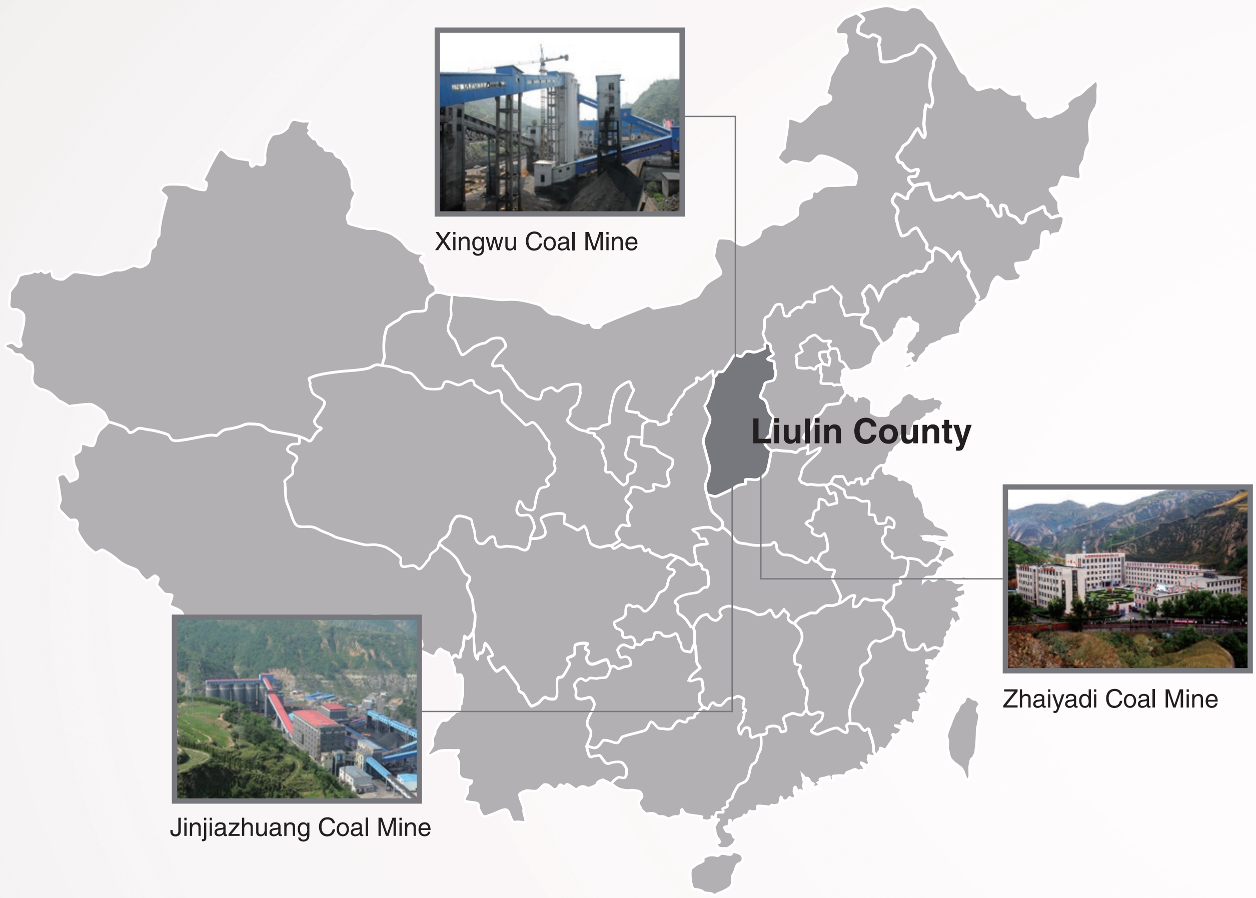
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 639

Annual Report **2015**

LOCATIONS OF THE GROUP'S COKING COAL MINES



CORPORATE PROFILE

SHOUGANG FUSHAN RESOURCES GROUP LIMITED is one of the most sizable integrated coking coal corporations in **CENTRAL-WESTERN CHINA**.

Taking Shanxi Province as its major investment base, it is principally engaged in **MINING OF COKING COAL, PRODUCTION AND SALES OF RAW AND CLEAN COKING COAL**.

The Group has three premium operating coking coal mines and three coal preparation plants.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Ding Rucai *(Vice-chairman and Managing Director)*
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
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)*
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam
Japhet Sebastian Law

REMUNERATION COMMITTEE

Japhet Sebastian Law *(Chairman)*
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

DIRECTORS' BIOGRAPHIES

Mr. Li Shaofeng, aged 49, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in October 2011 and is the chairman of each of the Executive Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. He joined Shougang Corporation, the holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding, the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International") and a director of each of Ultimate Capital Limited ("Ultimate Capital") and Fine Power Group Limited ("Fine Power"). Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Li is the chairman of each of Shougang Concord Grand (Group) Limited ("Shougang Grand"), Global Digital Creations Holdings Limited ("GDC") and Shougang Concord Century Holdings Limited ("Shougang Century"), and an executive director of BeijingWest Industries International Limited. He is also a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Li was a director of Shougang Concord Technology Holdings Limited (now known as HNA International Investment Holdings Limited) ("HNA International") from May 2010 to December 2014 and a director of China Dynamics (Holdings) Limited ("China Dynamics") from October 2007 to November 2015, both HNA International and China Dynamics are Hong Kong listed companies. Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company commencing on 20 October 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$350,000 or such other salary and discretionary bonus as may be determined by the Board from time to time. For both financial years 2015 and 2016, Mr. Li's monthly salary is HK$450,000. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance.

Mr. Ding Rucai, aged 51, senior engineer in professor grade. Mr. Ding graduated from the School of Metallurgical and Ecological Engineering of the University of Science and Technology Beijing with a master degree in ferrous metallurgy. Thereafter, he studied senior business administration in The University of Warwick, United Kingdom. Mr. Ding obtained a doctor of philosophy in ferrous metallurgy from the School of Metallurgical and Ecological Engineering of the University of Science and Technology Beijing. He has acted as deputy general manager of the Company from August 2014. Mr. Ding was appointed an Executive Director and the Vice-chairman and Managing Director of the Company in September 2014 and is a member of the Executive Committee of the Company. He joined Shougang Corporation, the holding company of Shougang Holding, in 1989 and thereafter held various senior positions in the groups of Shougang Corporation and Shougang International. Mr. Ding is a director and deputy managing director of Shougang Holding, an executive director and the deputy managing director of Shougang International and a director of each of Ultimate Capital and Fine Power. Each of Shougang Holding, Shougang International, Ultimate Capital and Fine Power is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has extensive experience in production management of steel industry, project management, import of iron ore, import trading of coking coal resources and shipping management.

DIRECTORS' BIOGRAPHIES

A service contract was entered into between Mr. Ding and a wholly-owned subsidiary of the Company commencing on 1 September 2014. Under the service contract, Mr. Ding is entitled to a monthly salary of HK$260,000 or such other salary and discretionary bonus as may be determined by the Board from time to time. For both financial years 2015 and 2016, Mr. Ding's monthly salary is HK$260,000. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Ding's individual performance.

Mr. So Kwok Hoo, aged 62, holds bachelor degrees in applied science with major in chemical engineering and business administration in Canada. Mr. So was appointed an Executive Director of the Company in March 1998 and was re-designated as a Deputy Managing Director of the Company in January 2010. He is a member of the Executive Committee of the Company. Mr. So is a non-executive director of APAC Resources Limited, a listed company in Hong Kong. He has extensive experience in marketing of electrochemical and industrial products sales in Asia Pacific Region together with property investment experience in Hong Kong.

A service contract was entered into between Mr. So and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. So is entitled to a monthly salary of HK$250,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For both financial years 2015 and 2016, Mr. So's monthly salary is HK$250,000. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. So's individual performance.

Mr. Chen Zhaoqiang, aged 48, graduated from Jiaozuo Mining Institute with a bachelor degree majoring in mining engineering and obtained a master degree in management science from Huazhong University of Science & Technology and a finance executive masters of business administration from Shanghai Advanced Institute of Finance of Shanghai Jiao Tong University. Mr. Chen was appointed an Executive Director and Deputy Managing Director of the Company in January 2010. He is also a member of the Executive Committee of the Company. Mr. Chen had engaged in many important posts in coal mining industry, including in Pingdingshan Coal Co. Ltd., Henan Pingbao Coal Co. Ltd., and Henan Company for Coal Seam Gas Development & Application. He has extensive experience in coal mining industry including in the areas of production safety management for coal mining, purchase and logistics management, mineral resources development and coal trading.

A service contract was entered into between Mr. Chen and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Chen is entitled to a monthly salary of HK$220,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For both financial years 2015 and 2016, Mr. Chen's monthly salary is HK$220,000. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Liu Qingshan, aged 57, graduated from Shanxi University of Finance and Economics Department of Accounting and obtained a master of business administration from Capital University of Economics and Business. Mr. Liu was appointed an Executive Director of the Company in November 2008 and was re-designated as a Deputy Managing Director of the Company in January 2010. He is a member of the Executive Committee of the Company. Before joining the Group, Mr. Liu worked as chief financial controller in Fortune Dragon Group Limited and in other sizable energy resources companies in the PRC. He has extensive experience in the fields of accounting and finance in the mining industry in the PRC.

A service contract was entered into between Mr. Liu and a wholly-owned subsidiary of the Company commencing on 1 January 2010. Under the service contract, Mr. Liu is entitled to a monthly salary of HK$200,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For both financial years 2015 and 2016, Mr. Liu's monthly salary is HK$200,000. Such salary was determined by the Remuneration Committee with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Liu's individual performance.

Mr. Leung Shun Sang, Tony, aged 73, holds a bachelor degree of commerce from The Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in March 2009 and is a member of the Remuneration Committee of the Company. He is a non-executive director of Shougang International, a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Leung is also a non-executive director of each of Shougang Century, Shougang Grand, GDC and HNA International. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has extensive experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

A fresh engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Leung is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Xiang Xu Jia, aged 46, graduated from the Department of Information Science and Electronic Engineering of Zhejiang University with a bachelor degree in electrical engineering. He obtained a master degree of laws from Southwest University of Political Science and Law. Mr. Xiang was appointed a Non-executive Director of the Company in September 2013. He is a non-executive director of China Coal Energy Company Limited, a company listed in both Hong Kong and Shanghai. Mr. Xiang was the general manager of the asset management center of Funde Sino Life Insurance Co., Ltd. ("Funde Sino Life"), the chairman of Life Insurance Assets Management Co., Ltd. and a director of each of Funde Asset Management (Hong Kong) Company Limited, Fund Resources Investment Holding Group Company Limited, Ningbo Fund Energy Co., Ltd. and Funde Insurance Holding Co., Ltd.*. Funde Sino Life is a substantial shareholder of the Company within the meaning of Part XV of the SFO. He was qualified as a lawyer in the PRC and had been a practicing lawyer for over 7 years. Mr. Xiang has extensive experiences in securities and finance, corporate governance and risk management.

A fresh engagement letter was entered into with Mr. Xiang for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Xiang is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Xiang is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Xiang's experience and duties as well as the then prevailing market conditions.

Mr. Kee Wah Sze, aged 68, holds a master degree in Chinese and comparative law from the City University of Hong Kong and a master degree in law from the People's University of the PRC. Mr. Kee was appointed an Independent Non-executive Director of the Company in April 1997 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He was an independent non-executive director of Theme International Holdings Limited ("Theme International"), a listed company in Hong Kong, from November 2009 to May 2015. Mr. Kee is a partner of Messrs. Michael Cheuk, Wong & Kee and has been a practicing solicitor in Hong Kong specialized in both the commercial and conveyancing fields for many years. He is a Notary Public of Hong Kong and a China Appointed Attesting Officer.

A fresh engagement letter was entered into with Mr. Kee for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Kee is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Kee is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Kee's experience and duties as well as the then prevailing market conditions.

