



**SHOUGANG FUSHAN RESOURCES
GROUP LIMITED**

Stock Code : 639

2015
Interim Report



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CORPORATE INFORMATION

Board of Directors

Li Shaofeng (*Chairman*)
Ding Rucai (*Vice-chairman and Managing Director*)
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*)
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*)
Japhet Sebastian Law
(*Independent Non-executive Director*)

Executive Committee

Li Shaofeng (*Chairman*)
Ding Rucai
Wong Lik Ping
So Kwok Hoo
Chen Zhaoqiang
Liu Qingshan

Audit Committee

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

Nomination Committee

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

CORPORATE INFORMATION (continued)

Remuneration Committee	Japhet Sebastian Law (<i>Chairman</i>) Li Shaofeng Leung Shun Sang, Tony Kee Wah Sze Choi Wai Yin Chan Pat Lam
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 2015	For the six months ended 30 June 2014	Percentage change
Revenue	1,092,612	1,702,459	-36%
Gross profit	273,782	747,677	-63%
Gross profit margin	25%	44%	
Operating profit	5,569	17,929	-69%
Of which: Non-cash impairment loss	(143,715)	(300,152)	-52%
EBITDA ¹	381,986	571,695	-33%
Profit/(Loss) for the period	31,782	(161,049)	
Profit/(Loss) attributable to owners of the Company ("Owners")	84,783	(191,517)	
Basic earnings/(loss) per share (HK cents)	1.60	(3.61)	
	As at 30 June 2015	As at 31 December 2014	Percentage change
<i>(HK\$'000)</i>			
Total assets	24,091,655	23,999,978	+0%
Of which: Cash and cash equivalents and time deposits with original maturity over three months	5,917,820	5,403,386	+10%
Unpledged bill receivables	812,651	990,566	-18%
Total liabilities	(4,627,811)	(4,430,378)	+4%
Of which: Total borrowings	(273,518)	(73,899)	+270%
Total borrowings (exclusive of asset-backed financing)	-	-	
Gearing ratio ²	1.41%	0.38%	
Adjusted gearing ratio ³	0.00%	0.00%	
Current ratio ⁴	3.3 times	3.5 times	-6%
Total equity/Net assets	19,463,844	19,569,600	-1%
Of which: Equity attributable to Owners	17,880,876	17,926,535	-0%
Equity per share attributable to Owners (HK\$)	3.37	3.38	-0%

The board of directors (the "Board") has declared a 2015 interim dividend of HK1 cent (2014 interim: HK1 cent) per ordinary share. To reward our shareholders, the Board has also declared a special dividend of HK15 cents per ordinary share (2014 interim: Nil).

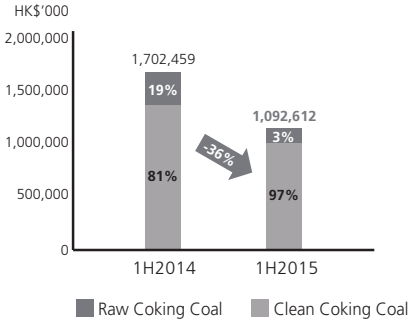
Notes:

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

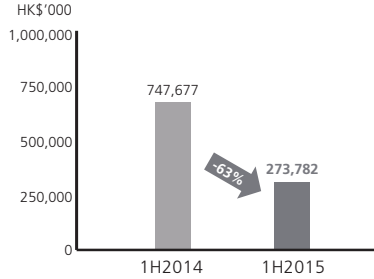
FINANCIAL HIGHLIGHTS (continued)

Profit & Loss Summary

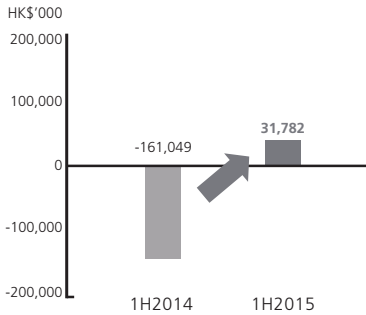
Revenue



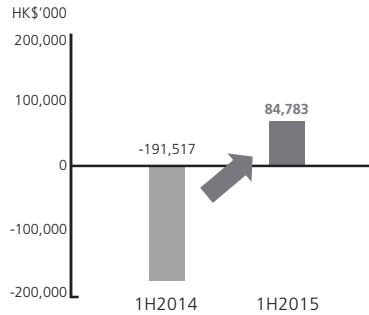
Gross profit



Profit/(Loss) for the period

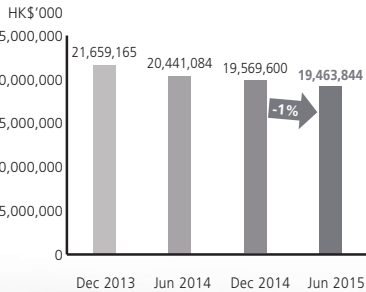


Profit/(Loss) attributable to Owners

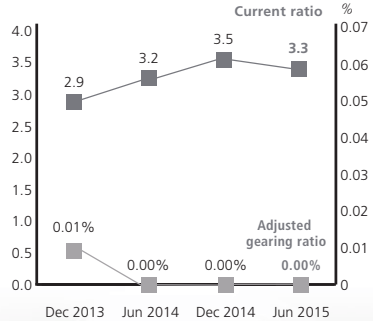


Healthy Financial Position

Net assets



Adjusted gearing ratio & current ratio



INDEPENDENT REVIEW REPORT



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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 38, which comprise the consolidated statement of financial position of Shougang Fushan Resources Group Limited and its subsidiaries as of 30 June 2015 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, 27 August 2015

