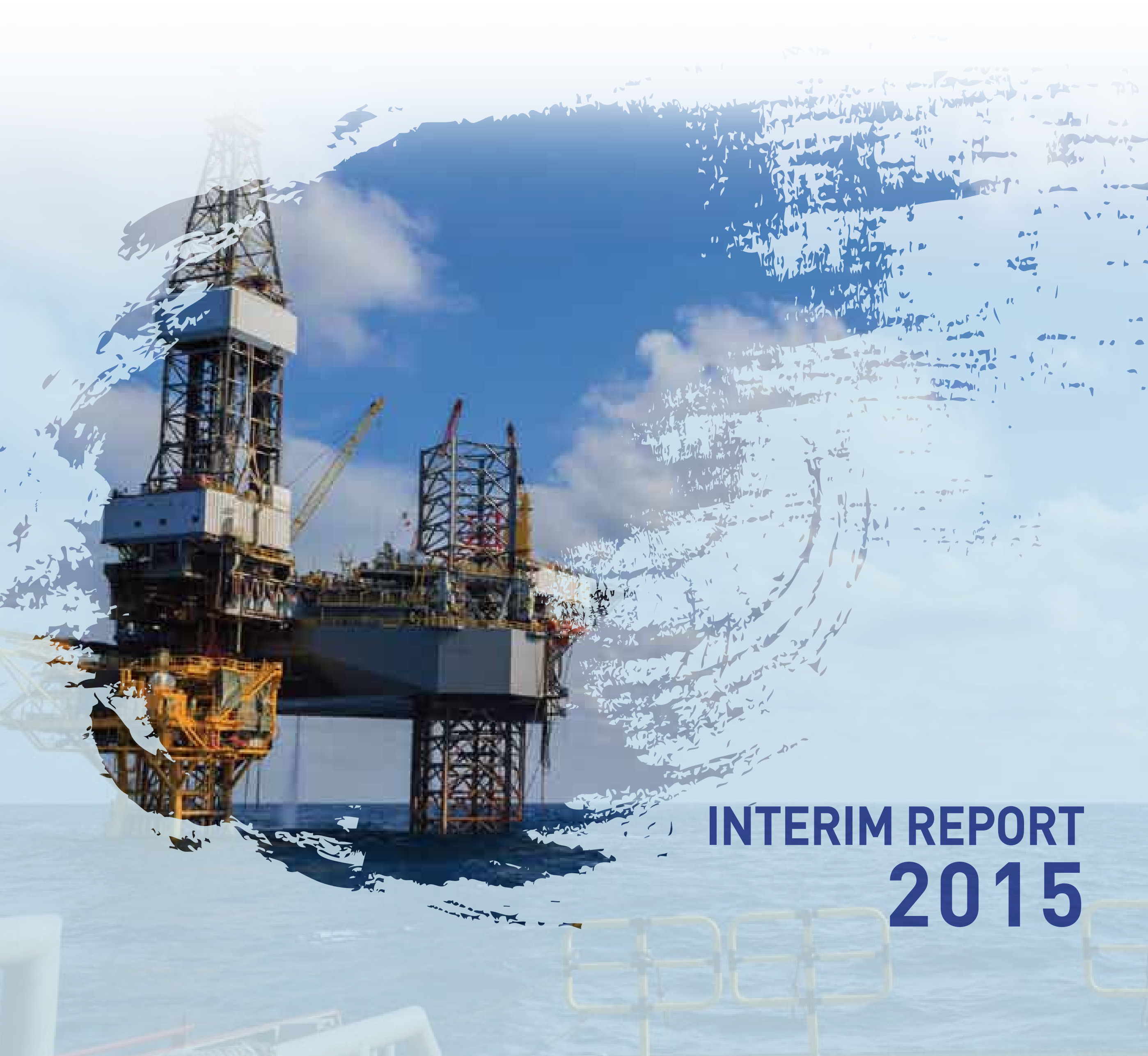
金山能源集團有限公司
KING STONE ENERGY GROUP LIMITED

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



INTERIM REPORT 2015

Corporate Information

Board of Directors

Executive Directors

Mr. Zhang Wanzhong *(Chairman)*
Mr. Zong Hao *(Chief Executive Officer)*
Mr. Xu Zhuliang
Mr. Benjamin Clark Danielson

Independent Non-Executive Directors

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

Audit Committee

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

Remuneration Committee

Mr. Chiu Sui Keung *(Chairman)*
Mr. Xu Zhuliang
Mr. Lu Binghui

Nomination Committee

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

Authorised Representatives

Mr. Zhang Wanzhong
Mr. Zong Hao

Company Secretary

Mr. Lee Tao Wai

Auditors

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

Legal Adviser

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 22, Hopewell Centre
183 Queen's Road East, Hong Kong

Company Website

http://www.663hk.com

Stock Code

00663

Operating Mines

Capital Expenditure

The capital expenditure for development and mining production activities was approximately HK$50 million during the six months ended 30 June 2015 (six months ended 30 June 2014: HK$30 million).

Fujian Leixin Silver Mines

Fu'an Silver Mine (the West Mine)

Name	Fu'an City Leixin Mining Company Limited
Location	Fu'an City, Fujian
Licensed area	2.1 km^2
Mining rights validity	2010–2020
Designed capacity	198,000 tons per annum
Status	Operating

Zherong Silver Mine (the East Mine)

Name	Zherong County Leixin Mining Company Limited
Location	Zherong County, Fujian
Licensed area	4.97 km^2
Exploration rights validity	2013–2015
Designed capacity	660,000 tons per annum
Status	Under construction

Operating Mines *(continued)*

Fujian Leixin Silver Mines *(continued)*

	The West Mine	The East Mine
As at 30 November 2013		
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
Actual output in 2013 (million tons)	–	–
Actual output in 2014 (million tons)	0.01	–
Actual output in 2015 (million tons)	0.03	–
	0.04	–
As at 30 June 2015		
Inferred resources (million tons)	(1.67)	1.73
Indicated resources (million tons)	0.83	6.35
Probable ore reserves (million tons)	0.78	5.95

Note: The above information are extracted from technical report issued by SRK Consulting China Limited dated 10 March 2014 after deduction of actual output up to 30 June 2015 based on Leixin's record.