** The English translation is unofficial and for identification purpose only.*

DIRECTORS' BIOGRAPHIES

Mr. Choi Wai Yin, aged 57, holds a master degree of science in finance from the City University of Hong Kong, a bachelor degree in business administration from The Chinese University of Hong Kong and a bachelor degree in law from the Peking University. Mr. Choi was appointed an Independent Non-executive Director of the Company in July 2004 and is the Chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is an executive director of a company which is the investment manager of a Hong Kong listed company. Mr. Choi is an investment adviser registered under the SFO. He has extensive experience in the fields of finance and fund management.

A fresh engagement letter was entered into with Mr. Choi for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Choi is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Choi is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Choi's experience and duties as well as the then prevailing market conditions.

Mr. Chan Pat Lam, aged 67. Mr. Chan was appointed an Independent Non-executive Director of the Company in December 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. Currently, he is the consultant of a private company which is an international container shipping agency in the Western region of Pearl River Delta. Mr. Chan is also a partner of a private company which is engaged in trading and wholesaling of grocery items. He was an independent non-executive director of Theme International, a listed company in Hong Kong, from November 2009 to November 2015. Mr. Chan has extensive experience in the field of international banking industry in Hong Kong, Macau and California.

A fresh engagement letter was entered into with Mr. Chan for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Chan is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Chan is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Chan's experience and duties as well as the then prevailing market conditions.

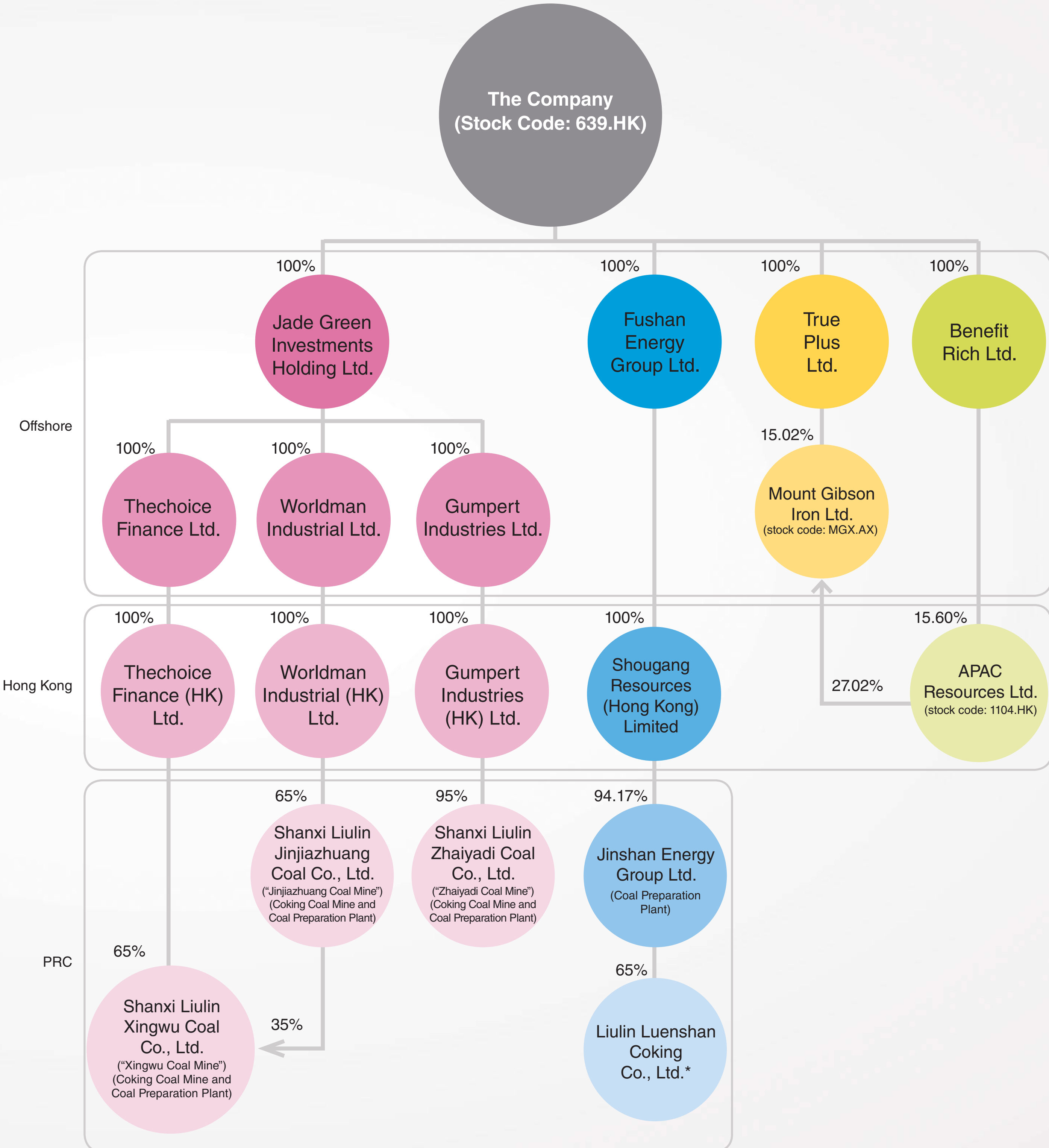
DIRECTORS' BIOGRAPHIES

Mr. Japhet Sebastian Law, aged 64, graduated from the University of Texas at Austin with a doctor of philosophy degree in mechanical/industrial engineering in 1976. Mr. Law was appointed an Independent Non-executive Director of the Company in September 2013 and is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee of the Company. He joined The Chinese University of Hong Kong in 1986 and retired in August 2012. Before retirement, Mr. Law was a professor in the Department of Decision Sciences and Managerial Economics. He was the associate dean and subsequently the dean of the Faculty of Business Administration of The Chinese University of Hong Kong from 1993 to 2002. Prior to returning to Hong Kong, Mr. Law was a director of Operations Research at the Cullen College of Engineering and a director of Graduate Studies in Industrial Engineering at the University of Houston and was also involved with the U.S. Space Program in his career with McDonnell Douglas and Ford Aerospace in the United States. He acts as a consultant for various corporations in Hong Kong and overseas. Mr. Law is active in public services and serves as a member of the Provisional Regional Council of the Hong Kong SAR Government and various other committees. He serves on the boards of profit, non-profit and charitable organisations in Hong Kong and overseas. Mr. Law is an independent non-executive director of each of GDC, Tianjin Port Development Holdings Limited, Beijing Capital International Airport Company Limited, Binhai Investment Company Limited, Regal Hotels International Holdings Limited, Tianjin Binhai Teda Logistics (Group) Corporation Limited and Shanghai La Chapelle Fashion Co., Ltd., all of which are listed companies in Hong Kong. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited (now known as China Finance Investment Holdings Limited), a listed company in Hong Kong, from December 2011 to July 2013.

A fresh engagement letter was entered into with Mr. Law for a term of three years commencing on 1 January 2016. Under the engagement letter, Mr. Law is entitled to a director's fee as may be determined by the Board from time to time. For both financial years 2015 and 2016, the director's fee of Mr. Law is HK$420,000 for a full year. Such director's fee was determined by the Board with reference to Mr. Law's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

THE MAIN OPERATIONAL STRUCTURE OF THE GROUP AS AT 31 DECEMBER 2015 IS AS FOLLOWS:



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FINANCIAL HIGHLIGHTS

(HK$'000)	For the year ended 31 December 2013	2014	**2015**	**Percentage change**
Revenue	4,268,232	3,254,861	**1,996,629**	-39%
Gross profit	2,173,016	1,304,153	**488,188**	-63%
Gross profit margin	51%	40%	**24%**	
Non-cash impairment loss on goodwill, mining rights and property, plant and equipment	–	(823,964)	**(791,203)**	-4%
EBITDA[1]	2,395,667	1,270,346	**419,885**	-67%
Profit/(Loss) for the year	1,299,239	(360,932)	**(711,475)**	+97%
Profit/(Loss) attributable to owners of the Company ("Owners")	1,115,066	(425,302)	**(416,471)**	-2%
Basic earnings/(loss) per share (HK cents)	21.03	(8.02)	**(7.86)**	-2%
Dividend per share (HK cents)	10.5	3.7	**21.0**	
– Interim (HK cents)	2.7	1.0	**1.0**	
– Special (HK cents)	–	–	**15.0**	
– Final (Proposed) (HK cents)	7.8	2.7	**5.0**	

(HK$'000)	As at 31 December 2013	2014	**2015**	**Percentage change**
Total assets	26,870,908	23,999,978	**20,727,669**	-14%
of which: Cash and cash equivalents and time deposits with original maturity over three months	5,588,217	5,403,386	**5,038,181**	-7%
Unpledged bill receivables	854,801	990,566	**504,567**	-49%
Total liabilities	(5,211,743)	(4,430,378)	**(3,683,389)**	-17%
of which: Total borrowings	(580,009)	(73,899)	**–**	-100%
Total borrowings (exclusive of asset-backed financing)	(2,286)	–	**–**	–
Current ratio[2]	2.88 times	3.55 times	**3.69 times**	+4%
Gearing ratio[3]	2.68%	0.38%	**0.00%**	-100%
Total equity	21,659,165	19,569,600	**17,044,280**	-13%
of which: Equity attributable to Owners	19,927,383	17,926,535	**15,791,115**	-12%
Net assets per share attributable to Owners (HK$)	3.76	3.38	**2.98**	-12%

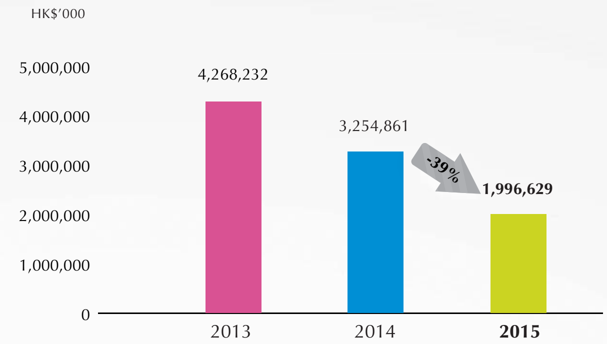
Notes:

1. EBITDA is defined as loss before income tax plus impairment loss on goodwill, mining rights and property, plant and equipment, finance costs, change in fair value of derivative financial instruments, share of loss of an associate, depreciation and amortisation.
2. Current ratio is computed from current asset divided by current liabilities.
3. Gearing ratio is computed from total borrowings divided by total equity.