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 2015. 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 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	4	1,092,612	1,702,459
Cost of sales		(818,830)	(954,782)
Gross profit		273,782	747,677
Other operating income	5	100,574	126,633
Selling and distribution expenses		(113,663)	(102,614)
General and administrative expenses		(110,767)	(208,028)
Other operating expenses		(642)	(245,587)
Impairment loss on goodwill, mining rights and property, plant and equipment	6(b)	(143,715)	(300,152)
Operating profit		5,569	17,929
Finance costs	7	(7,160)	(8,389)
Change in fair value of derivative financial instruments		47,693	(39,242)
Share of loss of an associate		(215)	(540)
Profit/(Loss) before income tax	8	45,887	(30,242)
Income tax expense	9	(14,105)	(130,807)
Profit/(Loss) for the period		31,782	(161,049)

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

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 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)
Item that will not be reclassified to profit or loss:			
Fair value gain/(loss) on financial assets measured at fair value through other comprehensive income		12,708	(301,512)
Total comprehensive income for the period		44,490	(682,614)
Profit/(Loss) for the period attributable to:			
Owners of the Company		84,783	(191,517)
Non-controlling interests		(53,001)	30,468
Profit/(Loss) for the period		31,782	(161,049)
Total comprehensive income for the period attributable to:			
Owners of the Company		97,491	(682,354)
Non-controlling interests		(53,001)	(260)
Total comprehensive income for the period		44,490	(682,614)
		HK(Cents)	HK(Cents)
Earnings/(Loss) per share	11		
– Basic and diluted		1.60	(3.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	3,312,757	3,412,110
Prepaid lease payments		57,318	58,081
Mining rights		9,759,468	9,966,970
Goodwill	6(a)	1,448,402	1,454,520
Interest in an associate		17,150	17,365
Financial assets measured at fair value through other comprehensive income	13	386,202	373,494
Deposits, prepayments and other receivables		360,184	273,350
Deferred tax assets		23,194	22,489
Total non-current assets		15,364,675	15,578,379
Current assets			
Inventories		194,970	180,799
Trade and bill receivables	14	2,267,481	2,548,830
Deposits, prepayments and other receivables		174,046	184,858
Derivative financial instruments		10,079	56
Pledged bank deposits	15	162,584	103,670
Time deposits with original maturity over three months	16	4,207,201	3,450,784
Cash and cash equivalents	16	1,710,619	1,952,602
Total current assets		8,726,980	8,421,599
Current liabilities			
Trade and bill payables	17	584,303	601,062
Other payables and accruals		1,432,522	1,446,840
Dividend payable	10	143,150	–
Borrowings	18	273,518	73,899
Derivative financial instruments		102	22,397
Amounts due to non-controlling interests of subsidiaries		4,030	3,796
Tax payables		180,626	226,712
Total current liabilities		2,618,251	2,374,706
Net current assets		6,108,729	6,046,893
Total assets less current liabilities		21,473,404	21,625,272

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		2,009,560	2,055,672
Total non-current liabilities		2,009,560	2,055,672
Net assets		19,463,844	19,569,600
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	15,156,959	15,156,959
Reserves		2,723,917	2,769,576
Total equity attributable to owners of the Company		17,880,876	17,926,535
Non-controlling interests		1,582,968	1,643,065
Total equity		19,463,844	19,569,600

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Equity attributable to owners of the Company									Non-controlling interests	Total equity	
	Capital					Share-based		Security				
	Share capital	Share premium	Share redemption reserve	Statutory reserve	Other reserves	Retained profits	compensation reserve	investment reserve	Translation reserve			Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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
Loss for the period (Unaudited)	-	-	-	-	-	(191,517)	-	-	-	(191,517)	30,468	(161,049)
Other comprehensive income for the period:												
- 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)
Transfer upon the abolition of par value of shares on 3 March 2014 (Note 19) (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)
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 CHANGES IN EQUITY (continued)
 For the six months ended 30 June 2015

	Equity attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Statutory reserve	Other reserves	Share-based		Security				Total
				Retained profits	compensation reserve	investment reserve	Translation reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2015 (Audited)	15,156,959	448,068	571,633	2,095,589	539,060	(1,953,499)	1,068,725	17,926,535	1,643,065	19,569,600
Profit for the period (Unaudited)	-	-	-	84,783	-	-	-	84,783	(53,001)	31,782
Other comprehensive income for the period:										
- Fair value gain on financial assets measured at fair value through other comprehensive income (Unaudited)	-	-	-	-	-	12,708	-	12,708	-	12,708
Total comprehensive income for the period (Unaudited)	-	-	-	84,783	-	12,708	-	97,491	(53,001)	44,490
2014 final dividends approved (Note 10) (Unaudited)	-	-	-	(143,150)	-	-	-	(143,150)	-	(143,150)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	-	-	-	-	-	-	-	-	(7,096)	(7,096)
Appropriations to other reserves (Unaudited)	-	-	1,679	(1,679)	-	-	-	-	-	-
Lapsed of share options (Unaudited)	-	-	-	1,380	(1,380)	-	-	-	-	-
At 30 June 2015 (Unaudited)	15,156,959	448,068	573,312	2,036,923	537,680	(1,940,791)	1,068,725	17,880,876	1,582,968	19,463,844

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from operating activities		
Profit/(Loss) before income tax	45,887	(30,242)
Adjustments for:		
Amortisation of prepaid lease payments	763	763
Amortisation of mining rights	100,590	134,620
Depreciation of property, plant and equipment	131,349	118,231
Finance costs	7,160	8,389
Impairment loss on goodwill, mining rights and property, plant and equipment	143,715	300,152
Share of loss of an associate	215	540
Interest income	(82,662)	(98,843)
Loss/(Gain) on disposals of property, plant and equipment	642	(12)
Change in fair value of derivative financial instruments	(47,693)	39,242
Net exchange loss	7,001	79,381
Operating profit before working capital changes	306,967	552,221
Increase in inventories	(14,171)	(37,775)
Decrease/(Increase) in trade and bill receivables	480,968	(94,720)
Decrease/(Increase) in deposits, prepayments and other receivables	21,452	(43,079)
(Decrease)/Increase in trade and bill payables	(6,496)	12,722
Increase/(Decrease) in other payables and accruals	10,511	(16,847)
Increase/(Decrease) in amounts due to non-controlling interests of subsidiaries	234	(16,473)
<i>Cash generated from operations</i>	799,465	356,049
Income tax paid	(107,008)	(152,164)
<i>Net cash generated from operating activities</i>	692,457	203,885