Operating Mines *(continued)*

Craton Oil and Gas Fields

	Natural gas (million cubic feet)	**Natural gas liquid (NGL)** (thousand bbl)	**Oil** (thousand bbl)
As at 1 January 2015			
Proved reserves	16,986.89	449.67	191.67
Probable reserves	19,621.22	519.40	225.02
Possible reserves	31,342.41	829.67	359.46
	67,950.52	1,798.74	776.15
Actual output in 2015	341.7	11.64	4.27
As at 30 June 2015			
Proved reserves	16,645.19	438.03	187.40
Probable reserves	19,621.22	519.40	225.02
Possible reserves	31,342.41	829.67	359.46
	67,608.82	1,787.10	771.88

Note: The above information are extracted from reserve report issued by Cawley, Gillespie & Associates Inc. on 3 March 2015 after deduction of actual output up to 30 June 2015 based on Craton's record.

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 2015 with comparative figures for the corresponding period in 2014 are as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June **2015** **HK$'000** **(unaudited)**	 2014 HK$'000 (unaudited)
REVENUE	4	**25,574**	20,084
Cost of inventories sold		**(54,763)**	(82,286)
Gross loss		**(29,189)**	(62,202)
Other income and gains	4	**2,466,846**	1,038
Selling and distribution expenses		**(1,674)**	(3,973)
Administrative expenses		**(49,835)**	(60,991)
Other expenses		**(2,000)**	(46,144)
Finance costs	5	**(55,957)**	(67,760)
Share of loss of a joint venture		**(1,193)**	(940)
Profit/(Loss) before tax	6	**2,326,998**	(240,972)
Income tax credit	7	**14,373**	5,413
Profit/(Loss) for the period		**2,341,371**	(235,559)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale equity investments:			
Changes in fair value		**29,994**	–
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	4	**(13,552)**	–
		16,442	–
Exchange differences on translation of foreign operations		**(1,263)**	(5,101)
Reclassification of translation reserve to profit or loss on disposal of subsidiaries		**(240,404)**	–

	Notes	For the six months ended 30 June	
		2015	2014
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Other comprehensive loss for the period		**(225,225)**	(5,101)
Total comprehensive profit/(loss) for the period		**2,116,146**	(240,660)
Profit/(Loss) for the period attributable to:			
Owners of the Company		**2,293,376**	(216,522)
Non-controlling interests		**47,995**	(19,037)
		2,341,371	(235,559)
Total comprehensive profit/(loss) for the period attributable to:			
Owners of the Company		**2,081,558**	(214,746)
Non-controlling interests		**34,588**	(25,914)
		2,116,146	(240,660)
Earnings/(Loss) per share attributable to ordinary equity holders of the Company			
Basic and diluted	8	**HK$0.686**	(HK$0.072)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015 and 31 December 2014

	Notes	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**191,284**	911,765
Prepaid land premiums		**1,097**	14,882
Mining and exploration rights		**632,972**	919,299
Other intangible assets		**72,117**	72,932
Investment in a joint venture		**–**	10,357
Available-for-sale equity investments	10	**36,285**	23,775
Prepayments and deposits		**7,193**	63,565
Total non-current assets		**940,948**	2,016,575
CURRENT ASSETS			
Inventories		**4,530**	11,234
Trade and bills receivables	11	**2,516**	15,443
Prepayments, deposits and other receivables		**48,601**	112,050
Pledged deposits		**391**	3,951
Cash and cash equivalents		**124,942**	156,072
Total current assets		**180,980**	298,750
CURRENT LIABILITIES			
Trade payables	12	**2,056**	13,255
Other payables and accruals		**111,226**	1,651,461
Interest-bearing borrowings, secured		**–**	1,581,118
Income tax payable		**–**	224,703
Total current liabilities		**113,282**	3,470,537
NET CURRENT ASSETS/(LIABILITIES)		**67,698**	(3,171,787)

	Notes	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,008,646**	(1,155,212)
NON-CURRENT LIABILITIES			
Other payables		**460**	18,959
Interest-bearing borrowings, secured		**–**	32,976
Deferred tax liabilities		**132,235**	146,571
Total non-current liabilities		**132,695**	198,506
Net assets/(liabilities)		**875,951**	(1,353,718)
EQUITY/(DEFICITS)			
Equity attributable to owners of the Company			
Share capital and other statutory capital reserves	13	**2,108,700**	2,108,700
Other reserves		**(1,536,479)**	(3,618,037)
		572,221	(1,509,337)
Non-controlling interests		**303,730**	155,619
Total equity/(deficits)		**875,951**	(1,353,718)

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015 (unaudited)

		Attributable to owners of the Company						
	Notes	Issued capital HK$'000	Exchange fluctuation reserve HK$'000	Available-for-sale investment reserves HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		2,108,700	223,677	7,850	(3,849,564)	(1,509,337)	155,619	(1,353,718)
Profit for the period		-	-	-	2,293,376	2,293,376	47,995	2,341,371
Other comprehensive income/(loss)								
–Exchange differences on translation of foreign operations		-	(1,357)	-	-	(1,357)	94	(1,263)
–Fair value change of available- for-sale equity investments		-	-	16,442	-	16,442	-	16,442
–Reclassification of translation reserve to profit or loss on disposal of subsidiaries	14	-	(226,903)	-	-	(226,903)	(13,501)	(240,404)
Total comprehensive profit/(loss) for the period		-	(228,260)	16,442	2,293,376	2,081,558	34,588	2,116,146
Disposal of subsidiaries	14	-	-	-	-	-	113,523	113,523
At 30 June 2015		2,108,700	(4,583)*	24,292*	(1,556,188)*	572,221	303,730	875,951