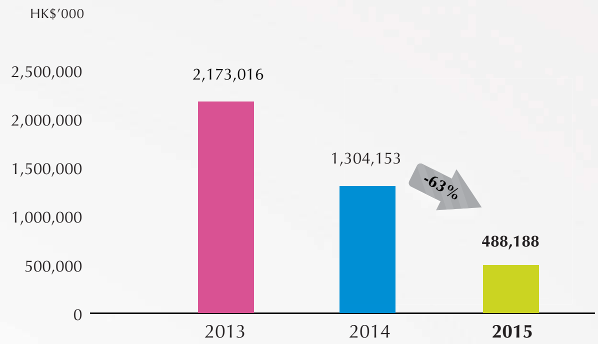
FINANCIAL HIGHLIGHTS

PROFIT & LOSS SUMMARY

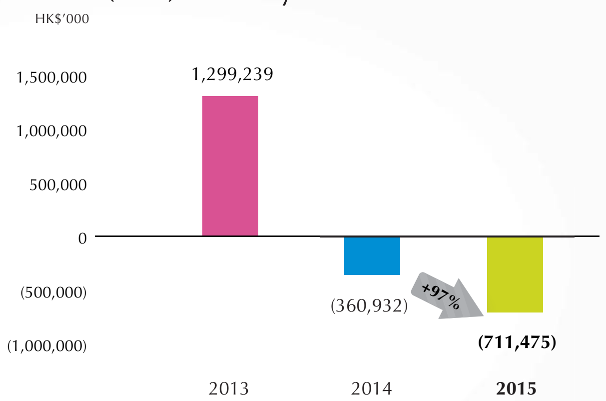
Revenue



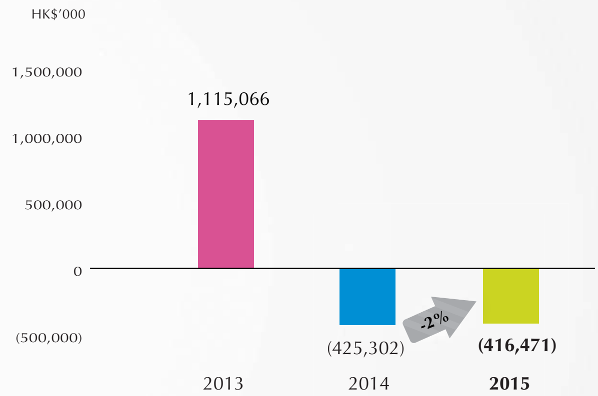
Gross profit



Profit/(Loss) for the year

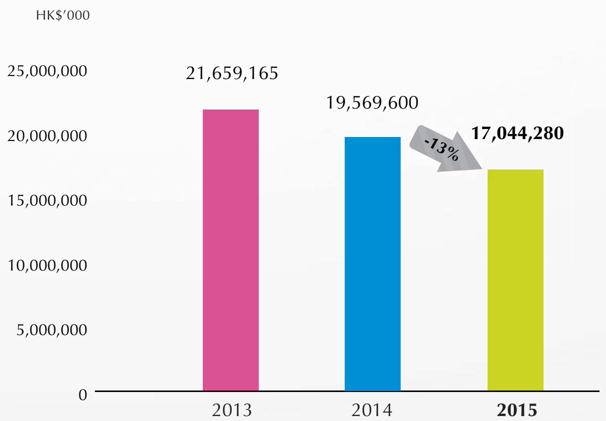


Profit/(Loss) attributable to Owners

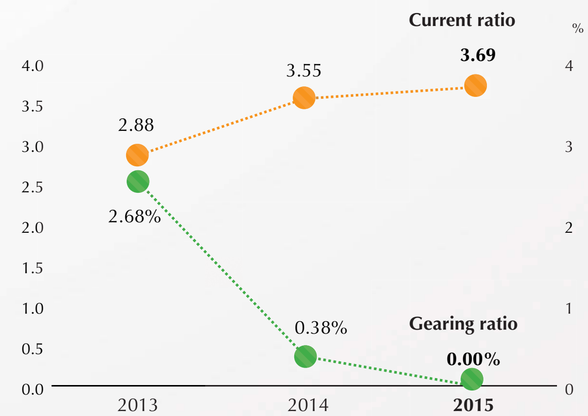


HEALTHY FINANCIAL POSITION

Net assets



Gearing ratio & current ratio



OPERATING MINES

XINGWU COAL MINE

- 6 km south of Liulin County and the mining right area extended over 11.6 sq. km and spans 4.5 km east to west and 4.5 km north to south
- Operation commenced in 1968
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- Operate a coal preparation plant with annual designed input processing capacity of 1.2 million tonnes (put into operation in October 2002)
- Mainly production of hard coking coal

JINJIAZHUANG COAL MINE

- 14 km south of Liulin County and the mining right area extended over 6.08 sq. km and spans 6.8 km east to west and 3.4 km north to south
- Operation commenced in 1996
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- Operate a coal preparation plant with annual designed input processing capacity of 3.0 million tonnes (put into operation in June 2009)
- Mainly production of hard coking coal

ZHAIYADI COAL MINE

- 16 km southwest of Liulin County and the mining right area extended over 13.9 sq. km and spans 5.5 km east to west and 5.0 km north to south
- Operation commenced in 1988
- Annual designed raw coking coal production capacity: 2.1 million tonnes
- Operate a coal preparation plant with annual designed input processing capacity of 2.1 million tonnes (put into operation in the 4th quarter of 2010)
- Mainly production of semi-hard coking coal

OPERATING MINES

COAL CHARACTERISTICS

- Located within the Lishi-Liulin mining area of Hedong coalfield, one of China's key reserve areas for high-quality hard coking coal.

- Regarded as "panda coal" because of its scarcity and high economic value.

- The Group's coking coal is of particularly good quality due to its high calorific value and caking index but low ash and sulfur content, characteristics that are highly desirable for coke and steel making.

		Operating Mines				
Coal Quality Characteristic	**Basic**	**Xingwu**		**Jinjiazhuang**		**Zhaiyadi**
Seam		No. 4	No. 5	No. 3	No. 4	No. 9
Moisture (%)	Ad	0.9	0.3	0.6	0.7	0.7
Ash (%)	D	11.3	10.1	6.3	11.0	10.4
Sulfur Total (%)	D	0.36	0.85	0.32	0.47	1.65
Volatile Matter (%)	Daf	21.6	23.4	21.3	22.4	18.7
Fixed Carbon (%)	Ad	68.6	67.0	73.1	68.4	72.1
Calorific Value (Kcal./kg)	Gr.v.d	7,500	7,200	7,920	7,520	7,540
Caking Index (G)		86	75	49	77	72

Source: J.T. Boyd report as of 31 December 2007

These test results indicate that the test samples from Xingwu Coal Mine and Jinjiazhuang Coal Mine meet the international definition for hard coking coal. Zhaiyadi Coal Mine sample test results indicate that its coal meets international definition for semi-hard coking coal.

OPERATING MINES

OPERATING DATA

Resources and Reserves/Output

	Operating Mines			
	Xingwu	Jinjiazhuang	Zhaiyadi	Total
Resources and Reserves				
In-Place Resources as of 31 December 2007 (Mt)	63.23	64.18	78.34	205.75
Recoverable Reserves as of 31 December 2007 (Mt)				
– Proven reserves	11.11	20.78	13.32	45.21
– Probable reserves	35.23	23.02	38.89	97.14
Total proven and probable recoverable reserves as of 31 December 2007 (Mt)	46.34	43.80	52.21	142.35
Less: Total raw coking coal output in 2008 to 2015 (Mt)	(13.90)	(13.60)	(19.04)	(46.54)
In-Place Resources as of 31 December 2015 (Mt) (NB)	**49.33**	**50.58**	**59.30**	**159.21**
Recoverable Reserves as of 31 December 2015 (Mt) (NB)	**32.44**	**30.20**	**33.17**	**95.81**

NB: Resources and reserves have taken into account the coal reserves prepared by John T. Boyd Company, an independent mining and geological consultant, as of 31 December 2007, in accordance with the JORC Code, after deduction of the total raw coking coal output for the period from 1 January 2008 to 31 December 2015.

	Xingwu	Jinjiazhuang	Zhaiyadi	Total
Raw coking coal output				
Total raw coking coal output in 2014 (Mt)	1.754	1.663	2.263	5.680
Total raw coking coal output in 2015 (Mt)	**1.967**	**0.958**	**1.583**	**4.508**
Clean coking coal output				
Total clean coking coal output in 2014 (Mt)	0.671	1.262	1.079	3.012
Total clean coking coal output in 2015 (Mt)	**0.698**	**1.186**	**0.810**	**2.694**

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Shougang Fushan Resources Group Limited ("Shougang Resources" or the "Company"), I am hereby delighted to present the 2015 annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 (the "Review Year"), and to report to shareholders on the Group's performance for the Review Year.

In 2015, China's economy was growing in a softer pace, with GDP growth rate descended to 6.9% year-on-year ("YoY"). Investment in fixed assets (exclusive of peasant household) increased by 10% YoY. New construction areas of real estate decreased by 14% YoY. Downstream demand declined sharply, the steel industry was trapped in the trouble of overcapacity. In 2015, China domestic crude steel production volume was 804 million tonnes with YoY decrease of 2.3%, which occurred first time in the past three decades; pig iron production volume was 691 million tonnes with YoY decrease of 3.5%. The apparent consumption of domestic crude steel was 700 million tonnes with YoY decrease of 5.4%. The production capacity of domestic crude steel was approximately 1.2 billion tonnes, and capacity utilisation rate was around 67%.

In 2015, influenced by decreased growth rate of China's economy and insufficient demand of steel market, the coking coal industry was deteriorated with sustaining high level of stock and sharp slashed profit of coal producers, loss making percentage was extended further in the whole industry. The essential problem of the coking coal industry was overcapacity. As of 2015, domestic coking coal production volume was 1.217 billion tonnes with YoY decrease of 4.27%; accumulative imports of coking coal was 47.83 million tonnes with YoY decrease of 23.1%. In addition, the market price of coking coal continuously slashed by approximately 25% compared with that of the end of 2014. The overseas coking coal market faced with the same difficulty of further loss of the whole industry, which led to the industry-wide consolidation.

CHAIRMAN'S STATEMENT

Our Group faced with the fierce pressure and challenge of the market positively to control the cost through a number of measures, ensure safety production and actively promote marketing of the products to smooth the sales. Dragged by the descending trend of the demand and price of the domestic coking coal market, for the year ended 31 December 2015, raw coking coal production volume of our Group was 4.51 million tonnes with YoY decrease of 21%; clean coking coal production volume of our Group was 2.69 million tonnes, sales volume was 2.61 million tonnes, with YoY decrease of 11% and 13% respectively. The average realised selling prices (inclusive of VAT) of our raw and clean coking coal were down to RMB328/tonne and RMB694/tonne, with YoY decrease of 34% and 18% respectively. Revenue was approximately HK$2 billion with YoY decrease of 39%, and the gross profit margin decreased to 24% from 40% of last review year. In the Review Year, net profit and net profit to shareholders before a non-cash impairment loss on assets and related net exchange loss were approximately HK$88 million and approximately HK$108 million respectively. Due to the depressed coal market, the Group recorded a non-cash impairment loss on goodwill and fixed assets approximately HK$790 million, plus exchange loss occurred in the volatile of RMB currency market, we recorded net loss of approximately HK$710 million for the Review Year. However, loss attributable to the shareholders was approximately HK$420 million, which was close to last year's result. Even under such tough circumstances, our Group still secured net profit and positive cash flow generated from operating on our three coal mines level, and free cash and bill receivables of our Group was approximately HK$5.54 billion.

OUTLOOK FOR 2016

In 2016, the Chinese government will unprecedentedly advance the reform of the supply front, and the temporary pains of economic structural reforms could be influencing inevitably, but in the long run it would be beneficial to the healthier and more efficient development of China's economy and coking coal industry. The Chinese government sets the schedule that it would take 5 years to reduce another 100 to 150 million tonnes of crude steel production capacity since 2016; and meanwhile in the coming 3 to 5 years coal production capacity would be cut by 500 million tonnes and be restructured by 500 million tonnes respectively. In the future, domestic coal industry may reach its dip gradually, and complete the process of industrial upgrades and promotion of industry concentration. Our Group will significantly benefit from the reform of supply, thanks to the advantages of our high quality coking coal type, competitive production cost and strong financial positions. In addition, deepening economic reform will be beneficial to release the massive dividend of reforms and to create new market opportunities and space. For example, increasing the urbanisation ratio and deepening the housing reforms will boost the demand of urbanisation construction and explore the potential demand of migrant workers in housing and other sectors. At the meantime, the resources sector is developing at a low level globally, and various countries' economies are facing with different challenges, but they all respond actively to speed up the bouncing back of the economy. Finally, 2016 is the first year of China's 13th Five-year Plan. We are so confident that the Chinese government will endeavor to make a good start and solidify the foundation of realising the long term goal of 13th Five-year Plan. Thus, China's economy will advance along with challenges in 2016.