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(137,572)	(192,261)
Proceeds from disposals of property, plant and equipment		167	37
Payments to acquire financial assets measured at fair value through other comprehensive income		(47,844)	–
Increase in pledged bank deposits		(58,914)	(5,756)
(Increase)/Decrease in time deposits with original maturity over three months		(756,417)	672,779
Interest received		72,022	83,739
<i>Net cash (used in)/generated from investing activities</i>		(928,558)	558,538
Cash flows from financing activities			
Finance costs paid		(7,160)	(8,389)
Dividends paid to owners of the Company		–	(413,543)
Dividends paid to non-controlling interests of subsidiaries		(7,096)	(121,924)
<i>Net cash used in financing activities</i>		(14,256)	(543,856)
Net (decrease)/increase in cash and cash equivalents		(250,357)	218,567
Cash and cash equivalents at 1 January		1,952,602	2,137,611
Effect of foreign exchange rates changes		8,374	(78,986)
Cash and cash equivalents at 30 June		1,710,619	2,277,192
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash	16	1,710,619	2,277,192

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 2015.

2. BASIS OF PREPARATION

The interim financial report for the six months ended 30 June 2015 (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 2014, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The preparation of Interim Financial Report 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 2014.

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 27 August 2015.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

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 2014, except for the adoption of the following standards as of 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amended HKFRSs has had no material impact on the Interim Financial Report.

4. 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 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
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For the six months ended 30 June 2015, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

4. REVENUE AND SEGMENT INFORMATION (continued)

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

	Coking coal mining		Consolidated	
	Six months ended 30 June		Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Segment revenue:				
Revenue from external customers	1,092,612	1,702,459	1,092,612	1,702,459
Segment operating (loss)/profit	(40,263)	6,745	(40,263)	6,745
Interest income			82,662	98,843
General and administrative expenses not allocated			(36,830)	(87,659)
Operating profit			5,569	17,929
Finance costs			(7,160)	(8,389)
Change in fair value of derivative financial instruments			47,693	(39,242)
Share of loss of an associate			(215)	(540)
Profit/(Loss) before income tax			45,887	(30,242)

	Coking coal mining		Corporate		Consolidated	
	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Segment assets	17,792,755	18,402,978	5,862,275	5,183,596	23,655,030	23,586,574
Segment liabilities	2,253,049	2,080,277	184,474	45,320	2,437,523	2,125,597

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Bank interest income	82,662	98,843
Income from sales of scrapped products	17,912	27,715
Others	–	75
	100,574	126,633

6. GOODWILL/IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount of goodwill

	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Gross carrying amount at the beginning of the period/year	2,280,494	2,321,215
Exchange retranslation	–	(40,721)
Gross carrying amount at the end of the period/year	2,280,494	2,280,494
<i>Less:</i>		
Accumulated impairment loss at the beginning of the period/year	(825,974)	(2,010)
Impairment loss for the period/year	(6,118)	(823,964)
Accumulated impairment loss at the end of the period/year	(832,092)	(825,974)
Net carrying amount at the end of the period/year	1,448,402	1,454,520

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

6. GOODWILL/IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amount of goodwill (continued)

The carrying amount of goodwill was allocated as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu")	853,980	853,980
Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang")	–	6,118
Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi")	572,495	572,495
Jinshan Energy Group Limited	21,927	21,927
Net carrying amount at the end of the period/year	1,448,402	1,454,520

(b) Impairment loss on goodwill, mining rights and property, plant and equipment

Given global economy is slowing down and China's economy is under downward pressure, there is oversupply of coking coal leading to the continuing decrease in coal prices in the first half of 2015. The Group thus reassessed its estimates on the recoverable amounts of cash-generated units ("CGUs") of the coking coal mining segment. During the six months ended 30 June 2015, an impairment loss of HK\$143,715,000 was recognised for Jinjiazhuang in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was first allocated to reduce Jinjiazhuang's carrying amount of goodwill of HK\$6,118,000 and then to reduce Jinjiazhuang's carrying amount of mining rights of HK\$106,912,000 and property, plant and equipment of HK\$30,685,000.

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 2015 were measured by an independent valuer, Asset Appraisal Limited, who is a member of the Hong Kong Institute of Surveyors.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

6. GOODWILL/IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Impairment loss on goodwill, mining rights and property, plant and equipment (continued)

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 3% to 16% (As at 31 December 2014: 3% to 12%) and with average discount rate of 13.69% (As at 31 December 2014: 14.08%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (As at 31 December 2014: 3%). 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 2014: 3%) 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 ranging from 3 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\$147,009,000 (As at 30 June 2014: HK\$461,772,000) and an impairment loss of HK\$143,715,000 (Six months ended 30 June 2014: HK\$300,152,000) was recognised. This impairment loss was first allocated to goodwill and then to other assets of the unit, including mining rights and property, plant and equipment, pro-rata on the basis of the carrying amount to these assets. Accordingly, the carrying amounts of goodwill, mining rights and property, plant and equipment, were reduced by HK\$6,118,000 (Six months ended 30 June 2014: HK\$300,152,000), HK\$106,912,000 (Six months ended 30 June 2014: Nil) and HK\$30,685,000 (Six months ended 30 June 2014: Nil) respectively which were included in "impairment loss on goodwill, mining rights and property, plant and equipment" in the consolidated statement of profit or loss and other comprehensive income. The key assumptions are the discount rate of 13.98% (As at 31 December 2014: 14.20%) per annum and the growth rates, covering a 5-year period, of approximately 3% to 16% (As at 31 December 2014: 3% to 12%).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

6. GOODWILL/IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Sensitivity analysis

Apart from the considerations described in determining the value-in-use of the CGUs above, the directors are not aware of any other probable changes that would necessitate changes in its key estimates. However, the estimated recoverable amount of the Group's CGUs is particularly sensitive to the long term growth rate applied.