For the six months ended 30 June 2014 (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	Exchange fluctuation reserve HK$'000	Available-for-sale investment reserves HK$'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	–	–	–	–	1,776	–	–	1,776	(6,877)	(5,101)
Total comprehensive profit/(loss) for the period	–	–	–	–	1,776	–	(216,522)	(214,746)	(25,914)	(240,660)
Early redemptions of convertible notes	–	–	–	(73,052)	–	–	73,052	–	–	–
Adoption of new HK Companies Ordinance	1,724,995	(1,724,472)	(523)	–	–	–	–	–	–	–
At 30 June 2014	2,026,200	–	–	–	223,921*	–	(2,342,578)*	(92,457)	216,132	123,675

* These reserve accounts comprise the consolidated negative reserves of HK$1,536,479,000 (30 June 2014: HK$2,118,657,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Note	Six months ended 30 June 2015 HK$'000 (unaudited)	 2014 HK$'000 (unaudited)
Cash Flows From Operating activities			
Cash used in operations		**(46,660)**	(72,765)
Interest paid		**–**	(26,998)
Net cash flows used in operating activities		**(46,660)**	(99,763)
Cash Flows From Investing activities			
Interest received		**2,729**	1,038
Purchase of items of property, plant and equipment		**(24,574)**	(30,363)
Proceeds from disposal of items of property, plant and equipment		**–**	99
Acquisition of an intangible asset		**(1,281)**	(19,017)
Disposal of available-for-sale equity investments		**17,488**	–
Increase in prepayments for non-current assets		**–**	(33,784)
Increase in pledged deposits		**–**	(307)
Disposal of subsidiaries	14	**(3,607)**	–
Net cash flows used in investing activities		**(9,245)**	(82,334)
Cash Flows From Financing activities			
Early redemption of convertible bonds		**–**	(39,205)
Increase in other borrowings included in other payables		**27,305**	47,170
Capital contribution by non-controlling shareholders		**–**	24
Net cash flows from financing activities		**27,305**	7,989
Net decrease in cash and cash equivalents		**(28,600)**	(174,108)
Cash and cash equivalents at 1 January		**156,072**	292,595
Effect of foreign exchanges rates changes		**(2,530)**	(11,782)
Cash and cash equivalents at 30 June		**124,942**	106,705

Notes to Condensed Financial Statements

1. Corporate Information

King Stone Energy Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is located at Unit 7603, 76/F, The Center, 99 Queen's Road Central, Hong Kong.

During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the mining and selling of coal and silver, oil and gas extraction and production, oil extraction technology research and development and provision of finance leasing.

On 26 June 2015, the Company has disposed of its subsidiaries engaged in coal mining business as set out in note 14.

In the opinion of the directors, the holding company of the Company is Belton Light Limited, which is incorporated in the British Virgin Islands and wholly-owned by Jade Bird Energy Fund II, L.P., which is the ultimate holding company of the Company.

2. Basis of Preparation and Changes to the Group's Accounting Policies

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 are unaudited but have been reviewed by the Audit Committee of the Company.

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").

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 2014 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 2014 except as stated in note 2.2 below.

2. Basis of Preparation and Changes to the Group's Accounting Policies *(continued)*

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the unaudited interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment is described below:

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions

HKAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these unaudited interim condensed consolidated financial statements. They include:

2. Basis of Preparation and Changes to the Group's Accounting Policies *(continued)*

2.2 New standards, interpretations and amendments adopted by the Group (continued)

Annual Improvements 2010-2012 Cycle (continued)

HKFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

HKFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 (or HKAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

HKFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in HKFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in note 3 in these financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of decision making.

2. Basis of Preparation and Changes to the Group's Accounting Policies *(continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(continued)*

HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in HKAS 16 and HKAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

HKAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from entities other than related parties.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these unaudited interim condensed consolidated financial statements. They include:

HKFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within HKFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of HKFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Company is not a joint arrangement, and thus this amendment is not relevant for the Company and its subsidiaries.

HKFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 (or HKAS 39, as applicable). The Group does not apply the portfolio exception in HKFRS 13.

2. Basis of Preparation and Changes to the Group's Accounting Policies *(continued)*

2.2 New standards, interpretations and amendments adopted by the Group *(continued)*

HKAS 40 Investment Property

The description of ancillary services in HKAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that HKFRS 3, and not the description of ancillary services in HKAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on HKFRS 3, not HKAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

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;

(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; and

(d) the "Others" operating segment engages in business other than the three mentioned above in the PRC or overseas.

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 profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that share of loss of a joint venture and corporate and other unallocated income/(expenses) are excluded from such measurement.

Segment assets exclude available-for-sale equity investments, 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		Others		Total	
	For the six months ended 30 June 2015 HK$'000 (unaudited)	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited**	For the six months ended 30 June 2014 HK$'000 (unaudited))	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)
Segment revenue										
– Sales to external customers	**7,269**	20,084	**9,278**	–	**8,573**	–	**454**	–	**25,574**	20,084
Segment results	**(133,670)**	(168,931)	**21,534**	(14,607)	**(7,465)**	(31,065)	**(302)**	-	**(119,903)**	(214,603)
Reconciliation:										
Share of loss of a joint venture									**(1,193)**	(940)
Corporate and other unallocated income/(expenses)									**2,448,094**	(25,429)
Profit/(loss) before tax									**2,326,998**	(240,972)

	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)	**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	**-**	1,173,768	**744,355**	748,330	**163,857**	147,495	**18,714**	17,465	**926,926**	2,087,058
Reconciliation:										
Investment in a joint venture									**-**	10,357
Available-for-sale equity investments									**36,285**	23,775
Pledged deposits									**391**	3,951
Cash and cash equivalents									**124,942**	156,072
Corporate and other unallocated assets									**33,384**	34,112
Total assets									**1,121,928**	2,315,325
Segment liabilities	**-**	(3,159,513)	**(205,058)**	(251,031)	**(28,612)**	(30,473)	**(316)**	(104)	**(233,986)**	(3,441,121)
Reconciliation:										
Corporate and other unallocated liabilities									**(11,991)**	(227,922)
Total liabilities									**(245,977)**	(3,669,043)

