steel product. Nevertheless, the second half of 2014 will be challenges.

The Group will keep eyes on the trend of both China and Global economy and take appropriate measures to settle the problems we would encounter. We will continue to strengthen and deepen our strategic relationships with our existing customers and to expand our customer base. Meanwhile, we will continue to ensure safety of production and strengthen management, and further optimise the personnel structure and improve cost control. To guarantee a better and more sustainable development of the Group in the future, we are actively and prudently searching for suitable merger and acquisition opportunities both in China and abroad, aiming to increase our reserves and output. We are confident that, with our abundant experience in management, investment and operation, we would fulfil a further development and create greater return for our shareholders.



INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2014 (2013: HK2.7 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 15 September 2014. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 15 September 2014 for registration. The interim dividend is expected to be paid on or about Wednesday, 15 October 2014.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 30 June 2014 had the following interests in the shares and underlying shares of the Company as at 30 June 2014 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company			Total interests as to % of the total number of shares of the Company in issue as at 30.06.2014
		Interests in shares	Derivative interests*	Total interests	
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Wong Lik Ping	Beneficial owner	–	4,500,000	4,500,000	0.08%
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.14%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
Liu Qingshan	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%
Zhang Yaoping	Beneficial owner	–	4,500,000	4,500,000	0.08%
Kee Wah Sze	Beneficial owner	700,000	3,200,000	3,900,000	0.07%
Choi Wai Yin	Beneficial owner	20,000	3,200,000	3,220,000	0.06%
Chan Pat Lam	Beneficial owner	200,000	3,200,000	3,400,000	0.06%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 20 June 2003 (the "2003 Scheme"). Upon exercise of the share options in accordance with the 2003 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at 30 June 2014, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2014.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2014, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the total number of shares of the Company in issue as at 30.06.2014	Note
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	1,582,864,490	29.85%	1
Shougang Concord International Enterprises Company Limited ("Shougang International")	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%	1
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.52%	1
Ultimate Capital Limited ("Ultimate Capital")	Beneficial owner	650,000,000	12.25%	1
Sino Life Insurance Co., Ltd.	Beneficial owner	1,539,844,306	29.04%	



INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares/underlying shares of the Company (continued)

Note:

- 1 Shougang Holding indicated in its disclosure form dated 8 December 2011 (being the latest disclosure form filed up to 30 June 2014) that as at 6 December 2011, its interests included the interests held by Shougang International, a company which was held as to 47.78% by Shougang Holding, as well as Fine Power and Ultimate Capital, each of which was a wholly-owned subsidiary of Shougang International.

Shougang International indicated in its disclosure form dated 9 May 2011 (being the latest disclosure form filed up to 30 June 2014) that as at 5 May 2011, its interests included the interests held by Fine Power and Ultimate Capital.

Save as disclosed above, as at 30 June 2014, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 20 June 2003, the shareholders of the Company adopted the 2003 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2003 Scheme (to the effect that no further share option shall be granted by the Company under the 2003 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2003 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2003 Scheme.

SHARE OPTIONS (continued)

Particulars of share options in relation to each of the 2003 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2003 Scheme

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the 2003 Scheme during the six months ended 30 June 2014. Details of the outstanding share options under the 2003 Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Chen Zhouping	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Wong Lik Ping	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
So Kwok Hoo	3,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Chen Zhaoqiang	8,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Liu Qingshan	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Leung Shun Sang, Tony	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Zhang Yaoping	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Kee Wah Sze	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Choi Wai Yin	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Chan Pat Lam	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	48,100,000			



SHARE OPTIONS (continued)

(a) The 2003 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Employees of the Group	96,900,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	----- 96,900,000			
Other participants	116,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	----- 116,000,000			
	=====			
	261,000,000			

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2014, there was no share option outstanding under the 2012 Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2014 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 20 August 2014 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2014.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2014.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following are the changes in the information of Directors since the date of the 2013 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Li Shaofeng, an Executive Director and the Chairman of the Company, serves as a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. The company name of Sinocop Resources (Holdings) Limited has been changed to China Dynamics (Holdings) Limited from 15 May 2014.
- (b) Mr. Chen Zhouping, an Executive Director and the Vice-chairman and Managing Director of the Company, resigned as a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange, on 30 April 2014.
- (c) The role of Mr. Chan Pat Lam, an Independent Non-executive Director of the Company, in a private company which is engaged in acting as an international container shipping agency in the Western region of Pearl River Delta has been changed from assistant to the managing director to consultant.
- (d) Mr. Chan Chung Chun, an Independent Non-executive Director of the Company, serves as the deputy chairman and executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. The company name of Sinocop Resources (Holdings) Limited has been changed to China Dynamics (Holdings) Limited from 15 May 2014.

CHANGE OF DIRECTORS

- (a) Mr. Chen Zhouping resigned as an Executive Director and the Vice-chairman and Managing Director of the Company with effect from 1 September 2014 and ipso facto ceased to be a member of the Executive Committee of the Company from the same date.
- (b) Mr. Ding Rucai has been appointed as an Executive Director and the Vice-chairman and Managing Director of the Company as well as a member of the Executive Committee with effect from 1 September 2014.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 28 August 2014