The recoverable amount of Xingwu's CGU exceeds its carrying amount by HK\$201,263,000. The key assumptions are the discount rate of 13.54% per annum and the growth rate of approximately 3% to 16%. If the discount rate increased by 0.52% or the growth rate reduced by 0.24%, the carrying amount of Xingwu's CGU would equal to its recoverable amount.

The recoverable amount of Zhaiyadi's CGU exceeds its carrying amount by HK\$888,472,000. The key assumptions are the discount rate of 13.64% per annum and the growth rate of approximately 3% to 16%. If the discount rate increased by 2.20% or the growth rate reduced by 0.95%, the carrying amount of Zhaiyadi's CGU would equal to its recoverable amount.

7. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest charged on discounted bill receivables	7,160	8,389

No borrowing costs were capitalised for the six months ended 30 June 2015 and 2014.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	818,830	954,782
Amortisation of:		
– prepaid lease payments	763	763
– mining rights	100,590	134,620
Depreciation of property, plant and equipment	131,349	118,231
Employee benefit expenses (<i>including directors' remuneration and retirement benefits scheme contributions</i>)	275,888	305,565
Loss/(Gain) on disposals of property, plant and equipment	642	(12)
Net exchange loss	7,001	79,381
Operating lease charges in respect of land and buildings	3,283	792

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Current tax – PRC income tax	54,182	132,086
Deferred tax	(40,077)	(1,279)
	14,105	130,807

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 2015 and 2014.

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 2014: 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.

10. DIVIDENDS

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Interim dividend of HK1 cent per ordinary share (Six months ended 30 June 2014: HK1 cent per ordinary share)	53,018	53,018
Special dividend of HK15 cents per ordinary share (Six months ended 30 June 2014: Nil)	795,276	–
	848,294	53,018

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

10. DIVIDENDS (continued)

Interim dividend of HK1 cent (Six months ended 30 June 2014: HK1 cent) per ordinary share and special dividend of HK15 cents (Six months ended 30 June 2014: Nil) declared after 30 June 2015 (Six months ended 30 June 2014: 30 June 2014) have not been recognised as liabilities as at the reporting date.

Interim dividend and special dividend for the six months ended 30 June 2015 are expected to be paid on or about 20 October 2015 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 2015. As at 30 June 2015, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2014: 5,301,837,842).

A final dividend of HK2.7 cents per ordinary share totalling HK\$143,150,000 in respect of the year ended 31 December 2014 was approved at the annual general meeting held on 22 May 2015. The 2014 final dividend has been recognised as a liability as at 30 June 2015 and is paid on 9 July 2015.

11. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Profit/(Loss) used to determine basic and diluted earnings/(loss) per share	84,783	(191,517)
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	5,301,837	5,301,837
Effect of dilutive potential ordinary shares – share options	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	5,301,837	5,301,837

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

11. EARNINGS/(LOSS) PER SHARE (continued)

The computation of diluted earnings per share for current interim period does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the six months ended 30 June 2015.

In calculating the diluted loss per share for the last interim period ended 30 June 2014, the potential issue of shares arising from the Company's share option would decrease the loss per share during the last interim period and was thereby not taken into account as they had 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.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK\$63,490,000 (Six months ended 30 June 2014: approximately HK\$44,127,000) 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\$809,000 was disposed during the six months ended 30 June 2015 (Six months ended 30 June 2014: approximately HK\$25,000).

During the period, no interest expense was capitalised (Six months ended 30 June 2014: Nil) (Note 7) in property, plant and equipment.

The Group's buildings are situated in the PRC and held on leases of between 10 to 50 years. As at 30 June 2015, the Group was still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately RMB146,473,000 (HK\$182,725,000 equivalent) (As at 31 December 2014: approximately RMB144,093,000 (HK\$179,756,000 equivalent)). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Equity securities, at fair value		
– listed in Australia	195,002	253,994
– listed in Hong Kong	191,200	119,500
	386,202	373,494
Unlisted equity interest*	–	–
	386,202	373,494

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

14. TRADE AND BILL RECEIVABLES

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	1,151,710	1,308,218
Less: Provision for impairment losses	(190,480)	(190,480)
	961,230	1,117,738
Bill receivables	1,306,251	1,431,092
	2,267,481	2,548,830

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

14. TRADE AND BILL RECEIVABLES (continued)

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

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
1 to 3 months	1,431,040	1,300,738
4 to 6 months	618,720	1,196,636
7 to 12 months	217,721	51,456
	2,267,481	2,548,830

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2014: 60 to 90 days) and no interest is charged.

As at 30 June 2015, bill receivables included an amount of RMB162,416,000 (HK\$202,614,000 equivalent) (As at 31 December 2014: RMB205,766,000 (HK\$256,693,000 equivalent)) (Note 17) which was pledged for bill payables of RMB162,416,000 (HK\$202,614,000 equivalent) (As at 31 December 2014: RMB198,857,000 (HK\$248,074,000 equivalent)).

As at 30 June 2015, 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)

14. 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 2015, bill receivables of RMB233,256,000 (HK\$290,986,000 equivalent) (As at 31 December 2014: RMB147,361,000 (HK\$183,833,000 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, trade payables 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 2015, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB219,253,000 (HK\$273,518,000 equivalent) (As at 31 December 2014: RMB59,237,000 (HK\$73,899,000 equivalent)) (Note 18), Nil (As at 31 December 2014: RMB57,430,000 (HK\$71,644,000 equivalent)) (Note 17) and RMB14,003,000 (HK\$17,468,000 equivalent) (As at 31 December 2014: RMB30,693,000 (HK\$38,290,000 equivalent)) respectively.

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

15. PLEDGED BANK DEPOSITS

As at 30 June 2015, all pledged bank deposits of RMB130,327,000 (HK\$162,584,000 equivalent) (As at 31 December 2014: RMB83,102,000 (HK\$103,670,000 equivalent)) (Note 17) were denominated in RMB and were pledged for bill payables of RMB129,971,000 (HK\$162,139,000 equivalent) (As at 31 December 2014: RMB82,963,000 (HK\$103,497,000 equivalent)).