3. Operating Segment Information *(continued)*

	Coal		Silver		Oil and gas		Others		Total	
	For the six months ended 30 June 2015 HK$'000 (unaudited)	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)	**For the six months ended 30 June 2015 HK$'000 (unaudited)**	For the six months ended 30 June 2014 HK$'000 (unaudited)
Other segment information:										
Depreciation	**19,044**	41,866	**2,257**	2,322	**6,493**	40	**417**	348	**28,211**	44,576
Amortisation of prepaid land premiums	**137**	255	**34**	35	**-**	-	**-**	-	**171**	290
Amortisation of mining rights	**1,706**	2,515	**6,597**	22	**-**	-	**-**	-	**8,303**	2,537
Impairment of trade receivables	**-**	125	**-**	-	**-**	-	**-**	-	**-**	125
Impairment of an other receivable	**-**	375	**-**	-	**-**	-	**-**	-	**-**	375
Other non-cash expenses	**-**	-	**-**	-	**-**	-	**-**	3,252	**-**	3,252
Capital expenditure	**24,989**	12,058	**3,105**	3,303	**22,217**	15,002	**231**	-	**50,542**	30,363

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
In the PRC	**17,001**	20,084
In the USA	**8,573**	–
	25,574	20,084

3. Operating Segment Information *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
In the PRC	**780,201**	1,871,070
In the USA	**160,723**	145,476
Others	**24**	29
	940,948	2,016,575

Information about major customers

During the period, the Group had transactions with two (Period ended 30 June 2014: 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	
	2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Customer A	**9,278**	*
Customer B	**6,907**	*
Customer C	*	3,567
Customer D	*	2,449

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

4. Revenue, Other income and gains

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

An analysis of other income and gains is as follows:

	Note	For the six months ended 30 June	
		2015	2014
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Other income			
Bank interest income		**110**	443
Other interest income		**2,619**	595
Others		**4,786**	–
		7,515	1,038
Gains			
Gain on disposal of subsidiaries	14	**2,445,779**	–
Gain on disposal of available-for-sale investment		**13,552**	–
		2,459,331	–
Other income and gains		**2,466,846**	1,038

5. Finance Costs

	For the six months ended 30 June	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on bank and other loans wholly repayable within five years	**55,957**	64,507
Losses on early redemptions of convertible notes	**–**	3,028
Imputed interest of convertible notes	**–**	225
	55,957	67,760

6. Profit/(Loss) Before Tax

Profit/(loss) before tax is arrived at after charging/(crediting):

		For the six months ended 30 June	
		2015	2014
	Note	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Depreciation		**28,211**	44,576
Amortisation of prepaid land premiums		**171**	290
Amortisation of mining rights		**8,303**	2,537
Employee benefit expense (including directors' remuneration):			
Wages, salaries and other benefits		**20,926**	19,594
Pension scheme contributions (defined contribution scheme)		**3,498**	1,785
		24,424	21,379
Impairment of trade receivables		**–**	125
Impairment of prepayments, deposits and other receivables		**–**	375
Operating lease rentals in respect of buildings		**2,860**	1,941
Loss on disposal of items of property, plant and equipment		**–**	23
Gain on disposal of subsidiaries*	14	**(2,445,779)**	–
Gain on disposal of available-for-sale equity investments*		**(13,552)**	–

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

7. Income Tax Credit

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2015 as the Group did not generate any assessable profits arising in Hong Kong during the period (Period ended 30 June 2014: 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	
	2015	2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Deferred – Mainland China	**(14,373)**	(5,413)

The share of tax attributable to the joint venture was nil (Period ended 30 June 2014: HK$2,204,000) and included in "Share of loss of a joint venture" in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2015.

8. Earnings/(Loss) per Share Attributable to Ordinary Equity Holders of the Company

The calculation of the basic earnings/(loss) per share amounts is based on the unaudited profit for the period attributable to ordinary equity holders of the Company of HK$2,293,376,000 (Period ended 30 June 2014: loss of HK$216,522,000) and the weighted average number of ordinary shares of 3,342,055,568 (Period ended 30 June 2014: 3,012,055,568) in issue during the period.

No adjustment has been made to the basic earnings per share amounts and loss per share amount presented for the six month ended 30 June 2015 and 2014 respectively for dilutions as the warrants of the Company outstanding and the deemed conversion of the convertible notes outstanding during such periods have either no dilutive effect or an anti-dilutive effects on the basic earning/(loss) per share amounts for such periods.

9. Property, Plant and Equipment

	Note	**30 June 2015 HK$'000 (unaudited)**	31 December 2014 HK$'000 (audited)
At beginning of year/period			
Cost		**3,143,191**	3,124,840
Accumulated depreciation and impairment		**(2,231,426)**	(1,762,852)
Net carrying amount		**911,765**	1,361,988
At beginning of year/period, net of accumulated depreciation and impairment		**911,765**	1,361,988
Additions		**87,220**	99,796
Disposal of subsidiaries	14	**(779,913)**	–
Disposals		**–**	(1,205)
Impairment		**–**	(417,581)
Depreciation provided during the year/period		**(28,211)**	(97,934)
Exchange realignment		**423**	(33,299)
At end of year/period, net of accumulated depreciation and impairment		**191,284**	911,765
At end of year/period			
Cost		**218,033**	3,143,191
Accumulated depreciation and impairment		**(26,749)**	(2,231,426)
Net carrying amount		**191,284**	911,765

10. Available-For-Sale Equity Investments

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Equity investments listed in Hong Kong, at fair value	**31,786**	19,278
Unlisted equity investments, at fair value	**4,499**	4,497
	36,285	23,775

During the year/period, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$16,442,000 (31 December 2014: HK$7,850,000).

11. Trade and Bills Receivables

	Notes	**30 June 2015 HK$'000 (unaudited)**	31 December 2014 HK$'000 (audited)
Trade and bills receivables	(a)	**2,516**	43,197
Impairment of trade receivables	(b)	**–**	(27,754)
	(c)	**2,516**	15,443

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.