CHAIRMAN'S STATEMENT

In 2016, we will keep a close eye on the development of both China and global economy, and tackle all the problems that may occur during the development by efficient and tailored means. We would continue to maintain long-term strategic partnerships with our current customers and set up cooperative relationships with our new customers. Meanwhile, we will continue to emphasis safety of production and enhance of our operation, further optimise the organisation structure and advance cost control. With the expectation of sustainable development of our business, we are looking actively and prudently to source for domestic and international acquisition opportunities to enhance our reserves and expand production capacity. With our extending experience in industrial management, operation, merger and acquisition, we have full confidence that we can develop our businesses to a further level and provide more returns for our shareholders.

To reward the continual support and great kindness of our shareholders, the Board of Directors of Shougang Resources had proposed a final dividend of HK5 cents per ordinary share.

Last but not least, on behalf of the Board of Directors of Shougang Resources, I would like to express my heartfelt gratitude to our shareholders, management team, staff and business partners for all their continued support to the Group over the past years.

Li Shaofeng
Chairman

Hong Kong, 23 March 2016

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 year ended 31 December 2015 (the "year under review") together with that of the same period of 2014 is summarised as follows:

		For the year ended 31 December		Change	
	Unit	**2015**	2014	**Quantity/ Amount**	**Percentage**
Production volume:					
Raw coking coal	Mt	**4.51**	5.68	**-1.17**	**-21%**
Clean coking coal	Mt	**2.69**	3.01	**-0.32**	**-11%**
Sales volume:					
Raw coking coal	Mt	**0.28**	1.01	**-0.73**	**-72%**
Clean coking coal	Mt	**2.61**	3.00	**-0.39**	**-13%**
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**328**	494	**-166**	**-34%**
Clean coking coal	RMB/tonne	**694**	844	**-150**	**-18%**

For the year ended 31 December 2015, the Group produced approximately 4.51 million tonnes ("Mt") (2014: approximately 5.68 Mt) of raw coking coal, representing a year-on-year decrease of 21% and also produced approximately 2.69 Mt (2014: approximately 3.01 Mt) of clean coking coal, representing a year-on-year decrease of 11%. Our three premium operating coking coal mines are operated smoothly throughout the year under review.

Due to the impact of the economic slowdown in the Mainland China and the drop in demand of coking coal, the Group's production volume of raw coking coal reduced by 21%. As a result, the sales volume of raw and clean coking coal dropped by 72% and 13% respectively during the year 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 proof of the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal is a right decision. Sales of raw and clean coking coal accounted for 5% and 95% of the Group's turnover respectively for the year ended 31 December 2015. They accounted for 16% and 84% respectively for the year ended 31 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Following the continuous decline in the coal market in recent years, for the year ended 31 December 2015, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 34% to Renminbi ("RMB") 328/tonne when compared with that of the same period of 2014 (2014: RMB494/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 18% to RMB694/tonne when compared with that of the same period of 2014 (2014: RMB844/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. As 68% of sales volume of raw coking coal is carried out in the second half of 2015 which is relatively lower market price than that in the first half of 2015, the average realised selling price of raw coking coal is dropped much than that of clean coking coal in the year under review. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 44% and 56% (2014: 63% and 37%) of the total raw coking coal sales volume respectively for the year ended 31 December 2015. In addition, sales of No.1 and No.2 clean coking coal accounted for 59% and 41% (2014: 53% and 47%) of the total clean coking coal sales volume respectively for the year ended 31 December 2015.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 1,997 million, representing a decrease of approximately HK$1,258 million or 39% as compared with that of approximately HK$3,255 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 34% and 18% respectively and the drop in the sales volume of raw and clean coking coal by 72% and 13% respectively for the year under review.

For the year ended 31 December 2015, the total turnover to the top five customers accounted for 78% (2014: 62%) of the Group's turnover. Of which, the total turnover to the largest customer, Shougang Corporation, accounted for 25% (2014: 18%) of the Group's turnover.

For the year ended 31 December 2015, gross profit margin was 24% while 40% for the same period in 2014. Decrease in gross profit margin was mainly due to the drop in average realised selling prices as explained under "Business Review". Gross profit was dropped by approximately HK$816 million or 63% in 2015.

For the year ended 31 December 2015, the Group recorded net loss of approximately HK$711 million and loss attributable to the owners of the Company (the "Owners") of approximately HK$416 million eventually. Except for the substantial drop in gross profit by approximately HK$816 million as stated above, the loss recorded in 2015 is also attributable to (i) the continuous downturn in the coal market, a non-cash impairment loss of approximately HK$791 million made on goodwill, mining rights and property, plant and equipment even the reversal of the related deferred tax liabilities of approximately HK$158 million as income, it is attributable to the net loss and loss attributable to the Owners amounted to approximately HK$633 million and approximately HK$358 million respectively; and (ii) due to the depreciation in RMB as at 31 December 2015, the Group suffered the relevant net foreign exchange loss of approximately HK$166 million ("the Foreign Exchange Loss") mainly arising from exchange and re-translation of its monetary assets (mainly bank balance) denominated in RMB into HK$ or United States Dollars ("US$") as at transaction date and reporting date. No such material exchange loss is expected to be incurred in the next financial year as 85% of our bank balance is denominated in US$ or HK$ as at 31 December 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

During the year under review, basic loss per share was HK7.86 cents (2014: HK8.02 cents).

Nevertheless, the Group recorded EBITDA of approximately HK$420 million (2014: approximately HK$1,270 million) and generated a positive cash flow of approximately HK$821 million (2014: approximately HK$402 million) from our operating activities during the year under review. The Group continues to maintain a healthy free cash balance of approximately HK$5,038 million (2014: approximately HK$5,403 million).

Excluding above stated net effect on loss arising from a non-cash impairment loss on goodwill, mining rights and property, plant and equipment and the Foreign Exchange Loss, the Group would still record net profit of approximately HK$88 million and profit attributable to the Owners of approximately HK$108 million for the year ended 31 December 2015.

Cost of sales

During the year under review, cost of sales was approximately HK$1,508 million, representing a decrease of approximately HK$443 million or 23%, as compared with that of approximately HK$1,951 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 and the drop in unit production costs as a result of effective cost control as stated below during the year under review.

Included in cost of sales, amortisation of mining rights was approximately HK$195 million for the year ended 31 December 2015, representing a decrease of approximately HK$66 million or 25%, as compared with that of approximately HK$261 million for the same period of 2014. The decrease in amortisation of mining rights was mainly due to the decrease in usage of raw coking coal for sales during the year under review.

FINANCIAL REVIEW (continued)

Cost of sales (continued)

The unit production costs are summarised as follows:

	Unit	For the year ended 31 December 2015	2014	Change Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**243**	248	**-5**	**-2%**
of which, depreciation and amortisation	*RMB/tonne*	***(66)***	*(63)*	***+3***	***+5%***
Processing cost for clean coking coal	RMB/tonne	**46**	48	**-2**	**-4%**
of which, depreciation	*RMB/tonne*	***(11)***	*(10)*	***+1***	***+10%***

Although the production volume of raw coking coal was dropped by 21% for the year ended 31 December 2015, its unit production cost was decreased by 2% as a result of implementation of the effective cost control by the Group and certain relief policies by the government.

Gross profit and gross profit margin

As a result of the reasons above, gross profit was approximately HK$488 million for the year ended 31 December 2015, representing a decrease of approximately HK$816 million or 63% as compared with that of approximately HK$1,304 million for the same period of 2014. During the year under review, gross profit margin was 24% compared with 40% 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 34% and 18% respectively for the year ended 31 December 2015 when compared with that in the same period of 2014 as explained under "Business Review".

Other operating income

During the year under review, other operating income was approximately HK$169 million, representing a significant decrease of approximately HK$127 million or 43% as compared with approximately HK$296 million of the same period in 2014. The decrease in other operating income was mainly attributable to (i) the decrease in income from sales of scrapped products by approximately HK$46 million or 62% as a result of the drop in coking coal prices and sales volume of by-products; (ii) the decrease in bank interest income by approximately HK$35 million or 20%; and (iii) no dividend income arising from the equity securities listed in Australia (2014: approximately HK$45 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Selling and distribution expenses

During the year under review, selling and distribution expenses were approximately HK$202 million, representing a significant decrease of approximately HK$99 million or 33% as compared with that of approximately HK$301 million for the same period of 2014. The decrease was mainly as a result of the drop in sales volume of clean coking coal.

General and administrative expenses

Included in general and administrative expenses, net exchange loss of approximately HK$153 million (2014: approximately HK$54 million) (after net-off exchange gain of approximately HK$53 million (2014: approximately HK$35 million) generated from the cash resources) during the year under review. Such net exchange loss was mainly arose from exchange or re-translation of the Group's monetary assets (mainly bank balance) denominated in RMB to HK$ or US$ as at transaction date and reporting date. Eventually, we exchanged cash denominated in RMB on average exchange rate with the depreciation of RMB by approximately 2.9% during the year under review which is lower than the market depreciation of RMB by approximately 6% (2014: approximately 2%) as at 31 December 2015 compared with that as at 31 December 2014. Excluding such net exchange loss, general and administrative expenses would be approximately HK$189 million for the year ended 31 December 2015, representing a significant decrease of approximately HK$68 million or 26% as compared with approximately HK$257 million for the same period of 2014. The significant decrease was resulted from the effective cost control including the decrease in staff costs by approximately HK$18 million during the year under review.

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$791 million (2014: approximately HK$824 million) made on goodwill, mining rights and property, plant and equipment during the year under review after assessment. Details of which are disclosed in Note 19 to the financial statements.

Other operating expenses

During the year under review, other operating expenses were approximately HK$133 million, represent a significant decrease of approximately HK$116 million or 47% as compared with approximately HK$249 million for the same period of 2014. The decrease is mainly attributable to no committed charitable donation of approximately HK$247 million paid by the Group to the Liulin County Government since the year of 2015. During the year under review, other operating expenses mainly represented the provision for impairment on trade and other receivables with ageing over one year amounted to approximately HK$102 million, the provision for litigation settlement of approximately HK$17 million and the loss on disposal of useless plant and equipment of approximately HK$14 million.

FINANCIAL REVIEW (continued)

Finance costs

During the year under review, finance costs were approximately HK$11 million (2014: approximately HK$11 million). The finance costs were derived from the early redemption of bill receivables of the Group. During the year under review, no borrowing costs were capitalised in the construction in progress (2014: Nil).

Income tax expense

During the year under review, it was recorded income tax credit of approximately HK$124 million (2014: income tax expense of approximately HK$222 million). For the year under review, there is a reversal of deferred tax liabilities of approximately HK$158 million (2014: Nil) arising from impairment loss on mining rights and property, plant and equipment as income tax credit. In addition, income tax expense was substantial decreased which in line with the substantial drop in profits arising from the major PRC subsidiaries during the year under review and no provision (2014: approximately HK$20 million) 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") is made in accordance with the relevant tax regulations in the PRC. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%.

Owner's attributable loss

By reasons of the foregoing, the Group recorded a slight improvement in the loss attributable to the Owners for the year ended 31 December 2015 of approximately HK$416 million as compared with that for the year ended 31 December 2014 of approximately HK$425 million.

Material investments and acquisitions

During the year ended 31 December 2015, the Group had no material investments and acquisitions.

Material disposals

During the year ended 31 December 2015, the Group had no material disposals.

Charges on assets

As at 31 December 2015, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$80 million and bill receivables of approximately HK$182 million were used for securing bills facilities of approximately HK$258 million.

FINANCIAL REVIEW (continued)

Contingent liabilities

As at 31 December 2015, there were no guarantees given to any banks or financial institutions by the Group.

Gearing ratio

As at 31 December 2015, the Group had no borrowings. The gearing ratio of the Group was 0%.

Exposure to fluctuations in exchange rates

As at 31 December 2015, other than assets and liabilities denominated in Australian Dollars ("AUD") and RMB, the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2015, AUD and RMB were depreciated by approximately 11% and approximately 6% respectively, when compared to that as at 31 December 2014. The aggregate carrying amount of assets denominated in AUD represented approximately 1% of the Group's total net assets value as at 31 December 2015. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position of the Group. On the other hand, as the net assets value denominated in RMB represented approximately 70% of the Group's total net assets value as at 31 December 2015, the depreciation in RMB led to exchange loss of approximately HK$686 million (other than the Foreign Exchange Loss recognised in profit or loss stated above) recognised in the other comprehensive income upon translation of financial statements of foreign operations in the PRC for the year ended 31 December 2015.

