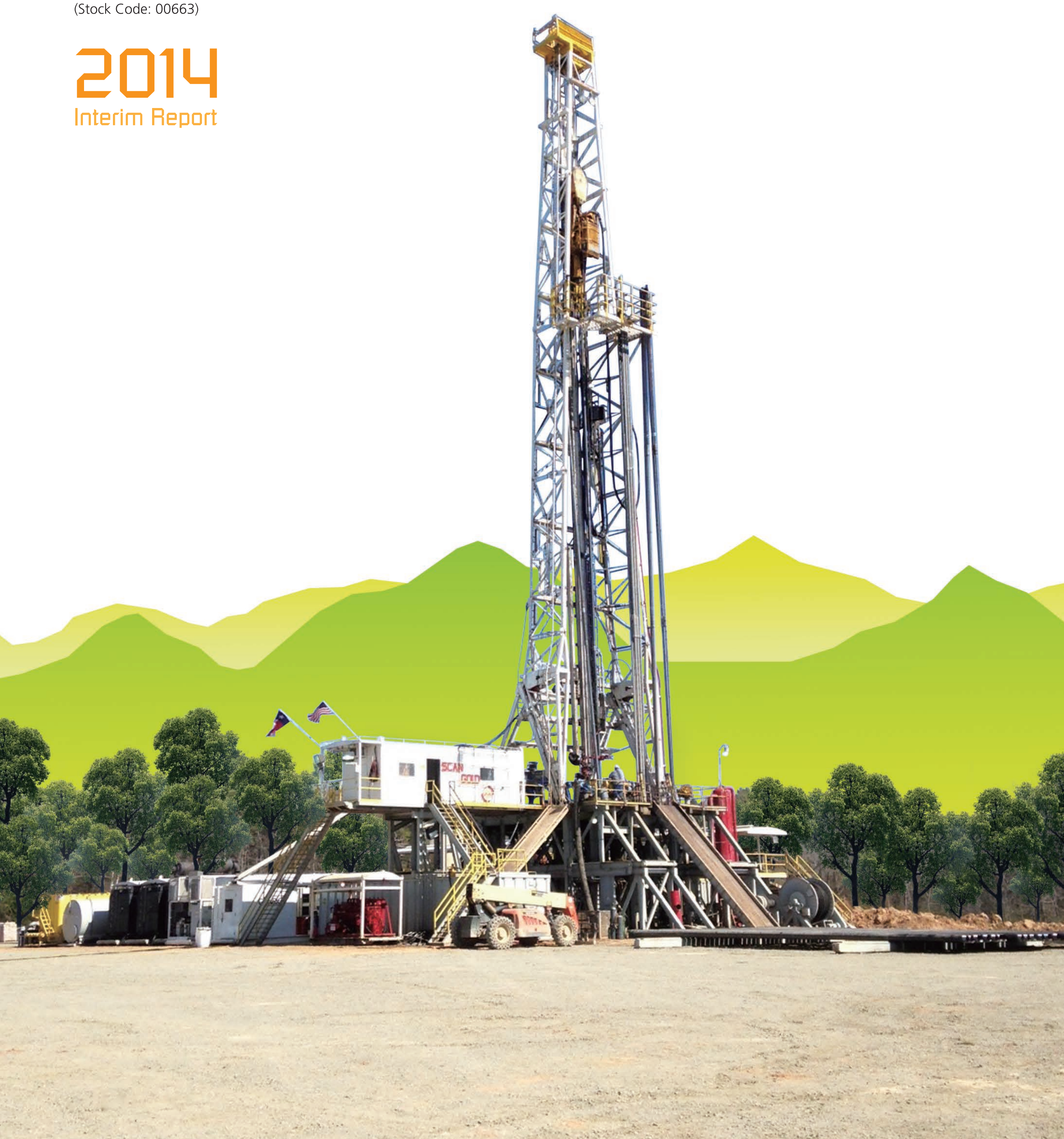
金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00663)

2014
Interim Report



Corporate Information

Board of Directors

Executive Directors

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

Independent Non-Executive Directors

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

Audit Committee

Mr. Chiu Sui Keung *(Chairman)*
Mr. Lu Binghui
Mr. Lee Ping

Remuneration Committee

Mr. Chiu Sui Keung *(Chairman)*
Mr. Lu Binghui
Mr. Zhang Yongli

Nomination Committee

Mr. Zhang Wanzhong *(Chairman)*
Mr. Chiu Sui Keung
Mr. Lu Binghui

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

Unit 7603, 76/F., The Center
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

Operating Mines

Hengtai Coal Mine

	Resources (million tons)	Reserves (million tons)
Total resources/reserves (JORC compliant)	203.9	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 2013	(0.9)	(0.9)
Actual output in 1H 2014	(0.1)	(0.1)
Resources/reserves as at 30 June 2014	192.8	60.8

Note: The resources/reserves as at 30 June 2014 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 2014 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 2013	(0.2)
Actual output in 1H 2014	—
Resources as at 30 June 2014	15.1

Note: The resources as at 30 June 2014 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 2014 based on Liaoyuan's record.