11. Trade and Bills Receivables *(continued)*

Notes: *(continued)*

(b) The movements in the provision for impairment of trade receivables are as follows:

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
At beginning of the year/period	**27,754**	21,270
Impairment losses recognised	**–**	7,009
Exchange realignment	**13**	(525)
Disposal of subsidiaries	**(27,767)**	–
At end of the year/period	**–**	27,754

At 30 June 2015, the provision for impairment of trade receivables is nil (2014: HK$27,754,000).

(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 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Less than six months	**2,516**	5,657
Six months to one year	**–**	2,140
Over one year	**–**	35,400
	2,516	43,197
Provision for impairment (note (b))	**–**	(27,754)
	2,516	15,443

11. Trade and Bills Receivables *(continued)*

Notes: *(continued)*

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

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Neither past due nor impaired	**2,516**	1,204
Past due for less than six months	**–**	4,335
Past due for over six months	**–**	1,874
	2,516	7,413

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.

12. Trade Payables

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

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Less than six months	**1,770**	5,443
Six months to one year	**196**	901
More than one year	**90**	6,911
	2,056	13,255

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

13. Share Capital

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Issued and fully paid:		
3,342,055,568(2014:3,342,055,568) ordinary shares	**2,108,700**	2,108,700

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.

14. Disposal of Subsidiaries

Pursuant to a disposal agreement dated 2 April 2015 entered into between the Company and Jumbo Talent Group Limited (the "Purchaser"), an independent third party, and a supplemental agreement dated 26 June 2015 entered into among the Company, the Purchaser and Eerduosi Hengtai Coal Company Limited ("Hengtai") (collectively the "Disposal Agreements"), it was agreed that:

(i) The Company agreed to transfer its entire equity interests of Magic Field International Limited and its subsidiaries (the "Disposal Group"), and certain loans receivables of HK$180 million (RMB145 million) from the Disposal Group (the "Sale Loans") to the Purchaser at the aggregate consideration of HK$1 in cash;

(ii) The Company would carry out a debt restructuring as part of the conditions precedent of the Disposal Agreements (the "Debt Restructuring"), pursuant to which Shanxi Hengchuang Industrial Co., Ltd had to waive a loan of HK$75 million (RMB60 million) owed by a subsidiary of the Company, and the Purchaser agreed to and accepted the liabilities of the Company of HK$200 million due to Molto Fortune Limited;

14. Disposal of Subsidiaries *(continued)*

(iii) The Disposal Group would undergo an equity interest restructuring (the "Equity Interest Restructuring") pursuant to which the Purchaser and Hengtai would complete the transfer of the 30% equity interest in Inner Mongolia Liaoyuan Coal Mining Company Limited ("Liaoyuan") to the Group at a consideration of HK$1.9 million (RMB1.5 million) and charge the coal mining right owned by Liaoyuan to the Group within 10 years after the completion of the Disposal Agreements (the "Deadline");

(iv) After the Equity Interest Restructuring, Hengtai would repurchase the Group's 30% equity interest in Liaoyuan at a consideration of HK$125 million (RMB100 million) by the Deadline; and

(v) If the Purchaser and Hengtai cannot complete the Equity Interest Restructuring and the charge of Liaoyuan's coal mining rights by the Deadline, the Purchaser or Hengtai would pay a sum of HK$125 million (RMB100 million) to the Company within 2 business days after the Deadline.

On 26 June 2015, all the conditions precedent of the Disposal Agreements had been fulfilled and the Disposal Group has been disposed of, although the Equity Interest Restructuring and the charge of Liaoyuan's coal mining right to the Group has not been completed as at that date and up to the date of this report.

14. Disposal of Subsidiaries *(continued)*

The assets and liabilities of the Disposal Group were as follows:

	Note	26 June 2015 HK$'000
Net assets disposed of:		
Property, plant and equipment	9	**779,913**
Prepaid land premiums		**13,757**
Mining rights		**280,383**
Investment in a joint venture		**9,166**
Prepayments and other receivables		**168,670**
Inventories		**6,558**
Trade receivables		**10,119**
Pledged deposits		**3,567**
Cash and cash equivalents		**3,607**
Trade payables		**(12,320)**
Other payables and accruals		**(1,612,252)**
Interest-bearing borrowings		**(1,630,199)**
Income tax payable		**(224,811)**
Non-controlling interests		**100,022**
		(2,103,820)
Satisfied by cash consideration		**–**
Excess of cash consideration over net assets disposed of		**2,103,820**
Reclassification of translation reserve to profit or loss on disposal of the Disposal Group		**226,903**
Gain on transfer of the Sale Loans and Debt Restructuring, and reversal of relevant interest expense accruals		**116,303**
Professional expenses on disposal of the Disposal Group		**(1,247)**
Gain on disposal of the Disposal Group	4, 6	**2,445,779**

14. Disposal of Subsidiaries *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the Disposal Group is as follows:

	26 June 2015 HK$'000
Cash consideration	**–**
Cash and bank balances disposed of	**(3,607)**
Net outflow of cash and cash equivalents in respect of the disposal of the Disposal Group	**(3,607)**

15. Litigation

On 8 January 2015, the Company issued a writ of summons against Linkwealth Pacific Limited ("Linkwealth") demanding for the repayment of a loan in the principal amount of HK$30 million owed by Linkwealth and accrued interest and penalty of approximately HK$10.5 million. A default judgment was granted in favour of the Company on 19 May 2015.

16. 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 three years. None of the leases includes contingent rentals.

At 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Within one year	**4,330**	2,468
In the second to the fifth years, inclusive	**3,001**	–
	7,331	2,468

17. Capital Commitments

At 30 June 2015, the Group had contracted capital commitments not provided for in the consolidated financial statements of HK$1.9 million (note 14) in respect of acquisition of a 30% equity interest in Liaoyuan under the Disposal Agreements (31 December 2014: HK$29,457,000 in respect of acquisition of items of property, plant and equipment).