The Group has been substantial adjusting our proportion of bank balance denominated in RMB from 87% as at 31 December 2014 to 14% as at 31 December 2015 and further reduced to 7% as at the date of this report in order to minimise the negative impact from fluctuation in RMB exchange rate on the financial position of the Group. During the year under review, the Group has exchanged RMB to US$ or HK$ at average exchange rate depreciated by 2.9% compared to that as at 31 December 2014. It reduced the exchange loss substantially when compared to that of 6% depreciation in RMB market exchange rate as at 31 December 2015. No such material exchange loss in profit or loss is expected to be incurred in the next financial year as 85% of our bank balance is denominated in US$ or HK$ as at 31 December 2015.

Liquidity and financial resources

As at 31 December 2015, the Group's current ratio (current assets divided by current liabilities) was approximately 3.69 times and the Group's cash and bank deposits amounted to approximately HK$5,118 million, of which approximately HK$80 million was deposited to secure bills facilities of approximately HK$80 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$698 million (of which approximately HK$11 million represented discounted or endorsed bill receivables and approximately HK$182 million was used for securing bills facilities of approximately HK$178 million) as at 31 December 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$505 million, the Group's free cash resources would have approximately HK$5,543 million as at 31 December 2015.

FINANCIAL REVIEW (continued)

Capital structure

Total equity and borrowings are classified as capital of the Group. As at 31 December 2015, the amount of capital was approximately HK$17,044 million.

During the year under review, there is no change in number of issued shares. As at 31 December 2015, the share capital of the Company was approximately HK$15,157 million, represented approximately 5,302 million shares in number.

As at 31 December 2015, the Group had no borrowings.

EMPLOYEES

As at 31 December 2015, the Group had 28 Hong Kong employees and 5,909 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 also provides training to PRC employees. The Group has a share option scheme. During the year under review, no share option was granted or exercised.

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. The Group has complied with the relevant environmental protection rules and regulations. The Group fulfilled our responsibility of energy saving, emission reduction and environmental protection by strictly managing production procedures, eliminating discharge of waste water and waste gas and controlling vegetation damage etc. All coal mines of the Group have obtained necessary permission and approval from the relevant Chinese regulators.

During the year under review, all coal mines of the Group operated smoothly.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the Mainland China while the Company itself is listed on The Stock Exchange of Hong Kong Limited. Our establishment and operations accordingly shall comply with relevant laws and regulations in the Mainland China and Hong Kong. During the year ended 31 December 2015 and up to the date of this report, we have complied with the relevant laws and regulations in the Mainland China and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal business activities is engaged in coking coal mining, production and sales of coking coal products in the People's Republic of China. As the Group's coking coal products are mainly used for refining of coke which is the second largest raw materials for steel, our major customers are steelmakers. The Group exposes to a variety of key risks including financial risks (including market risk, credit risk and liquidity risk), market price risk and operational risks, Details of the aforesaid financial risks and risk mitigation measures are elaborated in Note 40 "Risk Management Objectives and Policies" to the financial statements.

The market prices of coking coal are highly depended on the demand of the downstream steel industry and the supply of coking coal. Due to the slowdown of both China and global economy, resources sectors will keep running at the bottom of the cycle. As Chinese government begins to strengthen supply-side reform on steel and coal sectors, policy to reduce overcapacity will have impact on the supply and demand of coking coal. As a result, coking coal market could not easily turn around in the near future and coal price will still be under pressure. Thus, the Group's results may be greatly affected.

Operational risks include the estimation of remaining coal reserves and the renewal of mining rights. The lives of our coal mines are highly depended on the estimated remaining coal reserves and the possibility to renew the mining rights. Engineering estimates of the Group's coal reserves involved subjective judgements by engineers that the inherent inaccuracy of technical estimation exists. If the past estimates change significantly, the lives of our coal mines would be shorter. In addition, the license periods of the mining rights held by the Group range from 3 to 30 years which are shorter than the estimated useful lives of the coal mines estimated by the Group. If the Group is unable to renew the license of the mining rights from the relevant authority continuously, the respective mine may need to be closed down. Nevertheless, according to our past experiences and with our competent management team, we have renewed our mining rights at minimal charges in the past years.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support from key stakeholders which comprise employees, customers, suppliers and shareholders. Employees are regarded as the most important and valuable assets of the Group. Details of employees are disclosed in above under "Employees".

Customers

The Group's principal customers are the steel manufacturers. For the year ended 31 December 2015, the total turnover to the top five customers accounted for 78% (2014: 62%) of the Group's turnover. Of which, the total turnover to the largest customer, Shougang Corporation, accounted for 25% (2014: 18%) of the Group's turnover. Shougang Corporation is a holding company of Shougang Holding (Hong Kong) Limited which is a major shareholder of the Company's major shareholder, Shougang Concord International Enterprises Company Limited. We have maintained long and good co-operation relationship with these top five customers. We possess our competent sales team to establish various means to strengthen the communications between the customers and the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS (continued)

Suppliers

The Group's principal suppliers are material vendors and contractors. The Group will continue to derive cost effectiveness by tendering, negotiating, improving the purchase system and developing new suppliers. In the meantime, various means have been established to maintain the quality of material and construction.

Shareholders

Shougang Corporation is the largest customer of the Group as disclosed above. Maximise shareholders' interest is one of the corporate goals of the Group. The Group will continue to enhance production management, cost control and strive to increase our production capability, resources and reserves through acquisitions to improve the Group's profitability in order to create better value for our shareholders.

FUTURE PROSPECTS

Due to the slowdown of both China and global economy, the Group expects that commodity and resources sectors will keep running at the bottom of the cycle. As Chinese government begins to strengthen supply-side reform on steel and coal sectors, policy to reduce overcapacity will have impact on the supply and demand of coking coal. As a result, coking coal market could not easily turn around in the near future and coal price will still be under pressure. However, supply and demand will return rational in medium and long term.

Looking forward, in accordance with our future plan, the Group will continue the effort on cost control and optimising personnel structure to improve operating profit; meanwhile actively and prudently looking for suitable merger and acquisition opportunities both domestically and internationally to fulfill a further development and create better value for our shareholders.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2015.

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of eleven Directors, being five Executive Directors, two Non-executive Directors and four Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board is characterised by significant diversity and has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

Save for those as disclosed in the section headed "Directors' Biographies" as set out on pages 3 to 8 of this annual report, the Board members have no other financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

Board diversity

The Company adopted a board diversity policy (the "Board Diversity Policy") on 28 August 2013 which sets out its approach to achieve diversity on the Board with a view to achieving a sustainable and balanced development of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board Diversity Policy is posted on the website of the Company.

Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

BOARD OF DIRECTORS (continued)

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting. Draft agenda of each regular Board meeting will be sent to all Directors for review before the agenda is issued and all Directors may request for inclusion of other matters in the agenda. The Chairman will take into account the matters proposed by the Directors and where appropriate, approve the inclusion of such matters in the agenda of the Board meeting. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon reasonable request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

Except for those circumstances permitted by the Articles and all applicable laws, rules and regulations, a Director shall not vote on any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates (or associates where the transaction or arrangement is a connected transaction under Chapter 14A of the Listing Rules) has a material interest nor shall he be counted in the quorum present at the meeting.

BOARD OF DIRECTORS (continued)

Attendance records

During the financial year ended 31 December 2015, the Directors have made active contribution to the affairs of the Group and four physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2015 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng *(Chairman)*	4/4
Ding Rucai	4/4
Wong Lik Ping	0/4
So Kwok Hoo	4/4
Chen Zhaoqiang	4/4
Liu Qingshan	4/4
Non-executive Directors	
Leung Shun Sang, Tony	4/4
Xiang Xu Jia	2/4
Zhang Yaoping *(resigned with effect from 20 April 2015)*	0/1
Independent Non-executive Directors	
Kee Wah Sze	3/4
Choi Wai Yin	4/4
Chan Pat Lam	4/4
Japhet Sebastian Law	4/4
Chan Chung Chun *(deceased on 8 May 2015)*	1/1

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

BOARD OF DIRECTORS (continued)

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will give adequate consideration to the Board Diversity Policy and review the profiles of the candidates and make recommendations to the Board on the appointment, re-appointment and nomination of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director is subject to retirement by rotation at least once every three years.

All Non-executive Directors have entered into letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed four Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents more than one-third of the Board.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

Any re-election of an independent non-executive director who has served the board for more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors (continued)

Each of Mr. Kee Wah Sze and Mr. Choi Wai Yin, who will retire and, being eligible, offer for re-election at the forthcoming annual general meeting of the Company, has served as an Independent Non-executive Director of the Company for more than 9 years. As an Independent Non-executive Director with extensive experience and knowledge and in-depth understanding of the Company's operations and business, each of Mr. Kee and Mr. Choi has expressed objective views and given independent guidance to the Company over the past years, and each of them continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Kee and Mr. Choi would not affect their exercise of independent judgement and are satisfied that Mr. Kee and Mr. Choi have the required character, integrity and experience to continue fulfilling the role of Independent Non-executive Directors. The Company will state in a circular which will contain, among other things, the notice convening the forthcoming annual general meeting of the Company the reasons why the Nomination Committee and the Board consider each of Mr. Kee and Mr. Choi is still independent and the recommendation to shareholders to vote in favor of the re-election of each of Mr. Kee and Mr. Choi as a Director.

Insurance for directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors and the Company is responsible for arranging and funding suitable training for the Directors.

BOARD OF DIRECTORS (continued)

Directors' training and professional development (continued)

All Directors have provided to the Company their records of training received during the financial year ended 31 December 2015, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Li Shaofeng	B	3
Ding Rucai	A	1
	B	2, 3
Wong Lik Ping	A	2, 3
	B	3
So Kwok Hoo	A	3
	B	3
Chen Zhaoqiang	A	1
	B	3
Liu Qingshan	A	1
	B	3
Leung Shun Sang, Tony	B	3
Zhang Yaoping	B	3
Xiang Xu Jia	B	3
Kee Wah Sze	A	1
	B	1, 3
Choi Wai Yin	A	1
	B	3
Chan Pat Lam	A	1
	B	3
Japhet Sebastian Law	A	1, 2
	B	1, 3

Note I:

A: Attending seminars, conferences, forums, in-house briefings or in-house training

B: Reading newspapers, journals and updates

Note II:

1: Laws, rules and regulations

2: Finance, accounting or taxation

3: Businesses relating to the Company

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Li Shaofeng is the Chairman of the Company and Mr. Ding Rucai serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibilities. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairman, Mr. Li Shaofeng's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;
- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;
- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;
- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;
- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and
- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in May 2009 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

BOARD COMMITTEES (continued)

Executive Committee (continued)

During the year, eight physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties and the attendances of the members of the Executive Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	1/1
Ding Rucai	1/1
Wong Lik Ping	1/1
So Kwok Hoo	1/1
Chen Zhaoqiang	1/1
Liu Qingshan	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company for the year ended 31 December 2014.