Leixin Silver Mines

	The West Mine	The East Mine
Inferred resources (million tons)	1.71	1.73
Indicated resources (million tons)	0.87	6.35
Probable ore reserves (million tons)	0.82	5.95
Ore grade (g/t)	211.4	128.6
Silver metal (tons)	173	765

Note: The above information is extracted from technical report issued by SRK Consulting China Limited dated 10 March 2014.

Capital Expenditure

The capital expenditure for development and mining production activities was approximately HK$30 million (Period ended 30 June 2013: HK$114 million) for the six months ended 30 June 2014.

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 2014 with comparative figures for the corresponding period in 2013 are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June **2014** **HK$'000** **(unaudited)**	 2013 HK$'000 (unaudited)
REVENUE	4	**20,084**	67,707
Cost of inventories sold		**(82,286)**	(171,505)
Gross loss		**(62,202)**	(103,798)
Other income and gains		**1,038**	102
Selling and distribution expenses		**(3,973)**	(2,682)
Administrative expenses		**(60,991)**	(50,240)
Other expenses		**(46,144)**	(173,086)
Finance costs	5	**(67,760)**	(97,834)
Share of profit/(loss) of a joint venture		**(940)**	3,616
Loss before tax	6	**(240,972)**	(423,922)
Income tax credit	7	**5,413**	91,741
Loss for the period		**(235,559)**	(332,181)
Other comprehensive income/(loss) — Item to be reclassified to profit or loss in subsequent periods when specific conditions are met — exchange differences on translation of foreign operations		**(5,101)**	14,731
Total comprehensive loss for the period		**(240,660)**	(317,450)
Loss for the period attributable to:			
Owners of the Company		**(216,522)**	(311,738)
Non-controlling interests		**(19,037)**	(20,443)
		(235,559)	(332,181)
Total comprehensive loss for the period attributable to:			
Owners of the Company		**(214,746)**	(297,212)
Non-controlling interests		**(25,914)**	(20,238)
		(240,660)	(317,450)
Loss per share attributable to ordinary equity holders of the Company	8		
Basic and diluted		**(HK$0.072)**	(HK$0.114)

Condensed Consolidated Statement of Financial Position

As at 30 June 2014 and 31 December 2013

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,314,419**	1,361,988
Prepaid land premiums		**15,171**	15,848
Mining and exploration rights		**1,794,969**	1,840,922
Goodwill		**15,852**	15,852
Other intangible assets		**67,436**	61,094
Investment in a joint venture		**11,968**	13,227
An available-for-sale equity investment		**4,497**	—
Prepayments and deposits		**148,553**	107,322
Total non-current assets		**3,372,865**	3,416,253
CURRENT ASSETS			
Inventories		**13,729**	14,806
Trade and bills receivables	10	**18,975**	31,907
Prepayments, deposits and other receivables		**86,983**	118,075
Pledged deposits		**3,943**	3,636
Cash and cash equivalents		**106,705**	292,595
Total current assets		**230,335**	461,019
CURRENT LIABILITIES			
Trade and bills payables	11	**12,771**	11,760
Other payables and accruals		**1,444,472**	1,367,407
Interest-bearing borrowings, secured	12	**1,351,431**	1,156,119
Income tax payable		**224,722**	230,390
Total current liabilities		**3,033,396**	2,765,676
NET CURRENT LIABILITIES		**(2,803,061)**	(2,304,657)
TOTAL ASSETS LESS CURRENT LIABILITIES		**569,804**	1,111,596

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2014 and 31 December 2013

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
NON-CURRENT LIABILITIES			
Other payables		**10,076**	10,080
Interest-bearing borrowings, secured	12	**251,969**	506,987
Convertible notes		**—**	35,953
Deferred tax liabilities		**184,085**	194,241
Total non-current liabilities		**446,130**	747,261
Net assets		**123,674**	364,335
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**2,026,200**	301,205
Reserves		**(2,118,658)**	(178,916)
		(92,458)	122,289
Non-controlling interests		**216,132**	242,046
Total equity		**123,674**	364,335

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (unaudited)

		Attributable to owners of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		**301,205**	**1,724,472**	**523**	**73,052**	**—**	**222,145**	**(2,199,108)**	**122,289**	**242,046**	**364,335**
Loss for the period		**—**	**—**	**—**	**—**	**—**	**—**	**(216,522)**	**(216,522)**	**(19,037)**	**(235,559)**
Other comprehensive income/(loss) — exchange differences on translation of foreign operations		**—**	**—**	**—**	**—**	**—**	**1,775**	**—**	**1,775**	**(6,877)**	**(5,102)**
Total comprehensive income/(loss) for the period		**—**	**—**	**—**	**—**	**—**	**1,775**	**(216,522)**	**(214,747)**	**(25,914)**	**(240,661)**
Early redemption of convertible notes	5	**—**	**—**	**—**	**(73,052)**	**—**	**—**	**73,052**	**—**	**—**	**—**
Adoption of new HK Companies Ordinance	13	**1,724,995**	**(1,724,472)**	**(523)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 30 June 2014		**2,026,200**	**—**	**—**	**—**	**—**	**223,920***	**(2,342,578)***	**(92,458)**	**216,132**	**123,674**

For the six months ended 30 June 2013 (unaudited)

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Equity component of convertible notes HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
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