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)

16. BANK BALANCES AND CASH

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Cash at banks and on hand	110,738	87,865
Time deposits at banks	5,807,082	5,315,521
Bank balances and cash	5,917,820	5,403,386
Less: Time deposits with original maturity over three months	(4,207,201)	(3,450,784)
Cash and cash equivalents	1,710,619	1,952,602

17. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (Six months ended 30 June 2014: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2015 is as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
1 to 3 months	309,298	266,322
4 to 6 months	218,645	291,329
7 to 12 months	32,121	19,001
Over 1 year	24,239	24,410
	584,303	601,062

As at 30 June 2015, included in bill payables, RMB292,387,000 (HK\$364,753,000 equivalent) (As at 31 December 2014: RMB281,820,000 (HK\$351,571,000 equivalent)) were secured by the pledged bank deposits of RMB130,327,000 (HK\$162,584,000 equivalent) (As at 31 December 2014: RMB83,102,000 (HK\$103,670,000 equivalent)) (Note 15) and bill receivables of RMB162,416,000 (HK\$202,614,000 equivalent) (As at 31 December 2014: RMB205,766,000 (HK\$256,693,000 equivalent)) (Note 14).

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

17. TRADE AND BILL PAYABLES (continued)

As at 30 June 2015, no bill receivables were endorsed to trade creditors. As at 31 December 2014, included in trade payables of RMB57,430,000 (HK\$71,644,000 equivalent) (Note 14) represented the amount of bill receivables endorsed to trade creditors which did not meet the de-recognition requirements in HKAS 39. The corresponding financial assets were included in bill receivables.

18. BORROWINGS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Asset-backed financing	273,518	73,899

19. SHARE CAPITAL

	Number of shares		Amount	
	2015 '000 (Unaudited)	2014 '000 (Audited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Audited)
<i>Issued and fully paid:</i>				
At 1 January	5,301,837	5,301,837	15,156,959	530,184
Transfer from share premium and capital redemption reserve upon abolition of par value of shares on 3 March 2014 (Note)	–	–	–	14,626,775
At 30 June/31 December	5,301,837	5,301,837	15,156,959	15,156,959

Note:

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)

20. 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 at reporting dates:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	175,747	187,581
Financial assets measured at fair value through other comprehensive income	386,202	373,494
	561,949	561,075
Current assets		
Financial assets measured at amortised cost:		
– Trade and bill receivables	2,267,481	2,548,830
– Deposits and other receivables	122,086	126,614
– Pledged bank deposits	162,584	103,670
– Time deposit with original maturity over three months	4,207,201	3,450,784
– Cash and cash equivalents	1,710,619	1,952,602
Financial assets measured at fair value through profit or loss:		
– Derivative financial instruments	10,079	56
	8,480,050	8,182,556
Total	9,041,999	8,743,631
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	584,303	601,062
– Other payables and accruals	878,293	808,020
– Dividend payable	143,150	–
– Borrowings	273,518	73,899
– Amounts due to non-controlling interests of subsidiaries	4,030	3,796
Financial liabilities measured at fair value through profit or loss:		
– Derivative financial instruments	102	22,397
Total	1,883,396	1,509,174

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

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

(a) Financial instruments not measured at fair value

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, dividend payable and borrowings.

Due to their short term nature, the carrying values of these financial instruments approximate their fair values.

(b) Financial instruments measured at fair value

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.

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

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

(b) Financial instruments measured at fair value (continued)

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 2015			
	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)	386,202	-	-	386,202
- Unlisted equity securities	(b)	-	-	-	-
Financial assets measured at fair value through profit or loss					
- Derivative financial assets	(c)	-	10,079	-	10,079
		386,202	10,079	-	396,281
Financial liabilities measured at fair value through profit or loss					
- Derivative financial liabilities	(c)	-	(102)	-	(102)

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

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

(b) Financial instruments measured at fair value (continued)

	Notes	31 December 2014			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)	373,494	–	–	373,494
– Unlisted equity securities	(b)	–	–	–	–
Financial assets measured at fair value through profit or loss					
– Derivative financial assets	(c)	–	56	–	56
		373,494	56	–	373,550
Financial liabilities measured at fair value through profit or loss					
– Derivative financial liabilities	(c)	–	(22,397)	–	(22,397)

There were no transfers between levels of the fair value hierarchy during the six months ended 30 June 2015 (Year ended 31 December 2014: Nil).

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



NOTES TO THE INTERIM FINANCIAL REPORT (continued)

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

(b) Financial instruments measured at fair value (continued)

(a) *Listed equity 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) *Unlisted equity securities*

The fair value of unlisted equity securities approximates their purchase cost.

(c) *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)

21. COMMITMENTS

(a) Operating lease commitments

At 30 June 2015, 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 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	4,046	5,216
In the second to fifth years	11,506	11,506
After the fifth year	37,068	38,431
	52,620	55,153

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 33 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 2015 are as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Contracted but not provided for:		
– Acquisition of property, plant and equipment	274,108	245,285
– Exploration and design fees for a potential mining project	9,331	9,331
	283,439	254,616

NOTES TO THE INTERIM FINANCIAL REPORT (continued)

22. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Interim Financial Report, the following transactions for the six months ended 30 June 2015 and 2014 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 2014: HK\$780,000) to Shougang Concord International Enterprises Company Limited (“Shougang International”), which is the substantial shareholder of the Company. As at 30 June 2015, no amounts were outstanding (As at 31 December 2014: Nil).
- (b) During the period, the Group paid office rental expenses of HK\$1,170,000 (Six months ended 30 June 2014: 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. As at 30 June 2015, no amounts were outstanding (As at 31 December 2014: Nil).
- (c) During the period, the Group sold clean coking coal amounting to HK\$319,515,000 (Six months ended 30 June 2014: HK\$261,405,000) 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 2015, amount due from/to the Shougang Group was HK\$479,050,000 (As at 31 December 2014: HK\$354,882,000) and Nil (As at 31 December 2014: HK\$10,465,000) respectively.
- (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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Salaries, bonuses, fees, allowances and benefits	11,916	12,600
Retirement benefits scheme contributions	577	636
	12,493	13,236