18. Financial Instruments by Category

Except for the available-for-sale equity investments of the Group as at 30 June 2015, which are stated at fair value, all financial assets and liabilities of the Group and the Company as at 30 June 2015 and 31 December 2014 were loans and receivables and financial liabilities stated at amortised cost, respectively.

19. Fair Value of Financial Instruments

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(a) The fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

(b) The fair value of the listed equity investments is based on its quoted market price, while the fair value of the unlisted equity investments has been estimated to be approximate to cost.

(c) The fair values of the interest-bearing borrowings due over one year have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities. The fair value of these financial liabilities approximate to their carrying amounts as they are charged at floating rate or carried at amortised cost using an effective interest rate approximate to the market rate.

Since the carrying amounts of the Group's financial instruments approximate their fair values, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

20. Events after the reporting period

On 4 August 2015, the Company and a third party placing agent (the "Placing Agent") entered into a placing agreement, whereby the Company has conditionally agreed to place (the "Placing"), through the Placing Agent, on a best effort basis, of up to 668,000,000 placing shares to not less than six placees at the placing price of HK$0.275 per placing share. On 24 August 2015, the Placing was completed and the Company's issued shares increased from 3,342,055,568 shares to 4,010,055,568 shares. The net proceeds from Placing, after deducting relevant expenses incurred in relation to the Placing, of approximately HK$179.06 million would be used to finance part of a possible investment project in relation to stone paper business.

As a result of the Placing, the subscription price of the 330,000,000 outstanding warrants, which are held by Belton Light Limited and entitle the holder thereof to subscribe for 330,000,000 shares at the initial subscription price of HK$0.35 per share within 24 months from the date of issue on 19 December 2014, was adjusted from HK$0.35 per share to HK$0.339 per share from the date of completion of the Placing.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30 June 2015 (Period ended 30 June 2014: Nil).

Management Discussion and Analysis

Business Review

The Group is principally engaged in exploring and drilling natural gas and oil in the United States, mining of silver minerals and provision of finance leasing in China. The management team of the Company possesses strong and comprehensive oil and gas plus metal mining background. As such, the Company has been actively seeking opportunities to pursue upstream oil and gas exploration and production ("E&P") projects in North America, mining and other eco-friendly projects all around the world to further strengthen the asset portfolio of the Group.

Oil and Gas E&P

The Company is currently operating an upstream oil and gas E&P project in East Texas, the United States. Up to 30 June 2015, the Company has invested over US$15 million in the project and has secured leases over 7,300 acres. The technical report issued by an independent technical expert indicates that the aggregate of the total proved, probable, and possible ("3P") net reserves for natural gas amounted to approximately 67.95 billion cubic feet, the aggregate of the total 3P reserves of natural gas liquids amounted to approximately 1.79 million Bbls, and the aggregate of the total 3P reserves of oil amounted to approximately 776 thousand Bbls, as of 1 January 2015. Drilling and fracking of the first well was completed in July 2014 and production has commenced thereafter. In the first half of 2015, the Group completed the drilling of the second well which was put into production since March 2015.

The Group's oil and gas projects in the United States are led by a team of professionals with significant experience in oil and gas and related industries, as well as specific exploration experience in the area where the Group's acreage is located, including the drilling of over 50 wells. The Group targets to ultimately lease 12,500 acres which should result in up to 80 new well locations.

Business Review *(continued)*

HydroFlame Technology

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. HydroFlame has obtained patent rights in the United States, Canada, Mexico, Brazil, India and Ecuador in relation to its advance technology. Further patent applications may be made in China and other countries. The Company will endeavor to develop and commercialize the HydroFlame technology both for oil extraction as well as other applications in near future.

Silver Mining

The Company operates two quality silver mines via subsidiary – Fujian Leixin Mining Company Limited, in Fujian Province, China, 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. During the first half of 2015, approximately 23,924 tons of ores were processed at the West Mine.

The East Mine is an advanced development project with a valid exploration permit. 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. During the first half of 2015, the Group continued to conduct more in-depth exploration work with increased drilling coverage and density in the East Mine. The Group targets to obtain mining permits of the East Mine by end of 2015.

Coal Mining

Reference is made to the announcements of the Company dated 2 April 2015 and 26 June 2015, and the circular of the Company dated 15 May 2015 in which it was announced that on 2 April 2015, the Company as the vendor and Jumbo Talent Group Limited as the purchaser entered into the disposal agreement in relation to, among other matters, the disposal of the entire interests in the coal mining business of the Group in Inner Mongolia, the PRC at a total cash consideration of HK$1 (the "Disposal"). The performance of the coal mining business of the Group has been unsatisfactory and the Group recorded a significant drop in the revenue and incurred significant losses in its coal mining business in prior years, which was mainly contributed by the decrease in the total coal production and the decrease in the selling price of coal due to market factors. Given the slow recovery in the coal mining industry and the loss-making performance of its coal mining business, the Company considers that the Disposal on one hand provides an immediate exit to the Group to discard the financial burden from its coal mining business and improve the financial conditions of the Group, and on the other hand enables the Group to reallocate its resources and restructure its asset portfolio and focus on the development of its remaining businesses, which is in the interests of the Company and the shareholders as a whole.

Business Review *(continued)*

The Disposal was completed on 26 June 2015 and since then the Company has ceased to consolidate the results, assets and liabilities of its coal mining business into the consolidated financial statements. As a result of the Disposal, a one-off gain of approximately HK$2,445.8 million was recognised in the first half of 2015.

Provision of finance leasing

The Group carries out provision of finance leasing business through its wholly owned subsidiary, Beijing Qingrui Finance Leasing Co., Ltd (北京青瑞融資租賃有限公司), during the period under review.

Future Outlook

Since the beginning of 2015, the Company has moved proactively to restructure its assets portfolio and strengthen its financial position. After successfully offloading its coal mining business in late June 2015, the liquidity position of the Group has been significantly improved. The oil and gas project in the United States has been increasingly generating stable revenue and cash flow to the Group. The Group at the same time continues to carry out exploration work at Fujian Leixin silver mines as well as further development of HydroFlame technology, in order to lay down a solid foundation base for its future earnings' growth.