* These reserve accounts comprise the consolidated negative reserves of HK$2,118,658,000 (31 December 2013: HK$178,916,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Operating activities		
Cash used in operations	**(99,763)**	(159,478)
Tax paid	**—**	(2,540)
Net cash used in operating activities	**(99,763)**	(162,018)
Investing activities		
Payment for the purchase of items of property, plant and equipment	**(30,363)**	(114,120)
Acquisition of a subsidiary	**—**	(255,157)
Other cash flows used in investing activities	**(51,971)**	(125,783)
Net cash used in investing activities	**(82,334)**	(495,060)
Financing activities		
Issurance of new shares	**—**	700,000
Other cash flows arising from financing activities	**7,989**	109,476
Net cash from financing activities	**7,989**	809,476
Net increase/(decrease) in cash and cash equivalents	**(174,108)**	152,398
Cash and cash equivalents at 1 January	**292,595**	15,913
Effect of foreign exchanges rates changes	**(11,782)**	(141)
Cash and cash equivalents at 30 June	**106,705**	168,170

Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014 are unaudited but have been reviewed by the Audit Committee of the Company.

Since October 2013, the Group defaulted repayment of certain bank loan. As at 30 June 2014, the current liabilities of the Group exceeded its current assets by approximately HK$2,803 million and bank and other loans and an other payable with principal amounts aggregating to HK$427 million (including the Loan as defined below) and HK$200 million, respectively, were overdue. As stated in the Group's financial statements for the year ended 31 December 2013, the directors of the Company are of the opinion that the net current liability position and overdue bank and other loans of the Group was attributable to Triumph Fund A Limited, a subsidiary of the Company, and its subsidiaries (collectively the "Triumph Group") which engaged in the mining and selling of coal in the People's Republic of China (the "PRC"). As a result of the continuing depression of the coal market, the Triumph Group continued to incur losses before tax during the current period. In addition, a writ of summons was served by a bank in June 2014 against a subsidiary of the Triumph Group and the guarantor of a bank loan, demanding the repayment of a loan in the principal amount of RMB30 million (equivalent to approximately HK$37.5 million) (the "Loan") and accrued interest and penalty amounting to approximately RMB0.7 million (equivalent to approximately HK$0.87 million). The trial will be heard in September 2014. The operation of the Triumph Group as a going concern is very dependent on whether the Triumph Group can defer or extend the repayment of those bank and other loans and other liabilities which are overdue or fall due in the foreseeable future, the outcome of the trial and whether the Triumph Group can obtain new financing. All these indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Triumph Group to operate as a going concern in the foreseeable future.

As at the date of approval of these unaudited interim financial statements, the Group is still in active negotiation with the relevant bank and finance providers for the deferral of repayment of the overdue bank and other loans (including the Loan), and to resolve the issue of overdue bank and other loans under cooperation basis. The directors of the Company are also considering/taking other alternatives to monitor and improve the cash flows of the Triumph Group, which included extension of repayment dates of existing bank loans and other liabilities as and when they fall due in the foreseeable future, and other financing arrangements, including to obtain financing at higher borrowing costs. The directors of the Company expect that at least the payments of certain liabilities of the Triumph Group can be deferred/extended to twelve months after 30 June 2014.

1. Basis of Preparation *(continued)*

As stated in the Group's financial statements for the year ended 31 December 2013, as a result of the depressed coal market and the severe financial difficulties of the coal mining operation of the Triumph Group, the directors of the Company have changed the Group's business strategy and currently implemented an active plan to dispose of the Triumph Group together with its coal mining operation as a whole, so as to discharge the Group from the severe financial burden arising from the coal mining operation of the Triumph Group. As the Triumph Group and its coal mining operation as a whole represented a business component together with its relevant cash flows separated from the other business components of the Group, the directors of the Company are of the view that the disposal of the Triumph Group shall not have any adverse effect on the normal continuing operation of the other business components of the Group. In addition, the Triumph Group had deficiency in assets as at 30 June 2014 as dealt with in the Group's consolidated financial statements for the six month period ended 30 June 2014, and the remaining part of the Group has not provided any guarantees and/or commitments to the bank loans and other liabilities of the Triumph Group. Accordingly, the directors of the Company are of the view that the Group is able to dispose of the Triumph Group during the normal course of business of the Group without any material losses.

As at the date of approval of these unaudited interim financial statements, the Company had communicated with a prospective purchaser for the disposal of the Triumph Group for certain consideration. However, the Group has not yet entered into any agreement or letter of intent in respect thereof. Currently the directors of the Company still expect that the disposal of the Triumph Group can be completed in around one year, or earlier, subject to fulfillment of relevant rules and regulations.

In light of the measures of the Group described above, the directors of the Company are of the view that the Group is able to meet with its liabilities as when they fall due in the foreseeable future. In addition, the above plan to dispose of the Triumph Group as a whole shall not have any material adverse impact to the results, cash flows and financial position of the Group. After such disposal, the remaining part of the Group will be a viable group with silver mining, oil and gas exploration and production and other businesses. Accordingly, the directors of the Company prepare these financial statements on a going concern basis. These financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern in the foreseeable future.

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 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

1. Basis of Preparation *(continued)*

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 2013 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 2013 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	Levies

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

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

(a) the "Coal" operating segment engages in the mining and selling of coal in the PRC;

(b) the "Silver" operating segment engages in the mining and selling of silver in the PRC; and

(c) the "Oil and gas" operating segment engages in oil and gas exploration and production and oil extraction technology development in the United States of America.