Audit Committee

An Audit Committee of the Board was established in October 1999 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;

- reviewing the interim and annual financial statements;

- reviewing the Company's financial reporting system, risk management and internal control systems; and

- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

BOARD COMMITTEES (continued)

Audit Committee (continued)

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprises all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Choi Wai Yin *(chairman of the committee)*	2/2
Kee Wah Sze	2/2
Chan Pat Lam	2/2
Japhet Sebastian Law	2/2
Chan Chung Chun *(deceased on 8 May 2015)*	1/1

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2014; and

- reviewing the interim results of the Group for the six months ended 30 June 2015.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in May 2009 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;

- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors;

- assessing the independence of Independent Non-executive Directors; and

- reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that have been set for implementing the Board Diversity Policy, and reviewing the progress on achieving the objectives.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will give adequate consideration to the Board Diversity Policy and take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

During the year, two physical meetings of the Nomination Committee were held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	2/2
Wong Lik Ping	0/2
Kee Wah Sze	2/2
Choi Wai Yin	2/2
Chan Pat Lam	2/2
Japhet Sebastian Law	2/2
Chan Chung Chun *(deceased on 8 May 2015)*	1/1

The major work performed by the Nomination Committee during the year included, amongst other things, the following:

- assessing the independence of the Independent Non-executive Directors;
- considering and making recommendations to the Board on the re-election of Directors at the annual general meeting; and
- reviewing the structure and composition of the Board with due regard for the benefits of diversity on the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

A Remuneration Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;
- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;
- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman of the Board and/or the Managing Director of the Company about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year, one physical meeting of the Remuneration Committee was held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Japhet Sebastian Law *(chairman of the committee)* *(appointed as the chairman of the committee on 19 June 2015)*	1/1
Chan Chung Chun *(chairman of the committee)* *(deceased on 8 May 2015)*	0/0
Li Shaofeng	1/1
Leung Shun Sang, Tony	1/1
Kee Wah Sze	1/1
Choi Wai Yin	1/1
Chan Pat Lam	1/1

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2016;
- considering the bonuses of the Executive Directors of the Company for the year 2015;
- making recommendations to the Board on the terms of the engagement letters of the Non-executive Directors of the Company; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2016.

Details of remuneration paid to Directors and senior management for the year are set out in note 15 to the financial statements.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman and/or the Managing Director of the Company on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system of the Group is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

INTERNAL CONTROL (continued)

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

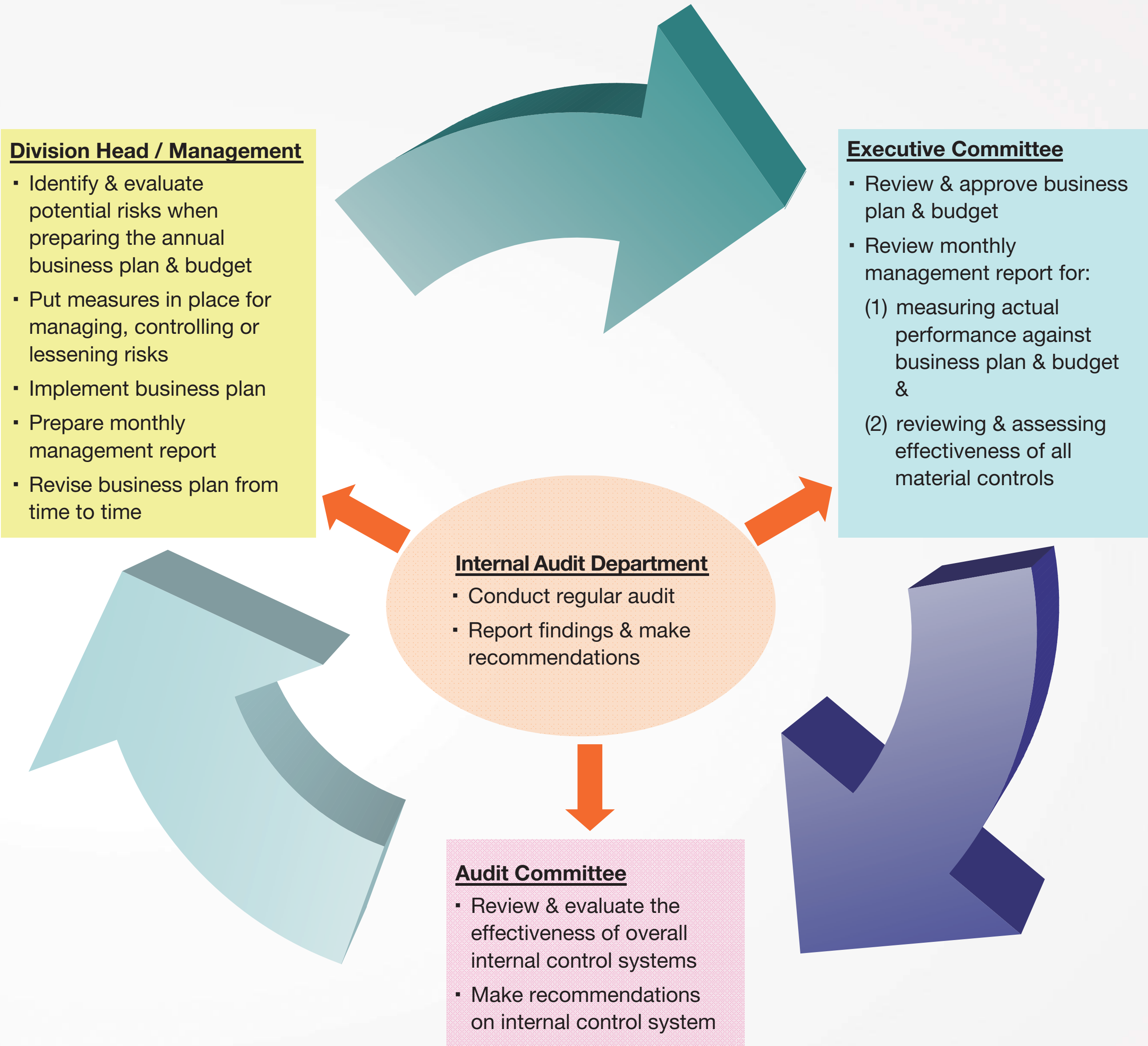
The internal control system of the Group is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

The Company set up an Internal Audit Department in August 2011 which assists the Board and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

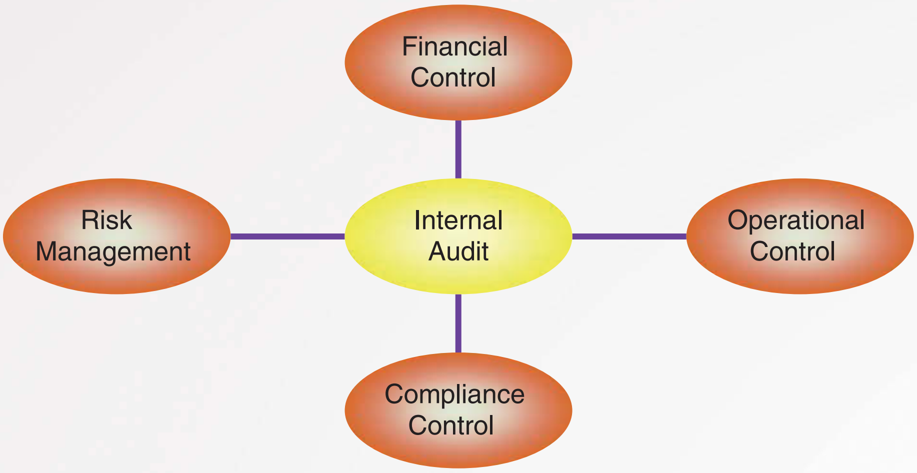
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems.

During the year, the Board adopted an inside information disclosure policy (the "Inside Information Disclosure Policy") on 21 December 2015 which sets out the procedures for the handling and dissemination of inside information with a view to preventing uneven, inadvertent or selective dissemination of inside information and ensuring shareholders and the public are provided with full, accurate and timely information about the activities and the financial condition of the Group. The Inside Information Disclosure Policy is posted on the website of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules 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 year ended 31 December 2015.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid / payable to the Company's auditor, BDO Limited, is set out as follows:

Services rendered	*HK$'000*
Statutory audit services for 2015	1,530
Non-statutory audit services:	
Review on interim financial report	280
Other services	17
	1,827

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the annual and interim reports and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, BDO Limited, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 65 to 66 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-resources.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

COMMUNICATION WITH SHAREHOLDERS (continued)

The auditor of the Company, BDO Limited, attended the annual general meeting of the Company held on 22 May 2015 (the "2015 AGM"). Details of the Directors' attendances at the 2015 AGM are as follows:

Directors (as at the date of the 2015 AGM)	Attendance at the 2015 AGM
Executive Directors	
Li Shaofeng *(Chairman)*	✔
Ding Rucai	✔
Wong Lik Ping	X
So Kwok Hoo	✔
Chen Zhaoqiang	✔
Liu Qingshan	✔
Non-executive Directors	
Leung Shun Sang, Tony	✔
Xiang Xu Jia	X
Independent Non-executive Directors	
Kee Wah Sze	X
Choi Wai Yin	X
Chan Pat Lam	✔
Japhet Sebastian Law	✔

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the general meetings, the chairman of the meetings explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

SHAREHOLDERS' RIGHTS

Convene a general meeting

Shareholder(s) representing at least 5% of the total voting rights of all shareholders of the Company having a right to vote at general meetings can request the Directors to call a general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such request must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary.

Put forward proposals at shareholders' meetings

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a relevant right to vote at a general meeting can request the Company to circulate to the shareholders of the Company a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution or other business to be dealt with at that meeting pursuant to Section 580 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The expenses shall be borne by the shareholder(s) making the request unless the meeting concerned is an annual general meeting and the statement is received by the Company in time for sending with the notice of the meeting. The request must identify the statement to be circulated, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary at least 7 days before the meeting to which it relates.

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or at least 50 shareholders who have a right to vote on the resolution at an annual general meeting can request the Company to give to the shareholders of the Company notice of a resolution that may properly be moved and is intended to be moved at that meeting pursuant to Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The request must identify the resolution of which notice is to be given, and must be authenticated by the shareholder(s) making it and sent to the Company in hard copy form or in electronic form for the attention of the Company Secretary no later than 6 weeks before the annual general meeting to which the requests relate, or if later, the time at which notice of the meeting is given.

Shareholders' enquiries

Specific enquiries or suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office or by email to our Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, a new articles of association of the Company was adopted at the 2015 AGM. Details of the new articles of association of the Company were set out in the circular of the Company dated 15 April 2015. Save as aforesaid, there is no change in the Company's constitutional documents during the year.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associate are set out in notes 36 and 20 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the financial statements on pages 67 to 145 of this annual report.

The Board of Directors of the Company recommends a final dividend of HK5 cents per ordinary share for the year ended 31 December 2015 (2014: HK2.7 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 5 July 2016. This dividend is subject to shareholders' approval at the Company's annual general meeting to be held on Wednesday, 29 June 2016. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 5 July 2016 for registration. The final dividend is expected to be paid on or about Wednesday, 20 July 2016.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 15 to 17 and pages 18 to 27 of this annual report respectively.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 146 of this annual report.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2015 are set out in note 29 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 32 to the financial statements.

DONATIONS

No charitable donations was made by the Group during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Li Shaofeng	
Ding Rucai	
So Kwok Hoo	
Chen Zhaoqiang	
Liu Qingshan	
Leung Shun Sang, Tony	
Xiang Xu Jia	
Kee Wah Sze*	
Choi Wai Yin*	
Chan Pat Lam*	
Japhet Sebastian Law*	
Zhang Yaoping	*(resigned with effect from 20 April 2015)*
Chan Chung Chun*	*(deceased on 8 May 2015)*
Wong Lik Ping	*(resigned with effect from 1 January 2016)*

* *Independent Non-executive Director*

In accordance with article 102(A) of the Company's articles of association, Messrs. Leung Shun Sang, Tony, Xiang Xu Jia, Kee Wah Sze and Choi Wai Yin will retire at the forthcoming annual general meeting of the Company. Save for Mr. Xiang Xu Jia who will not offer himself for re-election due to his other engagements, Messrs. Leung Shun Sang, Tony, Kee Wah Sze and Choi Wai Yin, being eligible, will offer themselves for re-election at the said meeting.