In August 2015, the Company completed the placing of 668,000,000 new shares to several investors and successfully raised net proceeds of approximately HK$179.06 million. The Company intends to apply the net proceeds to finance part of a possible investment project in relation to the eco-friendly stone paper business in the PRC, details of which have been disclosed in the announcement of the Company dated 4 August 2015 and 24 August 2015 respectively.

It is believed that the prospects of the Group's remaining businesses after restructuring, together with the potential opportunity in investing in the stone paper business, will gradually improve the Group's profitability and hence enhance shareholders' values in the near future.

Financial Review

Revenue, cost of sales and gross loss

The Group recorded a total revenue of approximately HK$25.6 million for the six months ended 30 June 2015 (the "Period") (six months ended 30 June 2014: HK$20.1 million) representing an increase of 27% compared with last comparable period. Revenue from selling of coal and silver ores for the Period was approximately HK$7.3 million (six months ended 30 June 2014: HK$20.1 million) and HK$9.3 million (six months ended 30 June 2014: nil) respectively. Coal and silver ores sales volume was approximately 93,800 tons (six months ended 30 June 2014: 192,000 tons) and approximately 572 tons (six months ended 30 June 2014: nil) respectively, and the average selling prices of raw coal and silver ores during the Period were approximately RMB62 per ton (six months ended 30 June 2014: RMB105 per ton) and RMB13,022 per ton respectively.

Financial Review *(continued)*

Revenue, cost of sales and gross loss *(continued)*

For the oil and gas E&P which commenced in July 2014, the Group, net to its ownership interests, has produced approximately 4,271 Bbl of oil and approximately 341.7 million cubic feet of natural gas (which includes approximately 11,635 Bbl of natural gas liquids). The net average selling prices of oil, natural gas and natural gas liquids during the Period were US$52.73 per Bbl, US$2.18 per million cubic feet and US$12.43 per Bbl respectively. All of which in aggregate generated revenue of approximately HK$8.6 million during the Period (six months ended 30 June 2014: nil).

The Group also recorded revenue of approximately HK$0.4 million from provision of finance leasing business during the Period (six months ended 30 June 2014: nil).

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 and silver production was approximately HK$32.8 million (six months ended 30 June 2014: HK$82.3 million) and HK$15.5 million (six months ended 30 June 2014: nil) respectively. The production cost for the oil and gas E&P was approximately HK$6.5 million for the Period (six months ended 30 June 2014: nil).

The Group recorded a gross loss of approximately HK$29.2 million during the Period (six months ended 30 June 2014: HK$62.2 million).

Other income and gains

Other income and gains was approximately HK$2,466.8 million during the Period (six months ended 30 June 2014: HK$1 million). The significant increase was mainly attributable to gain on the Disposal of approximately HK$2,445.8 million (six months ended 30 June 2014: nil) and gain on disposal of available-for-sale equity investments of approximately HK$13.6 million (six months ended 30 June 2014: nil).

Selling and distribution expenses, and administrative expenses

Selling and distribution expenses, and administrative expenses were approximately HK$1.7 million and HK$49.8 million, respectively during the Period as compared to approximately HK$4.0 million and HK$61 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.

Financial Review *(continued)*

Other expenses

Other expenses were approximately HK$2 million during the Period (six months ended 30 June 2014: HK$46.1 million). In 2014, the Group recognised penalty incurred for overdue borrowings for coal mining business of approximately HK$24.4 million and costs associated with drilling prior to moving the drilling rig for oil and gas E&P of approximately HK$20.2 million.

Finance costs

Finance costs were approximately HK$56 million during the Period (six months ended 30 June 2014: HK$67.8 million) which mainly represented interest expenses for borrowings raised in for coal mining business and the Company of approximately HK$37.9 million (six months ended 30 June 2014: HK$64.5 million) and approximately HK$16.7 million (six months ended 30 June 2014: nil) respectively.

Share of loss of a joint venture

Share of loss of a joint venture represented share of loss generated from the fund management company set up with CITIC Trust Co. Ltd. in 2011.

Income tax credit

Income tax credit, which represented deferred taxation, was approximately HK$14.4 million (six months ended 30 June 2014: HK$5.4 million) during the Period. No provision for profits tax in Hong Kong and PRC operation was made during the Period (six months ended 30 June 2014: nil).

Liquidity and Financial Review

As at 30 June 2015, the current ratio of the Group, measured as total current assets to total current liabilities, was 1.59:1 (31 December 2014: 0.09:1).

As at 30 June 2015, the cash and cash equivalents of the Group were approximately HK$124.9 million (31 December 2014: HK$156.1 million). During the Period, the Group recorded a net cash outflow generated from its operating activities of approximately HK$46.7 million (six months ended 30 June 2014: HK$99.8 million).

On 4 August 2015, the Company and a third party placing agent entered into a placing agreement, whereby the Company has conditionally agreed to place, through the placing agent, on a best effort basis, of up to 668,000,000 placing shares at the placing price of HK$0.275 per placing Share. The placing was completed on 24 August 2015 raising net proceeds of HK$179.06 million (representing a net placing price of approximately HK$0.268 per placing share) to finance part of a possible investment project in relation to manufacturing of eco-friendly stone paper in the PRC. Details of the above were disclosed in the announcements of the Company dated 4 August 2015 and 24 August 2015.

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.

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

Gearing Ratio

The gearing ratio of the Group, measured as total debt (which represented trade and bills payables, other payables and accruals and interest-bearing borrowings) in a ratio to the total assets, was 0.10 as at 30 June 2015 (31 December 2014: 1.42).

Significant Investments, Material Acquisitions and Disposals

Save for the Disposal, 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 2015, the capital commitments of the Group were approximately HK$1.9 million (31 December 2014: HK$29.5 million). The capital commitments were mainly related to acquisition of equity interests.