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/(loss) of a joint venture and corporate and other unallocated (income)/expenses are excluded from such measurement.

Segment assets exclude investment in a joint venture, an available-for-sale equity investment, 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.

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.

3. Operating Segment Information *(continued)*

	Coal		Silver		Oil and gas		Total	
	For the six months ended 30 June 2014 HK$'000 (unaudited)	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)
Segment revenue — Sales to external customers	**20,084**	67,111	**—**	596	**—**	—	**20,084**	67,707
Segment results	**(168,931)**	(370,343)	**(14,607)**	(2,356)	**(31,065)**	—	**(214,603)**	(372,699)
Reconciliation:								
Share of profit/(loss) of a joint venture							**(940)**	3,616
Corporate and other unallocated expenses							**(25,429)**	(54,839)
Loss before tax							**(240,972)**	(423,922)

	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)	**30 June 2014 HK$'000 (unaudited)**	31 December 2013 HK$'000 (audited)
Segment assets	**2,435,163**	2,568,492	**864,532**	887,788	**127,048**	61,870	**3,426,743**	3,518,150
Reconciliation:								
Investment in a joint venture							**11,968**	13,227
An available-for-sale equity investment							**4,497**	—
Pledged deposits							**3,943**	3,636
Cash and cash equivalents							**106,705**	292,595
Corporate and other unallocated assets							**49,344**	49,664
Total assets							**3,603,200**	3,877,272
Segment liabilities	**(3,005,761)**	(2,988,197)	**(214,412)**	(246,359)	**(51,132)**	(37,394)	**(3,271,305)**	(3,271,950)
Reconciliation:								
Corporate and other unallocated liabilities							**(208,221)**	(240,987)
Total liabilities							**(3,479,526)**	(3,512,937)

3. Operating Segment Information *(continued)*

	Coal		Silver		Others		Total	
	For the six months ended 30 June 2014 HK$'000 (unaudited)	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)	**For the six months ended 30 June 2014 HK$'000 (unaudited)**	For the six months ended 30 June 2013 HK$'000 (unaudited)
Other segment information:								
Depreciation	**41,866**	70,832	**2,322**	404	**388**	184	**44,576**	71,420
Amortisation of prepaid land premiums	**255**	226	**35**	–	**–**	–	**290**	226
Amortisation of mining rights	**2,515**	10,523	**22**	9	**–**	–	**2,537**	10,532
Impairment of property, plant and equipment	**–**	71,000	**–**	–	**–**	–	**–**	71,000
Impairment of mining rights	**–**	99,000	**–**	–	**–**	–	**–**	99,000
Impairment of trade receivables	**125**	–	**–**	–	**–**	–	**125**	–
Impairment of an other receivable	**375**	–	**–**	–	**–**	–	**375**	–
Other non-cash expenses	**–**	–	**–**	–	**3,252**	41,899	**3,252**	41,899
Capital expenditure	**12,058**	105,846	**3,303**	6,645	**15,002**	1,629	**30,363**	114,120

Geographical information

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

3. Operating Segment Information *(continued)*

Information about major customers

During the period, the Group had transactions with two (Period ended 30 June 2013: 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	
	2014 **HK$'000** **(unaudited)**	2013 HK$'000 (unaudited)
Customer A	**3,564**	*
Customer B	**2,449**	*
Customer C	*****	11,003
Customer D	*****	7,318

* Less than 10% of the Group's total revenue

4. Revenue

Revenue, which is also the Group's turnover, represents the invoiced value of coal and silver ore by-product sold to customers, net of sales tax, value-added tax and allowances for returns and trade discounts.

5. Finance Costs

	For the six months ended 30 June	
	2014 **HK$'000** **(unaudited)**	2013 HK$'000 (unaudited)
Interest on bank and other loans wholly repayable within five years	**64,507**	55,935
Losses on early redemptions of convertible notes#	**3,028**	33,964
Imputed interest of convertible notes	**225**	7,935
	67,760	97,834

5. Finance Costs *(continued)*

\# During the period, the Company exercised the rights attached to the convertible notes to early redeem convertible notes in the principal amount of HK$39,205,000 (Period ended 30 June 2013: HK$250,000,000). As a result, losses of HK$3,028,000 (Period ended 30 June 2013: HK$33,964,000) were recognised as finance costs during the period and the equity component of the relevant convertible notes amounting to HK$73,052,000 (Period ended 30 June 2013: HK$465,832,000) was transferred to the accumulated losses during the period.

6. Loss Before Tax

Loss before tax is arrived at after charging:

	For the six months ended 30 June	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Depreciation	**44,576**	71,420
Amortisation of prepaid land premiums	**290**	226
Amortisation of mining rights	**2,537**	10,532
Impairment of property, plant and equipment[# &]	**—**	71,000
Impairment of mining rights[# &]	**—**	99,000
Impairment of trade receivables[#] (note 10(b))	**125**	—
Impairment of an other receivable[#]	**375**	—

\# These items are included in "Other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income during the period.

& In view of the adverse conditions, including the decline of coal prices and sales volumes, during the period ended 30 June 2013, which were 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 "Coal Mining Assets") which included property, plant and equipment, and coal mining rights.