REPORT OF THE DIRECTORS

DIRECTORS OF SUBSIDIARIES

During the year and up to the date of this report, directors of the subsidiaries of the Company include Chen Hui, Chen Zhaoqiang, Ding Rucai, Feng Pingsheng, Gao Houpin, Gao Xingang, Ji Yan*, Kang Jizhong, Li Feng Xiao, Li Shaofeng, Liang Weiming, Liu Qingshan, So Kwok Hoo, Tian Fengfa, Wei Wanghai, Wong Lik Ping*, Xing Libin, Xue Kang, Yin Dengfeng, Zhang Xinfeng and Zhu Deling. Those marked with an asterisk* ceased to be directors of the relevant subsidiaries of the Company as at the date of this report.

DIRECTORS' INDEMNITIES AND INSURANCE

As permitted by the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officer's liability coverage for the directors and officers of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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

The Directors of the Company who held office at 31 December 2015 had the following interests in the shares and underlying shares of the Company as at 31 December 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 of Hong Kong Limited (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"):

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

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the total number of shares of the Company in issue as at 31.12.2015
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 Option Schemes" below.*

Save as disclosed above, as at 31 December 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' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries, its parent company or any subsidiary of its parent company was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Holding (Hong Kong) Limited ("Shougang Holding")#	Trading of coal	Director
Ding Rucai	Shougang Holding#	Trading of coal	Director
Wong Lik Ping*	King Steel Limited#	Production and sales of coal products	Shareholder
Xiang Xu Jia	China Coal Energy Company Limited#	Mining and processing of coal, sales of coal and coke products	Director

Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

* *Mr. Wong Lik Ping resigned as a Director of the Company with effect from 1 January 2016.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

The Board of the Company is independent from the boards of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2015, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests or short positions 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:

(a) 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 31.12.2015	*Note(s)*
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.	Beneficial owner	1,539,844,306	29.04%	
UBS Group AG	Person having a security interest in shares, interests of controlled corporations	266,113,088	5.02%	*2*

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

(b) Short 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 31.12.2015	*Note*
UBS Group AG	Interest of controlled corporation	143,752,000	2.71%	*3*

Notes:

1. *Shougang Holding indicated in its disclosure form dated 8 December 2011 (being the latest disclosure form filed up to 31 December 2015) that as at 6 December 2011, its interests included the interests held by Shougang International, a company which was held as to 47.80% 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 31 December 2015) that as at 5 May 2011, its interests included the interests held by Fine Power and Ultimate Capital.

2. *UBS Group AG indicated in its disclosure form dated 28 December 2015 (being the latest disclosure form filed up to 31 December 2015) that as at 23 December 2015, its interests included 177,111,088 shares held by UBS AG, a wholly-owned subsidiary of UBS Group AG. Amongst its long position in the shares of the Company, 132,000,000 shares were physically settled unlisted derivatives, 224,000 were cash settled unlisted derivatives and 6,007 shares were physically settled listed or traded derivatives.*

3. *UBS Group AG indicated in its disclosure form dated 28 December 2015 (being the latest disclosure form filed up to 31 December 2015) that as at 23 December 2015, its interests included short position of 140,116,000 shares held by UBS AG, a wholly-owned subsidiary of UBS Group AG. Amongst its short position in the shares of the Company, 3,116,000 shares were cash settled unlisted derivatives.*

Save as disclosed above, as at 31 December 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.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

The Company had no controlling shareholder (as defined under the Listing Rules) during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

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.

A summary of the principal terms of each of the 2003 Scheme and the 2012 Scheme is set out below:

(a) The 2003 Scheme

The purpose of the 2003 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and its subsidiaries. The 2003 Scheme was adopted on 20 June 2003 and terminated on 29 May 2012.

Under the 2003 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), employees, suppliers, customers, research development or other technological support providers, shareholders, of any member of the Group or any entity in which any member of the Group holds any equity interest, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2003 Scheme is 249,000,000 which represents approximately 4.70% of the shares of the Company in issue as at the date of this annual report. Since the 2003 Scheme was terminated on 29 May 2012, no further options can be granted under the 2003 Scheme. However, 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 OPTION SCHEMES (continued)

(a) The 2003 Scheme (continued)

Each of the grantees is not required to pay consideration for the grant of options in accordance with the 2003 Scheme. The offer shall not be open for acceptance after the expiry of the 2003 Scheme or the termination of the 2003 Scheme in accordance with the provisions of the 2003 Scheme.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2003 Scheme and the 2012 Scheme.

No share option was granted, exercised or cancelled in accordance with the terms of the 2003 Scheme during the year. Details of movements in the share options under the 2003 Scheme during the year are as follows:

	Options to subscribe for shares of the Company							
Category or name of grantee	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Wong Lik Ping	4,500,000	–	–	–	4,500,000[1]	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)[2]	–	–	–	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00

SHARE OPTION SCHEMES (continued)

(a) The 2003 Scheme (continued)

Category or name of grantee	Options to subscribe for shares of the Company: At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
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	(4,950,000)[3]	–	(750,000)[4]	91,200,000[5]	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	96,900,000	(4,950,000)	–	(750,000)	91,200,000			
Other participants	116,000,000	–	9,450,000[2 & 3]	–	125,450,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	116,000,000	–	9,450,000	–	125,450,000			
	255,000,000	(9,450,000)	9,450,000	(750,000)	254,250,000			

SHARE OPTION SCHEMES (continued)

(a) The 2003 Scheme (continued)

Notes:

1. *Subsequent to the year end date, such share options lapsed on 1 January 2016 according to the terms of the 2003 Scheme as a result of resignation of Mr. Wong Lik Ping as a Director of the Company with effect from 1 January 2016.*

2. *Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year 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.*

3. *Such share options were re-classified from the category of "Employees of the Group" to "Other participants" during the year according to the terms of the 2003 Scheme as a result of retirement of 1 grantee and 3 grantees on 20 October 2015 and 1 December 2015, respectively.*

4. *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 year as a result of the death of a grantee.*

5. *Subsequent to the year end date, a total of 750,000 share options lapsed on 1 January 2016 according to the terms of the 2003 Scheme as a result of 3 grantees ceasing to be employees of the Group with effect from 1 January 2016.*

(b) The 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2003 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 530,183,784, representing 10% of the shares of the Company in issue as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number of shares of the Company in issue as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which the grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than ten years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

SHARE OPTION SCHEMES (continued)

(b) The 2012 Scheme (continued)

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2015, there was no share option outstanding under the 2012 Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed “Share Option Schemes” herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

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 or otherwise) during the year.

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had approximately HK$1,337,849,000 reserves available for distribution as calculated in accordance with the relevant provisions of the Companies Ordinance, of which approximately HK$265,092,000 has been proposed as a final dividend for the year.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, revenue from sales of goods to the Group's five largest customers accounted for approximately 78% of the total revenue from sales of goods for the year and revenue from sales of goods to the largest customer included therein amounted to approximately 25%. Purchases from the Group's five largest suppliers accounted for approximately 59% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 25%. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, the Group had no connected transaction that was subject to the disclosure requirements under the Listing Rules.

As regards the transactions set out in note 39 to the financial statements under the heading of "Related Party Transactions", the transactions as set out in note 39(i) were connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules. The transactions set out in notes 39(ii) and 39(iii) to the financial statements did not constitute connected transactions of the Company under the Listing Rules. The transactions set out in note 39(iv) to the financial statements were the emoluments of the Directors as determined under the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company and were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 28 to 49 of this annual report.

REPORT OF THE DIRECTORS

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO Limited as auditor of the Company.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 23 March 2016

INDEPENDENT AUDITOR'S REPORT

BDO

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

To the members of Shougang Fushan Resources Group Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Fushan Resources Group Limited ("the Company") and its subsidiaries (hereafter referred to as "the Group") set out on pages 67 to 145, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo

Practising Certificate Number: P04434

Hong Kong, 23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	6	**1,996,629**	3,254,861
Cost of sales		**(1,508,441)**	(1,950,708)
Gross profit		**488,188**	1,304,153
Other operating income	8	**168,738**	295,996
Selling and distribution expenses		**(201,907)**	(300,931)
General and administrative expenses		**(341,742)**	(310,864)
Other operating expenses		**(132,830)**	(248,601)
Impairment loss on goodwill, mining rights and property, plant and equipment	19(b)	**(791,203)**	(823,964)
Finance costs	9	**(11,370)**	(11,301)
Change in fair value of derivative financial instruments		**(13,134)**	(42,500)
Share of loss of an associate		**(674)**	(1,203)
Loss before income tax	10	**(835,934)**	(139,215)
Income tax credit/(expense)	11	**124,459**	(221,717)
Loss for the year		**(711,475)**	(360,932)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(685,870)**	(222,765)
Item that will not be reclassified to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(129,435)**	(917,383)
Total comprehensive income for the year		**(1,526,780)**	(1,501,080)
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(416,471)**	(425,302)
Non-controlling interests		**(295,004)**	64,370
Loss for the year		**(711,475)**	(360,932)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(1,143,976)**	(1,534,287)
Non-controlling interests		**(382,804)**	33,207
Total comprehensive income for the year		**(1,526,780)**	(1,501,080)
		HK (Cents)	HK (Cents)
Loss per share	13		
– Basic and diluted		**(7.86)**	(8.02)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**2,936,672**	3,412,110
Prepaid lease payments	17	**53,042**	58,081
Mining rights	18	**8,580,891**	9,966,970
Goodwill	19(a)	**1,359,290**	1,454,520
Interest in an associate	20	**15,644**	17,365
Financial assets measured at fair value through other comprehensive income	21	**291,902**	373,494
Deposits, prepayments and other receivables	22	**309,045**	273,350
Deferred tax assets	31	**21,879**	22,489
Total non-current assets		**13,568,365**	15,578,379
Current assets			
Inventories	23	**167,312**	180,799
Trade and bill receivables	24	**1,757,738**	2,548,830
Deposits, prepayments and other receivables		**116,168**	184,858
Derivative financial instruments		**–**	56
Pledged bank deposits	25	**79,905**	103,670
Time deposits with original maturity over three months	26	**2,747,304**	3,450,784
Cash and cash equivalents	26	**2,290,877**	1,952,602
Total current assets		**7,159,304**	8,421,599
Current liabilities			
Trade and bill payables	27	**526,447**	601,062
Other payables and accruals	28	**1,248,905**	1,446,840
Borrowings	29	**–**	73,899
Derivative financial instruments		**17,025**	22,397
Amounts due to non-controlling interests of subsidiaries	30	**3,780**	3,796
Tax payables		**146,559**	226,712
Total current liabilities		**1,942,716**	2,374,706
Net current assets		**5,216,588**	6,046,893
Total assets less current liabilities		**18,784,953**	21,625,272

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Deferred tax liabilities	31	**1,740,673**	2,055,672
Total non-current liabilities		**1,740,673**	2,055,672
Net assets		**17,044,280**	19,569,600
EQUITY			
Equity attributable to owners of the Company			
Share capital	32	**15,156,959**	15,156,959
Reserves	33	**634,156**	2,769,576
Total equity attributable to owners of the Company		**15,791,115**	17,926,535
Non-controlling interests		**1,253,165**	1,643,065
Total equity		**17,044,280**	19,569,600