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 2015 (the "period under review") together with that of the same period of 2014 is summarised as follows:

	Unit	Six months ended 30 June		Change		2014FY	Change %
		2015	2014	Quantity/ Amount	%		
<i>Production volume:</i>							
Raw coking coal	Mt	2.28	2.96	-0.68	-23%	5.68	
Clean coking coal	Mt	1.46	1.49	-0.03	-2%	3.01	
<i>Sales volume:</i>							
Raw coking coal	Mt	0.09	0.56	-0.47	-84%	1.01	
Clean coking coal	Mt	1.36	1.41	-0.05	-4%	3.00	
<i>Average realised selling price (inclusive of VAT):</i>							
Raw coking coal	RMB/tonne	369	549	-180	-33%	494	-25%
Clean coking coal	RMB/tonne	731	912	-181	-20%	844	-13%

For the six months ended 30 June 2015, the Group produced approximately 2.28 million tonnes ("Mt") (Six months ended 30 June 2014: approximately 2.96 Mt) of raw coking coal, representing a year-on-year decrease of 23% and also produced approximately 1.46 Mt (Six months ended 30 June 2014: approximately 1.49 Mt) of clean coking coal, representing a year-on-year decrease of 2%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Due to the impact of the economic slowdown in the Mainland China, the sales volume of raw coking coal and clean coking coal dropped by 84% and 4% respectively during the period under review. Under the current weak coking coal market, the demand of raw coking coal is especially low. However, the demand of clean coking coal is relatively much stronger. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

For the six months ended 30 June 2015, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 33% to Renminbi ("RMB") 369/tonne when compared with that of the same period of 2014 (Six months ended 30 June 2014: RMB549/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 20% to RMB731/tonne when compared with that of the same period of 2014 (Six months ended 30 June 2014: RMB912/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 0% and 100% (Six months ended 30 June 2014: 55% and 45%) of the total raw coking coal sales volume respectively for the six months ended 30 June 2015. For No.9 raw coking coal, its average realised selling price (inclusive of VAT) dropped by 24%. In addition, sales of No.1 and No.2 clean coking coal accounted for 48% and 52% (Six months ended 30 June 2014: 57% and 43%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2015.

Financial Review

For the six months ended 30 June 2015, the Group recorded a turnover of approximately Hong Kong Dollars ("HK\$") 1,093 million, representing a substantial decrease of approximately HK\$609 million or 36% as compared with that of approximately HK\$1,702 million for the same period of 2014. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 33% and 20% respectively and the substantial drop in the sales volume of raw coking coal by 84% for the period under review. In terms of turnover, sales of clean and raw coking coal accounted for 97% and 3% of the Group's turnover respectively for the six months ended 30 June 2015. They accounted for 81% and 19% respectively for the six months ended 30 June 2014.

For the six months ended 30 June 2015, the total turnover to the top five customers accounted for 74% (Six months ended 30 June 2014: 63%) of the Group's turnover. Of which, the total turnover to the largest customer accounted for 29% (Six months ended 30 June 2014: 15%) of the Group's turnover.

For the six months ended 30 June 2015, gross profit margin was 25% while 44% for the same period in 2014. Decrease in gross profit margin was mainly due to the drop in realised selling prices as explained under "Business Review". Gross profit was dropped by approximately HK\$474 million or 63%.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

For the six months ended 30 June 2015, the Group recorded an operating profit of approximately HK\$6 million, while approximately HK\$18 million for the same period in 2014, representing a year-on-year decrease of 67%. Even though our gross profit was substantial dropped by approximately HK\$474 million, the Group recorded turnaround of financial results from net loss in the last corresponding period to net profit of approximately HK\$32 million and profit attributable to the owners of the Company (the "Owner") of approximately HK\$85 million for the period under review eventually. Such turnaround to profit is primarily attributable to (i) the reduction of non-cash impairment loss made on goodwill, mining rights and property, plant and equipment by approximately HK\$156 million to approximately HK\$144 million for the period under review; (ii) the turnaround of the related net exchange loss of approximately HK\$119 million to net exchange gain of approximately HK\$41 million mainly arising from re-translation of its monetary assets (mainly for cash) denominated in RMB into HK\$ as at reporting dates; (iii) non-production cost saving of approximately HK\$26 million; and (iv) no material charitable donation such as approximately HK\$245 million in the last corresponding period.

During the period under review, basic earnings per share was HK1.60 cents (Six months ended 30 June 2014: basic loss per share was HK3.61 cents).

Excluding such non-cash impairment loss on goodwill, mining rights and property, plant and equipment, the Group would record net profit of approximately HK\$175 million for the six months ended 30 June 2015, representing an increase of approximately HK\$36 million or 26% as compared with that of approximately HK\$139 million for the same period of 2014. In addition, the Group would record profit attributable to the Owners of approximately HK\$180 million, representing an increase of approximately HK\$72 million or 67% as compared with that of approximately HK\$108 million for the same period of 2014.

Cost of Sales

During the period under review, cost of sales was approximately HK\$819 million, representing a substantial decrease of approximately HK\$136 million or 14%, as compared with that of approximately HK\$955 million for the same period of 2014. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales even though the increase in unit production costs as stated below during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Cost of Sales (continued)

Included in cost of sales, amortisation of mining rights was approximately HK\$101 million for the six months ended 30 June 2015, representing a decrease of approximately HK\$34 million or 25%, as compared with that of approximately HK\$135 million for the same period of 2014. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage of raw coking coal for sales during the period under review.