During the period ended 30 June 2013, based on the assessment, the directors of the Company were of the opinion that additional impairment loss of the Coal Mining Assets of HK$170 million was resulted and was allocated to property, plant and equipment, and coal mining rights based on their relative carrying amounts amongst the Coal Mining Assets. Accordingly, impairment provision of items of property, plant and equipment of HK$71,000,000 and impairment provision of coal mining rights of HK$99,000,000 were recognised as "Other expenses" in the condensed consolidated statement of profit or loss and other 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 2014 as the Group did not generate any assessable profits arising in Hong Kong during the period (Period ended 30 June 2013: 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	
	2014	2013
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Deferred — Mainland China	**(5,413)**	(91,741)

The share of tax attributable to the joint venture amounting to HK$2,204,000 was included in "Share of profit/(loss) of a joint venture" in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2013.

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 unaudited loss for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares of 3,012,055,568 (Period ended 30 June 2013: 2,726,457,372) in issue during the period.

For the six months ended 30 June 2014 and 30 June 2013, 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 and the deemed conversion of the convertible notes outstanding during these periods have anti-dilutive effects on the basic loss per share amounts for these periods.

9. Property, Plant and Equipment

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
At beginning of year/period		
Cost	**3,124,840**	2,767,000
Accumulated depreciation and impairment	**(1,762,852)**	(1,219,822)
Net carrying amount	**1,361,988**	1,547,178
At beginning of year/period, net of accumulated depreciation and impairment	**1,361,988**	1,547,178
Additions	**30,363**	203,345
Acquisition of a subsidiary	**—**	74,910
Disposals	**(122)**	(4,089)
Impairment	**—**	(361,157)
Depreciation provided during the year/period	**(44,576)**	(145,672)
Exchange realignment	**(33,234)**	47,473
At end of year/period, net of accumulated depreciation and impairment	**1,314,419**	1,361,988
At end of year/period		
Cost	**3,077,591**	3,124,840
Accumulated depreciation and impairment	**(1,763,172)**	(1,762,852)
Net carrying amount	**1,314,419**	1,361,988

10. Trade and Bills Receivables

	Notes	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Trade and bills receivables	(a)	**39,847**	53,177
Impairment of trade receivables	(b)	**(20,872)**	(21,270)
	(c)	**18,975**	31,907

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 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
At beginning of the year/period	**21,270**	10,424
Impairment losses recognised (note 6)	**125**	10,538
Exchange realignment	**(523)**	308
At end of the year/period	**20,872**	21,270

At 30 June 2014, the provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$20,872,000 (31 December 2013: HK$21,270,000) with a carrying amount before provision of HK$20,872,000 (31 December 2013: HK$21,270,000). 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 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Less than six months	**2,625**	6,806
Six months to one year	**15,216**	11,536
Over one year	**22,006**	34,835
	39,847	53,177
Provision for impairment (note (b))	**(20,872)**	(21,270)
	18,975	31,907

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

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Neither past due nor impaired	**—**	6,591
Past due for less than six months	**2,625**	11,372
Past due for over six months	**16,350**	13,944
	18,975	31,907

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 Bills Payables

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Less than six months	**5,631**	6,190
Six months to one year	**2,487**	782
More than one year	**4,653**	4,788
	12,771	11,760

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

12. Interest-bearing Borrowings, Secured

	Maturity	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Current			
Bank loans	2014	**1,149,155**	986,027
Current portion of other loans	2014	**202,276**	170,092
		1,351,431	1,156,119
Non-current			
Bank loans	2015	**187,380**	384,210
Other loans	2015 to 2016	**64,589**	122,777
		251,969	506,987
Total interest-bearing borrowings, secured		**1,603,400**	1,663,106

12. Interest-bearing Borrowings, Secured *(continued)*

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Analysed into:		
Bank loans repayable:		
On demand	**337,175**	256,140
Within one year	**811,980**	729,887
In the second year	**187,380**	384,210
	1,336,535	1,370,237
Other loans repayable:		
On demand	**94,917**	—
Within one year	**107,359**	170,092
In the second year	**64,589**	25,537
In the third to fifth years, inclusive	**—**	97,240
	266,865	292,869
	1,603,400	1,663,106

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 certain of the Group's coal 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").

(d) At 30 June 2014, one of the Group's other loans from independent third parties is secured by certain of the Group's construction in progress and prepayments, deposits and other receivables, bears interest at a rate of three years loan interest rate quoted by the People's Bank of China and is repayable by 12 quarterly instalments commenced on 18 April 2012; the other loan from an independent third party is secured by certain items of the Group's property, plant and equipment, bears interest at a rate of three years loan interest rate quoted by the People's Bank of China plus a margin of 2% and is repayable by 12 quarterly instalments commenced on 16 July 2013.

(e) Included in the above interest-bearing borrowings were overdue bank and other loans amounting to HK$426.6 million (31 December 2013: HK$249.8 million) as at 30 June 2014. Such overdue borrowings were secured by the Group's assets as set out in notes (c) and (d) above. As further detailed in note 17 to these interim financial statements in June 2014, a writ of summons was served to the Group by the lending bank in respect of an overdue bank loan with principal amount of RMB30 million (equivalent to approximately HK$37.5 million). As at the date of approval of these interim financial statements, all the overdue bank loans remains unsettled.