As at 30 June 2015, time deposits of approximately HK$0.4 million (31 December 2014: HK$4.0 million) were pledged for conducting mining businesses as required by relevant government authorities.

Save as disclosed above, the Group had no other assets pledged as at 30 June 2015 (31 December 2014: nil).

As at 30 June 2015, there was no material contingent liability of the Group (31 December 2014: nil).

Human Resources and Share Option Scheme

As at 30 June 2015, the Group had 121 employees. The total staff costs (including directors' remuneration) for the six months ended 30 June 2015 were approximately HK$24.4 million (six months ended 30 June 2014: HK$21.4 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.

Purchase, Redemption or Sale of Securities

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

Corporate Governance Code

In the opinion of the Directors, save for the 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 2015:

(1) Under provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. All independent non-executive Directors 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 11 June 2015 due to his personal engagement.

Supplemental Information of Hengtai Coal Mine and Liaoyuan Coal Mine

Hengtai Coal Mine

The 60.7 million tons reserves of Hengtai Coal Mine disclosed on page 4 of the annual report for the year ended 31 December 2014 (the "2014 Annual Report") included the reserves of No. 1 Coal Mine and No. 2 Coal Mine of approximately 18.7 million tons and 42 million tons respectively.

In addition to the key assumptions as disclosed on page 10 of the 2014 Annual Report, other assumptions used in the valuation of cash-generating units (the "CGU") of the No. 1 Coal Mine were as follows:

– the perpetual growth rate of 3% after 2018

– the forecast coal price of RMB117 per ton (excluding tax) as projection basis for future years

– growth rates of coal selling price for 2015, 2016, 2017 and 2018: -1.29%, 1.56%, 2.75% and 3.05% respectively

Supplemental Information of Hengtai Coal Mine and Liaoyuan Coal Mine *(continued)*

Hengtai Coal Mine *(continued)*

– the reserves of approximately 17.467 million tons (which was not materially different with disclosure in the 2014 Annual report as stated above)

There was no valuation of the CGU prepared for No. 2 Coal Mine as at 31 December 2014 as the relevant mining rights were fully impaired due to significant delay and uncertainty on the timing of the completion of the coal mine exchange as at 31 December 2014.

Liaoyuan Coal Mine

The reserve used in the valuation of CGU of the Liaoyuan Coal Mine (see below) and the resources as stated in the 2014 Annual Report were derived from the reserves extracted from the PRC technical report and resources extracted from JORC equivalent technical report on Liaoyuan Coal Mine after deduction of actual output up to 31 December 2014 based on Liaoyuan's record respectively. Pursuant to the requirements under the Listing Rules, only JORC equivalent resources of Liaoyuan Coal Mine were disclosed in the 2014 Annual Report. The reserve was used for valuation of CGU of the Liaoyuan Coal Mine based on the accounting policies of the Group.

In addition to the key assumptions as disclosed on page 10 of the 2014 Annual Report, other assumptions used in the valuation of CGU of the Liaoyuan Coal Mine were as follows:

– the perpetual growth rate of 3% after 2018

– the forecast coal price of RMB170 per ton (excluding tax) as projection basis for future years

– growth rates of coal selling price for 2015, 2016, 2017 and 2018: -1.29%, 1.56%, 2.75% and 3.05% respectively

– the reserves of approximately 6.99 million tons

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

As at 30 June 2015, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests in the long or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which (i) were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests in the long or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) 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 adopted by the Company.

Share Option Scheme

The Company operated a share option scheme which was effective from 30 May 2012 (the "Scheme"). The Scheme is operated for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No share options was granted to any parties during the Period. There were no outstanding share options as at 30 June 2015.

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 of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding 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 was known to the Directors and the chief executive of the Company, as at 30 June 2015, the following persons (not being Directors or chief executive of the Company of which interests were disclosed above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company 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 shares/underlying shares**	**Approximate percentage of the Company's share capital**
Belton Light Limited (note 1)	Beneficial owner	2,215,555,000 (L)	66.29%
Wang Da Yong (note 2)	Beneficial owner/Interest in controlled corporations/Interest of spouse	238,460,500 (L)	7.14%
Kingston Securities Limited (note 3)	Beneficial owner	1,062,250,484 (L)	31.78%
Ms. Chu Yuet Wah (note 3)	Interest in controlled corporations	1,062,250,484 (L)	31.78%

Remarks: (L) : Long position

Notes:

1. Belton Light Limited, which is wholly-owned by Jade Bird Energy Fund II, L.P, holds 1,885,555,000 shares and 330,000,000 warrants which each entitling the holder to subscribe for 330,000,000 shares at a subscription price of HK$0.35 per share (which was revised to HK$0.339 per share on 24 August 2015) payable in cash, within 24 months from the date of issue on 19 December 2014.

Person Who Have an Interest in Shares and Underlying Shares Discloseable Under Divisions 2 and 3 of Part XV of the SFO *(continued)*

Notes: *(continued)*

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, both the former Directors, 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.

3. The long position was pursuant to underwriting obligation of Kingston Securities Limited as underwriter of proposed rights issue of the Company under the underwriting agreement dated 26 June 2015 and based on the number of 200 shares held by Kinston Securities Limited and 1,062,250,284 underwritten shares underwritten by Kinston Securities Limited. Kingston Securities Limited is indirectly owned as to 49.19% by Ms. Chu Yuet Wah. Such proposed rights issue exercise and the underwriting agreement were terminated on 8 July 2015. Details of the above were disclosed in the announcements of the Company dated 26 June 2015 and 8 July 2015.

Save as disclosed above, as at 30 June 2015, the Directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, interests and/or short positions in the shares or underlying shares 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.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for directors' securities transactions. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

Review by Audit Committee

The 2015 interim financial statements are unaudited, but have been reviewed by the Audit Committee of the Company which comprises the three independent non-executive Directors namely, Mr. Chiu Sui Keung, 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
King Stone Energy Group Limited
Zong Hao
Executive Director

Hong Kong, 31 August 2015