The unit production costs are summarised as follows:

	Unit	Six months ended 30 June		Change		Change	
		2015	2014	Amount	%	2014FY	%
Production cost of raw coking coal	RMB/tonne	260	246	+14	+6%	248	+5%
of which, depreciation and amortisation	RMB/tonne	(68)	(57)	+11	+19%	(63)	+8%
Processing cost for clean coking coal	RMB/tonne	47	46	+1	+2%	48	-2%
of which, depreciation	RMB/tonne	(11)	(10)	+1	+10%	(10)	+10%

The increase in unit production cost was mainly due to the drop in production volume of raw coking coal by 23% during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK\$274 million for the six months ended 30 June 2015, representing a significant decrease of approximately HK\$474 million or 63% as compared with that of approximately HK\$748 million for the same period of 2014. During the period under review, gross profit margin was 25% compared with 44% for the same period of 2014. The drop in gross profit margin was mainly due to the drop in average realised selling prices of raw and clean coking coal by 33% and 20% respectively for the six months ended 30 June 2015 when compared with that in the same period of 2014 as explained under "Business Review".

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Other Operating Income

During the period under review, other operating income was approximately HK\$101 million, representing a decrease of approximately HK\$26 million or 20% as compared with approximately HK\$127 million of the same period in 2014. The decrease in other operating income was mainly attributable to the decrease in income from sales of scrapped products by approximately HK\$10 million or 35% as a result of the drop in coal prices and the decrease in bank interest income by approximately HK\$16 million or 16% during the period under review.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK\$114 million, representing an increase of approximately HK\$11 million or 11% as compared with that of approximately HK\$103 million for the same period of 2014. The increase was mainly as a result of the increase in transportation costs arising from the significant increase in sales volume of clean coking coal at C&F prices by approximately 82,000 tonnes from approximately 246,000 tonnes for the six months ended 30 June 2014 to approximately 328,000 tonnes for the six months ended 30 June 2015.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK\$111 million, representing a significant decrease of approximately HK\$97 million or 47% as compared with approximately HK\$208 million for the same period of 2014. The decrease was resulted from the substantial drop in net exchange loss by approximately HK\$72 million during the period under review. Such net exchange loss was mainly arose from re-translation of the Group's current assets (mainly for cash) denominated in RMB to HK\$ as at reporting dates. By excluding such net exchange loss, the general and administrative expenses were approximately HK\$104 million for the six months ended 30 June 2015, representing a decrease of approximately HK\$25 million or 19% as compared with approximately HK\$129 million for the same period of 2014. The decrease was resulted from the effective cost control during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Impairment Loss on Goodwill, Mining Rights and Property, Plant and Equipment

Due to the continuous downturn in the coal market and low market coal prices, the Group incurred a non-cash impairment loss of approximately HK\$144 million (Six months ended 30 June 2014: approximately HK\$300 million) made on goodwill, mining rights and property, plant and equipment during the period under review. Details of which are disclosed in Note 6 to the Interim Financial Report.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK\$1 million, represent a significant decrease of approximately HK\$245 million or 100% as compared with approximately HK\$246 million for the same period of 2014. The decrease are mainly attributable to no committed annual payment of charitable donation of approximately HK\$245 million paid by the Group to the Liulin Provincial Government, for the construction of modern schools and provision of education facilities since the year of 2015.

Finance Costs

During the period under review, finance costs were approximately HK\$7 million, representing a slight decrease of approximately HK\$1 million or 13% as compared with that of approximately HK\$8 million for the same period of 2014. The decrease in finance costs was resulted from the better cash management during the period under review. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2014: Nil).

Income Tax Expense

During the period under review, income tax expense was approximately HK\$14 million (Six months ended 30 June 2014: approximately HK\$131 million), of which approximately HK\$6 million (Six months ended 30 June 2014: approximately HK\$11 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the period under review was approximately HK\$85 million while the loss attributable to the Owners for the same period of 2014 was approximately HK\$192 million.

Material Investments and Acquisitions

During the six months ended 30 June 2015, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2015, the Group had no material disposals.

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 2015, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK\$163 million and bill receivables of approximately HK\$203 million were used for securing bills facilities of approximately HK\$365 million.

Contingent Liabilities

As at 30 June 2015, there were no guarantees given to any banks or financial institutions by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Gearing Ratio

As at 30 June 2015, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 1.4%. Other than the early redemption of bill receivables amounting to approximately HK\$274 million, the Group had no other borrowings.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2015, 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 2015, RMB was appreciated by approximately 0.08% while AUD was depreciated by approximately 6.30% respectively, when compared to that as at 31 December 2014. As the aggregate carrying amount of assets denominated in AUD represented approximately 1% of the Group's total net asset value as at 30 June 2015, such fluctuation in exchange rate did not have any material negative impact on the financial strength of the Group as at 30 June 2015.

The Group has been adjusting our proportion of cash denominated in RMB from 87% as at 31 December 2014 to 80% as at 30 June 2015 and further reduced to 68% as at the approval date of this Interim Financial Report in order to reduce the negative impact from fluctuation in exchange rate on the financial strength of the Group. From the benefit of cash denominated in RMB, the Group has earned higher annual return on cash that would be set-off the partial negative impact from fluctuation in its exchange rate. During the period under review, the Group has achieved average annual return on cash of approximately 4.2%, of which approximately 4.6% from cash denominated in RMB.

Due to the sudden reform onshore mid-rate fixing by the central bank on 11 August 2015 that was unexpected from the market, RMB was significant devalued by approximately 4% after the reporting date. If the year-end RMB foreign exchange rate would be remained at the current level and with all other variables held constant, the Group would have been recorded extra related exchange loss of approximately HK\$200 million in the second half of 2015. Nevertheless, the Group still has health and strong financial position.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2015, the Group's current ratio (current assets divided by current liabilities) was approximately 3.3 times and the Group's cash and bank deposits amounted to approximately HK\$6,080 million, of which approximately HK\$163 million was deposited to secure bills facilities of approximately HK\$162 million. The Group continued to maintain a healthy net cash balance.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK\$1,306 million (of which approximately HK\$291 million represented discounted and endorsed bill receivables and approximately HK\$203 million was used for securing bills facilities of approximately HK\$203 million) as at 30 June 2015 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\$812 million, the Group's free cash resources would have approximately HK\$6,729 million as at 30 June 2015.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2015, 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 2015, all borrowings of the Group are denominated in RMB and are asset-backed financing.