13. Share Capital

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Issued and fully paid:		
3,012,055,568 ordinary shares	**2,026,200**	301,205

The holding company of the Company is Belton Light Limited. In the opinion of the directors of the Company, the ultimate holding company of the Company is Jade Bird Energy Fund II, L.P. which is a Cayman Islands exempted limited partnership.

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

	Number of shares in issue	**Issued capital** HK$'000	**Share premium account** HK$'000	**Capital redemption reserve** HK$'000	**Total** HK$'000
At 1 January 2014 (audited)	3,012,055,568	301,205	1,724,472	523	2,026,200
Transfer to issued capital (Note)	—	1,724,995	(1,724,472)	(523)	—
At 30 June 2014 (unaudited)	3,012,055,568	2,026,200	—	—	2,026,200

Note: Pursuant to the transitional provisions for the abolition of the nominal value of share capital included in the new Hong Kong Companies Ordinance which became effective on 3 March 2014, the balances of the share premium account and capital redemption reserve as at 3 March 2014 have been transferred to issued capital.

14. Share Option Scheme

The Company operated a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share option was granted to any persons during the periods ended 30 June 2014 and 30 June 2013. Certain of the share options granted to the directors of the Company who resigned during the periods ended 30 June 2013 were forfeited in accordance with the terms stated in the Scheme and all the remaining share options granted under the Scheme lapsed as at 31 December 2013.

15. Operating Lease Commitments

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

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

	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Within one year	**3,041**	2,936
In the second to the fifth years, inclusive	**225**	1,575
	3,266	4,511

16. Capital Commitments

At 30 June 2014, the Group had contracted capital commitments not provided for in the consolidated financial statements of HK$54,269,000 (31 December 2013: HK$56,361,000) in respect of acquisition of items of property, plant and equipment.

17. Litigation

A writ of summons was served by a bank (the "Plaintiff") in June 2014 against Hengtai, a subsidiary of the Company, and 山西普大煤業集團有限公司, the guarantor, demanding the repayment of a loan in the principal amount of RMB30 million (equivalent to approximately HK$37.5 million) owed by Hengtai to the Plaintiff and accrued interest and penalty amounting to approximately RMB0.7 million (equivalent to approximately HK$0.87 million). The trial will be heard at the Inner Mongolia Eerduosi Municipal Middle People's Court (內蒙古鄂爾多斯市中級人民法院) in September 2014. The principal and the accrued interest and penalty of the loan had been included in "Interest-bearing borrowings, secured" and "Other payables and accruals" in the consolidated statement of financial position of the Group as at 30 June 2014, respectively. The directors of the Company estimated that there were no material unprovided liabilities in respect of the Loan and the pending litigation as at 30 June 2014.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2014 (Period ended 30 June 2013: Nil).

Management Discussion and Analysis

Business Review

The Group is principally engaged in the mining and selling of coal and silver in the PRC. Following the completion of the subscription of majority stakes of the Company by Beida Jade Bird Group in 2013, the Company has built up a new management team with strong and comprehensive oil and gas background. Since then, the Company has been actively seeking opportunity to acquire heavy oil extraction technology and pursuing upstream oil and gas exploration and production ("E&P") projects in North America to further strengthen the asset portfolio of the Group.

Coal Mining

During the first half of 2014, the coal mining business of the Group remained in a straitened condition. Gloomy market demand, tightened government policies plus increasing cost of capital all casted severe challenges to our production activities. Outputs of both Hengtai and Liaoyuan have cut by more than half as compared to the same period of last year. With the uncertain market outlook, the Company will continue to pursue unloading its coal mining business in the foreseeable future subject to compliance with all relevant laws and regulations including the Listing Rules and further announcement(s) will be made by the Company in compliance with the Listing Rules as and when appropriate.

HydroFlame Technology

The Company acquired HydroFlame technology in 2013. HydroFlame is a new heavy oil extraction technology that burns a fuel directly inside a rotating stream of water. The HydroFlame technology has yet to be commercialized, but has several new engineering process applications including hot water heaters, compact steam generators, produced water treatment processes and efficient power generation systems. It has successfully passed the surface test at an abandoned well with very promising results.

During the first half of 2014, the Group completed a comprehensive testing of HydroFlame at Louisiana, the United States and concluded with a meaningful list of improvements and modifications. The Group is now working toward another test in Texas, the United States and will endeavor to develop and commercialize the HydroFlame technology both for oil extraction as well as other applications in near future.

Business Review *(continued)*

Oil and Gas E&P Projects

Leveraging on the strong and comprehensive oil and gas expertise and investment background of the management team, since the fourth quarter of 2013, the Group has been actively developing an upstream oil and gas E&P project in North America. Up to the date hereof, the Group has secured leases on 5,400 acres in Texas, the United States. Drilling and completing the first well finished in July 2014. The well is now going through the water flow back period after fracking. Initial production rates for the well were approximately 4 MMcf per day of natural gas, 50 Bbl per day of oil and 150 Bbl per day of natural gas liquids. The Group will continue to monitor the first well and will be prepared to launch full development of the project should results warrant.