Employees

As at 30 June 2015, the Group had 29 Hong Kong employees and 6,212 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Future Prospects

Looking forward to the second half of 2015, from external economic situation, the United States has had a strong economic recovery, the Euro Zone has overcome a negative growth in economy, and there has been a great breakthrough in Greek debt crisis. From internal economic situation, the Chinese central government increases the efforts to stimulate the investment in infrastructure area including introducing a newly-added investment of trillion RMB in urban infrastructure, and investment growth rate gets moderate recovery. Besides, real estate sector gets apparent momentum recently under deregulation policies. Destocking and increasing of sales volume occurs, the sector is undergoing a gradual revival. In the second half of the year, the government would adopt a loose monetary policy through lowering the benchmark interest rate, expanding the lending scale of state policy-related banks, reducing restrictions on financing and refinancing (debt swap) for local governments. As a result, financing conditions in China will be improved significantly. Taking consideration of external and internal economic situation, China's economy prospects will be improving. However, the sharp fluctuations in both equity and foreign currency markets recently reminds us that we are in an era of changes and will encounter more uncertainties than before. The steel industry is still in a severe operational condition and it is still not optimistic in reaching the balance between supply and demand in coking coal industry. In all, it will be full of challenges in the rest of 2015.

In the second half of 2015, the Group will keep eyes on the trend of both China and Global economy and take appropriated 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 to improve the operational management, and further optimise the personnel structure and cost management. 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, which will increase our coking coal reserves and output. We are confident that, with our abundant experience in management, investment and operation, we would fulfill a further development and create greater return for our shareholders.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has declared an interim dividend of HK1 cent per ordinary share (2014: HK1 cent per ordinary share) and a special dividend of HK15 cents per ordinary share for the six months ended 30 June 2015 payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 15 September 2015. In order to qualify for the interim dividend and the special 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 Tuesday, 15 September 2015 for registration. The interim dividend and the special dividend are expected to be paid on or about Tuesday, 20 October 2015.

After taken into consideration of the Group's operational and developmental requirements, abundant cash balance and, in particular, the desire to enhance shareholder value, the Board would extend sincere gratitude towards the support from the shareholders by way of declaration of the special dividend. However, the declaration of special dividend should not be construed as a commitment by the Company to declare a similar special dividend in the future or on a regular basis.

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 2015 had the following interests in the shares and underlying shares of the Company as at 30 June 2015 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	Total interests as to % of the total number of shares of the Company in issue as at 30.06.2015
		Interests in shares	Derivative interests*			
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%	
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.*

Save as disclosed above, as at 30 June 2015, 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.

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

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

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 2015.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2015, according to the register kept by the Company under Section 336 of the SFO, the following companies 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 30.06.2015	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
Funde Sino Life Insurance Co., Ltd. (formerly known as 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 2015) 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 2015) 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 2015, 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 or cancelled in accordance with the terms of the 2003 Scheme during the six months ended 30 June 2015. Details of movements in the share options under the 2003 Scheme during the period are as follows:

Category or name of grantee	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period			
Directors of the Company								
Wong Lik Ping	4,500,000	-	-	-	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
So Kwok Hoo	3,500,000	-	-	-	3,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Chen Zhaoqiang	8,000,000	-	-	-	8,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Liu Qingshan	6,000,000	-	-	-	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Leung Shun Sang, Tony	6,000,000	-	-	-	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Zhang Yaoping	4,500,000	(4,500,000) ¹	-	-	-	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Kee Wah Sze	3,200,000	-	-	-	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Choi Wai Yin	3,200,000	-	-	-	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
Chan Pat Lam	3,200,000	-	-	-	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	42,100,000	(4,500,000)	-	-	37,600,000			
Employees of the Group								
	96,900,000	-	-	(750,000) ²	96,150,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	96,900,000	-	-	(750,000)	96,150,000			
Other participants								
	116,000,000	-	4,500,000 ¹	-	120,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK\$6.00
	116,000,000	-	4,500,000	-	120,500,000			
	255,000,000	(4,500,000)	4,500,000	(750,000)	254,250,000			

SHARE OPTIONS (continued)

(a) The 2003 Scheme (continued)

Notes:

- 1 Such share options were re-classified from the category of “Directors of the Company” to “Other participants” during the period according to the terms of the 2003 Scheme as a result of resignation of Mr. Zhang Yaoping as a Non-executive Director of the Company with effect from 20 April 2015.
- 2 250,000 share options lapsed on 1 March 2015 as a result of a grantee ceasing to be an employee of the Group. The remaining 500,000 share options were lapsed during the period as a result of the death of a grantee.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2015, 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 2015 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 19 August 2015 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2015.

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 2015.

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 2015.

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 2014 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- (a) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, is a non-executive director of Shougang Concord Technology Holdings Limited, a Hong Kong listed company. The company name of Shougang Concord Technology Holdings Limited has been changed to HNA International Investment Holdings Limited from 23 April 2015.
- (b) Mr. Kee Wah Sze, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of Theme International Holdings Limited, a listed company in Hong Kong, with effect from 31 May 2015.
- (c) Mr. Xiang Xu Jia, a Non-executive Director of the Company, was appointed as a non-executive director of China Coal Energy Company Limited, a company listed in both Hong Kong and Shanghai, with effect from 16 June 2015.
- (d) Mr. Japhet Sebastian Law, an Independent Non-executive Director of the Company, was appointed as the chairman of the Remuneration Committee of the Company with effect from 19 June 2015.
- (e) Mr. Chan Pat Lam, an Independent Non-executive Director of the Company, resigned as a business advisor of a commercial bank in Macau.



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, 27 August 2015