Silver Mining

The Group operates two quality silver mines via our subsidiary — Fujian Leixin Mining Company Limited, in Fujian Province, the PRC, namely the West Mine and the East Mine. The West Mine has a valid mining permit with approved production capacity of 100,000 ton per annum ("tpa") and a processing plant with daily ore processing capacity of 300 tons per day is already in place. According to the JORC Standard, the indicated and inferred mineral resources of the West Mine are approximately 0.87 million tons ("Mt") and 1.71 Mt, respectively and its probable reserve is approximately 0.82 Mt with ore grade of silver averaging 211.4 g/t. The Group has started to carry out commercial production of the West Mine since August 2014 and scheduled to conduct a safety upgrade at the West Mine at the end of the year to further increase its production capacity to 198,000 tpa by 2015.

The East Mine is an advanced development project with an exploration permit valid until October 2015. During the first half of 2014, the Group continued to conduct more in-depth exploration work with increased drilling coverage and density in the East Mine. According to the JORC Standard, the indicated and inferred mineral resources of the East Mine are approximately 6.35 Mt and 1.73 Mt respectively and its probable reserve is approximately 5.95 Mt with ore grade of silver averaging 128.6 g/t. The designed mining and processing scale of the East Mine is 660,000 tpa. The construction of the East Mine is expected to complete and put into operation in 2016. From 2017, the mining and processing capacity of the East Mine is expected to achieve 660,000 tpa.

Results Review

Revenue, cost of sales and gross loss

The Group recorded a total revenue of approximately HK$20.1 million (Period ended 30 June 2013: HK$67.7 million) representing a decrease of 70% compared with last comparable period. Revenue from mining and selling of coal was approximately HK$20.1 million (Period ended 30 June 2013: HK$67.1 million). There was no revenue generated from mining and selling of silver ore by-product (Period ended 30 June 2013: HK$0.6 million) during the period.

During the period, coal sales volume was approximately 192,000 tons (Period ended 30 June 2013: 520,000 tons), and the average selling prices of raw coal produced during the period were approximately RMB105 per ton (Period ended 30 June 2013: RMB129 per ton).

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 sales of coal production was approximately HK$82.3 million (Period ended 30 June 2013: HK$170.4 million). There was no cost of sales of silver production recorded during the period (Period ended 30 June 2013: HK$1.1 million).

The Group recorded a gross loss of approximately HK$62.2 million during the period (Period ended 30 June 2013: HK$103.8 million).

Other income and gains

Other income and gains of approximately HK$1 million (Period ended 30 June 2013: HK$0.1 million). It mainly represented interest income earned during the period.

Selling and distribution expenses and administrative expenses

Selling and distribution expenses and administrative expenses were approximately HK$4 million and HK$61 million, respectively during the period as compared to approximately HK$2.7 million and HK$50.2 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. The increase was mainly due to administrative expenses incurred for oil and gas business during the period.

Management Discussion and Analysis *(continued)*

Results Review *(continued)*

Other expenses

Other expenses mainly represented penalty incurred for overdue borrowings of Hengtai of approximately HK$24.4 million (Period ended 30 June 2013: nil) and costs associated with drilling prior to moving the drilling rig for oil and gas E&P of approximately HK$20.2 million (Period ended 30 June 2013: nil) during the period.

In 2013, other expenses mainly comprised impairments of coal mining assets including property, plant and equipment and coal mining rights of Hengtai and Liaoyuan of approximately HK$71 million and HK$99 million, respectively.

Finance costs

Finance costs were approximately HK$67.8 million (Period ended 30 June 2013: HK$97.8 million) which mainly represented interest expenses for loans raised in Hengtai of approximately HK$64.5 million (Period ended 30 June 2013: HK$55.9 million), amortisation of liability component of convertible notes of approximately HK$0.2 million (Period ended 30 June 2013: HK$7.9 million) and loss on early redemption of convertible notes of approximately HK$3.1 million (Period ended 30 June 2013: HK$34 million).

Share of profit/(loss) of a joint venture

Share of profit/(loss) of a joint venture represented share of profit/(loss) generated from the fund management company set up with CITIC Trust.

Income tax credit

Income tax credit, which represented write back of deferred taxation, was approximately HK$5.4 million (Period ended 30 June 2013: HK$91.7 million) during the period. The decrease was mainly due to no write back of deferred taxation as a result of impairment of coal mining assets during the period. No provision for profits tax in Hong Kong (Period ended 30 June 2013: nil) and PRC operation (Period ended 30 June 2013: nil) was made during the period.

Future Outlook

The Group has set very clear objectives in the year of 2014 — to endeavor to put its newly invested businesses into operation and at the same time continue to pursue unloading its below-par coal mining business. Up to the date hereof, the Group has taken proactive steps to fulfill its objectives. Testing on the HydroFlame technology completed with encouraging results. The Group continues to monitor the first well drilled in Texas, and is making plans to drill two additional wells in the 4th quarter this year should results continue to warrant. The West Mine of Fujian Leixin was also put into operation in August 2014.

Looking forward to the second half of the year, the Group will monitor closely the progress of the above projects and, depending on their performances, continue to devote further capital resources to fully develop the projects. The Group will also ensure the projects which have been put into operation to generate revenue as scheduled and explore other business opportunities including but not limited to finance lease business to diversify its investment portfolios. In the meantime, the Group will continue to pursue the possible disposal of its coal mining business. Overall, the management of the Company is of full confidence and determination to overturning the Group's business performance in the year of 2014.

Liquidity and Financial Review

As at 30 June 2014, the current ratio of the Group, measured as total current assets to total current liabilities, was 0.08:1, compared with 0.17:1 as at 31 December 2013.

As at 30 June 2014, the cash and cash equivalents of the Group were approximately HK$106.7 million (31 December 2013: HK$292.6 million). During the period, the Group recorded a net cash outflow generated from its operating activities of approximately HK$99.8 million (Period ended 30 June 2013: net cash inflow of HK$162.0 million).

As at 30 June 2014, the Group had outstanding interest-bearing borrowings, all of which were denominated in Renminbi, amounting to approximately HK$1,603.4 million (31 December 2013: HK$1,633.1 million). Of the Group's interest-bearing borrowings, 84% and 16%, respectively, were repayable on demand or within one year, and in the second year, respectively (31 December 2013: 70%, 24% and 6% in the third to the fifth years, inclusive). As at 30 June 2014, borrowings of approximately HK$1,241.2 million (31 December 2013: HK$1,291.8 million) were interest-bearing with floating interest rates and borrowings of approximately HK$362.2 million (31 December 2013: HK$371.3 million) were charged at fixed rates ranged from 6.9% to 42% (31 December 2013: 7.2% and 36%) per annum.

Management Discussion and Analysis *(continued)*

Liquidity and Financial Review *(continued)*

As at 30 June 2014, certain borrowings of approximately HK$427 million, including the overdue bank loan raised by Hengtai of which a writ of summons have been served by the lending bank to the Group as disclosed in the note 17 to the condensed interim financial statements, and approximately HK$275 million raised by Shanxi Hengchuang have been overdue and were not yet repaid up to date of approval of these interim financial statements. The Group has been trying its best effort to negotiate with the lenders to extend the maturity dates of such borrowings.

The outstanding zero coupon redeemable convertible notes with principal amount of approximately HK$39.2 million as at 31 December 2013 have been fully redeemed at par in January 2014.

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

Gearing Ratio

The gearing ratio of the Group, measured as total debt (which represented trade and bills payables, other payables and accruals, interest-bearing borrowings and convertible notes) in a ratio to the total assets, was 0.85 as at 30 June 2014, as compared to 0.80 as at 31 December 2013.

Significant Investments, Material Acquisitions and Disposals

In May 2013, the Group completed the acquisition of 50% equity interest in Million Grow Investments Limited ("Million Grow"), which indirectly held the East Mine and the West Mine, from two independent third parties (the "Vendors") for a total consideration of RMB217 million pursuant to sale and purchase agreement and a subscription agreement both dated 30 April 2013. Further details of the acquisition have been set out in the announcements of the Company dated 1 May 2013, 13 June 2013 and 20 March 2014.

The Vendors had also granted a call option ("Call Option") to the Group for the acquisition of the remaining 50% equity interest in Million Grow at RMB463 million pursuant to the call option agreement dated 30 April 2013. The Call Option has not been exercised as at the date of approval of these interim financial statements.

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

Capital Commitment, Charge on Group Assets and Contingent Liabilities

As at 30 June 2014, the capital commitments of the Group were approximately HK$54.3 million (31 December 2013: HK$56.4 million). The capital commitments were mainly related to purchasing plant and equipment.

As at 30 June 2014, the entire bank and other borrowings of approximately HK$1,603.4 million (31 December 2013: HK$1,663.1 million) were secured by certain of the Group's mining rights, property, plant and equipment and prepayments, deposits and other receivables and guarantees given by a former shareholder of Triumph Fund A Limited, a former director of Hengtai and certain independent third parties and equity interests of subsidiaries.

As at 30 June 2014, time deposits of approximately HK$3.9 million (31 December 2013: HK$3.6 million) were pledged for general bank facilities.

Save as disclosed above, the Group had no other assets pledged as at 30 June 2014 (31 December 2013: nil).

As at 30 June 2014, there was no material contingent liability of the Group (31 December 2013: nil).

Human Resources

As at 30 June 2014, the Group had 400 employees. The total staff costs (including directors' remuneration) for the six months ended 30 June 2014 were approximately HK$18.6 million (Period ended 30 June 2013: HK$21.8 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.

Directors' and Chief Executive's Interests and Short Position in Shares and Underlying Shares

As at 30 June 2014, 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 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 Issuers (the "Model Code").

Share Option Scheme

The Company operates the Scheme under which the directors may grant options to eligible participants to subscribe for up to 10% of the number of the issued share capital of the Company. No share options were granted during the period. There were no outstanding share options as at 30 June 2014.

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 in Shares and Underlying Shares 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 2014, 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	51.64%
Wang Da Yong (note 2)	Through controlled corporation/Beneficial owner/Spouse interest	238,460,500	7.92%

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) 109,758,000 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) 5,838,500 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) 113,885,000 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 2014, 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 of the Company

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 2014.

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 2014.

(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 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 of the Company held on 6 June 2014 due to his personal engagement.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all directors, all directors of the Company have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

Review by Audit Committee

The 2014 interim financial statements are unaudited, but have 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 (as chairman), Mr. Lu Binghui and Mr. Lee Ping. The Audit Committee was established 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, 29 August 2014