On behalf of the directors

Li Shaofeng
Director

Ding Rucai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security 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
At 1 January 2015	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
Loss for the year	–	–	–	(416,471)	–	–	–	(416,471)	(295,004)	(711,475)
Other comprehensive income for the year:										
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	(598,070)	(598,070)	(87,800)	(685,870)
– Fair value loss on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	(129,435)	–	(129,435)	–	(129,435)
Total comprehensive income for the year	–	–	–	(416,471)	–	(129,435)	(598,070)	(1,143,976)	(382,804)	(1,526,780)
2014 final dividends approved (Note 12)	–	–	–	(143,150)	–	–	–	(143,150)	–	(143,150)
2015 interim dividends declared (Note 12)	–	–	–	(53,018)	–	–	–	(53,018)	–	(53,018)
2015 special dividends declared (Note 12)	–	–	–	(795,276)	–	–	–	(795,276)	–	(795,276)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(7,096)	(7,096)
Appropriations to other reserves (Note 33)	–	–	14,653	(14,653)	–	–	–	–	–	–
Lapsed of share options	–	–	–	1,380	(1,380)	–	–	–	–	–
At 31 December 2015	15,156,959	448,068	586,286	674,401	537,680	(2,082,934)	470,655	15,791,115	1,253,165	17,044,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital redemption reserve	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security 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	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)/Profit for the year	–	–	–	–	–	(425,302)	–	–	–	(425,302)	64,370	(360,932)
Other comprehensive income for the year:												
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	(191,602)	(191,602)	(31,163)	(222,765)
– Fair value loss on financial assets measured at fair value through other comprehensive income	–	–	–	–	–	–	–	(917,383)	–	(917,383)	–	(917,383)
Total comprehensive income for the year	–	–	–	–	–	(425,302)	–	(917,383)	(191,602)	(1,534,287)	33,207	(1,501,080)
Transfer upon the abolition of par value of shares on 3 March 2014 (Note 32)	14,626,775	(14,618,903)	(7,872)	–	–	–	–	–	–	–	–	–
2013 final dividends approved (Note 12)	–	–	–	–	–	(413,543)	–	–	–	(413,543)	–	(413,543)
2014 interim dividends declared (Note 12)	–	–	–	–	–	(53,018)	–	–	–	(53,018)	–	(53,018)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	(121,924)	(121,924)
Appropriations to other reserves (Note 33)	–	–	–	–	32,752	(32,752)	–	–	–	–	–	–
Lapsed of share options	–	–	–	–	–	13,746	(13,746)	–	–	–	–	–
At 31 December 2014	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from operating activities			
Loss before income tax		**(835,934)**	(139,215)
Adjustments for:			
Amortisation of prepaid lease payments		**1,502**	1,536
Amortisation of mining rights		**194,573**	260,618
Depreciation of property, plant and equipment		**243,363**	268,439
Finance costs		**11,370**	11,301
Provision for impairment on trade and other receivables		**101,906**	–
Impairment loss on goodwill, mining rights and property, plant and equipment		**791,203**	823,964
Share of loss of an associate		**674**	1,203
Interest income		**(141,361)**	(175,912)
Dividend income on financial assets measured at fair value through other comprehensive income		**–**	(44,639)
Loss/(Gain) on disposals of property, plant and equipment		**14,195**	(20)
Change in fair value of derivative financial instruments		**13,134**	42,500
Net foreign exchange loss		**152,947**	53,927
Operating profit before working capital changes		**547,572**	1,103,702
Decrease in inventories		**2,255**	36,304
Decrease/(Increase) in trade and bill receivables		**516,934**	(484,832)
Decrease/(Increase) in deposits, prepayments and other receivables		**6,732**	(5,123)
(Decrease)/Increase in trade and bill payables		**(7,269)**	49,603
(Decrease)/Increase in other payables and accruals		**(105,992)**	32,028
Increase/(Decrease) in amounts due to non-controlling interests of subsidiaries		**220**	(16,473)
Cash generated from operations		**960,452**	715,209
Income tax paid		**(139,061)**	(313,123)
Net cash from operating activities		**821,391**	402,086

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(244,759)**	(290,202)
Proceeds from disposals of property, plant and equipment		**1,691**	343
Payments to acquire financial assets measured at fair value through other comprehensive income		**(47,843)**	–
Decrease in pledged bank deposits		**17,325**	101,007
Decrease/(Increase) in time deposits with original maturity over three months		**703,480**	(178)
Interest received		**141,203**	187,772
Dividend received		**–**	44,639
Net cash from investing activities		**571,097**	43,381
Cash flows from financing activities			
Finance costs paid		**(11,370)**	(11,301)
Dividends paid to owners of the Company		**(991,358)**	(466,561)
Dividends paid to non-controlling interests of subsidiaries		**(7,096)**	(121,924)
Net cash used in financing activities		**(1,009,824)**	(599,786)
Net increase/(decrease) in cash and cash equivalents		**382,664**	(154,319)
Cash and cash equivalents at 1 January		**1,952,602**	2,137,611
Effect of foreign exchange rates changes on cash and cash equivalents		**(44,389)**	(30,690)
Cash and cash equivalents at 31 December		**2,290,877**	1,952,602
Cash and cash equivalents at 31 December, represented by:			
Bank balances and cash	26	**2,290,877**	1,952,602

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 activity of the Company is investment holding. 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 year. Details of the activities of the principal subsidiaries of the Group are set out in Note 36.

The financial statements for the year ended 31 December 2015 were approved for issue by the board of directors on 23 March 2016.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange ("the Listing Rules").

The significant accounting policies that have been used in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or revised HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in Note 4.

The financial statements have been prepared under the historical cost basis except for certain financial instruments classified as financial assets measured at fair value through other comprehensive income (Note 21) and derivative financial instruments which are measured at fair values. The measurement bases are fully described in the accounting policies below.

2. BASIS OF PREPARATION (continued)

The financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are described in Note 5.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Business combination and basis of consolidation (continued)

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and not reversed in subsequent periods.

3.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment (continued)

Other than mining structures, depreciation is provided to write off the cost net of their estimated residual values over their estimated useful lives on a straight-line basis, at the following rates per annum:

Buildings and plants	The shorter of the lease terms or 5%
Mining machinery and equipment	10%
Leasehold improvements	The shorter of the lease terms or 33 $^1/_3$%
Office equipment, furniture and fixtures	20% to 33 $^1/_3$%
Motor vehicles and transportation equipment	10% to 25%

Depreciation on mining structures is provided to write off the cost of the mining structures using the units of production method utilising only proved and probable coal reserves as the depletion base.

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

CIP is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the CIP is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of CIP until it is completed and ready for its intended use.

Net gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.6 Mining rights

Mining rights are stated at cost less accumulated amortisation and are amortised on the units of production method based on the total proven and probable reserves of the coal mine.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- goodwill arising on acquisition of subsidiaries;
- prepaid lease payments;
- mining rights;
- property, plant and equipment; and
- interests in subsidiaries and an associate.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those of other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflow independently (i.e. a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment loss recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. 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 asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Impairment of non-financial assets (continued)

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 – Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year.

3.8 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of value-added tax ("VAT"), rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

- Interest income is accrued on time basis on the principal outstanding at the applicable interest rate.

- Dividend income is recognised when the right to receive the dividend is established.

3.10 Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs is suspended or ceases when the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets

Financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised and de-recognised on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. De-recognition of financial assets occurs when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Following the adoption of HKFRS 9, investments and other financial assets of the Group at 1 January 2011 are classified under the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit or loss; and
- financial assets measured at fair value through other comprehensive income.

Financial assets measured at amortised cost

Financial assets are classified under this category if they satisfy both of the following conditions:

- assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows for managing liquidity and generating income on its investment, but not for the purpose of realising fair value gains; and
- contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, with interest being the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and are unleveraged.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using effective interest method less any impairment. On de-recognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

Financial assets measured at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost. Investments in equity instruments are classified as at fair value through profit or loss, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income at initial recognition as described below.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Interest income on debt instruments and dividend income on investments in equity instruments at fair value through profit or loss is recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Financial assets measured at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Investments in equity instruments that the Group intends to held for long-term strategic purpose and classified under this category. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

***Financial assets measured at fair value through other comprehensive income** (continued)*

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the security investment reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in security investment reserve is not reclassified to profit or loss, but is reclassified directly to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

At each reporting date, financial assets other than at fair value are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

***Impairment of financial assets** (continued)*

If there is objective evidence that an impairment loss on financial assets has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Impairment losses for doubtful receivables, whose recovery is considered doubtful but not remote, are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method, and in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value represented the estimated net selling prices in the ordinary course of business less the estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3.15 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.17 Share capital

Shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

The Hong Kong Companies Ordinance, Cap. 622 ("the new Companies Ordinance"), came into operation on 3 March 2014. Under the new Companies Ordinance, shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s.148 and s.149 of the new Companies Ordinance.

3.18 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its Hong Kong employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Employee benefits (continued)

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share-based compensation reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options have exercised, the amount previously recognised in share-based compensation reserve is transferred to share capital. After vesting date, when the vested share options have forfeited or still have not been exercised at the expiry date, the amount previously recognised in share-based compensation reserve is transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.19 Financial liabilities

The Group's financial liabilities include borrowings, amounts due to non-controlling interests of subsidiaries, derivative financial instruments, trade and bill payables, other payables and accruals.

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3.10).

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings, which include asset-backed financing, are recognised initially at fair value, net of transaction costs incurred. These are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Other financial liabilities at amortised cost

Amounts due to non-controlling interests of subsidiaries, trade and bill payables, other payables and accruals are recognised initially at their fair values and subsequently measured at amortised cost, using effective interest method.

Derivatives

Derivatives including separated embedded derivatives are measured at fair value (see Note 3.15).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.21 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third party and the other party is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Related parties (continued)

(b) An entity is related to the Group if any of the following conditions apply: (continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

3.22 Segment reporting

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

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that change in fair value of derivative financial instruments, interest income, finance costs, share of result of an associate, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Segment reporting (continued)

Segment assets include property, plant and equipment, prepaid lease payments, mining rights, goodwill, inventories, receivables and operating cash and mainly exclude financial assets measured at fair value through other comprehensive income, derivative financial instruments, deferred tax assets, interests in an associate and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include tax payables, derivative financial instruments, deferred tax liabilities and corporate borrowings.

3.23 Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

4. ADOPTION OF HKFRSs

4.1 Adoption of new or revised HKFRSs – effective on 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 amendments has no material impact on the Group's financial statements.

4.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 1 Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

4. ADOPTION OF HKFRSs (continued)

4.2 New or revised HKFRSs that have been issued but are not yet effective (continued)

HKFRS 9 (2014) Financial Instruments

The Group has early adopted HKFRS 9 (2010) and will continue to apply HKFRS 9 (2010). HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

4. ADOPTION OF HKFRSs (continued)

4.2 New or revised HKFRSs that have been issued but are not yet effective (continued)

***HKFRS 15 Revenue from Contracts with Customers** (continued)*

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group has already commenced an assessment of the impact of adopting the above Standards and amendments to existing Standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4.3 New Companies Ordinance provisions relating to the preparation of financial statements

The provisions of the new Companies Ordinance in relation to the preparation of financial statements apply to the Company in this financial year.

The directors consider that there is no impact on the Group's financial position or performance, however the new Companies Ordinance impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5.1 Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

5.2 Impairment of goodwill

The Group tests on an annual basis whether goodwill has suffered any impairment in accordance with the accounting policy as stated in Note 3.4. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates about future cash flow expected to arise from the CGUs, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. In addition, since the cash flow projections are extrapolated beyond 5 years and the license period of the mining rights held by the Group ranges from 3 to 30 years, 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. Details of impairment assessment are set out in Note 19.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

5.3 Impairment of loans and receivables

The policy for provision for impairment of receivables of the Group is based on the evaluation of collectability and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the collateral security and the past collection history of each borrower. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in impairment of their ability to make repayments, additional allowance may be required. If the financial conditions of the borrowers of the Group, on whose account provision for impairment has been made, were improved and no impairment of their ability to make payments were noted, reversal of provision for impairment may be required.

5.4 Depreciation

The Group depreciates its property, plant and equipment using straight-line method over their estimated useful lives. The estimated useful lives reflect the directors' estimate of the period that the Group will derive future economic benefits from the use of the Group's property, plant and equipment.

5.5 Amortisation of mining rights

Mining rights are amortised over the estimated proven and probable reserves of the coal mines using units of production method. The Group assesses on an annual basis the estimated reserve of the coal mine. However, the license periods of the mining rights held by the Group range from 3 to 30 years which are shorter than the estimated useful lives of the coal mine 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. If the expectation differs from the original estimate, such differences will impact the amortisation charged in the period in which such estimate is changed.

Engineering estimates of the Group's coal reserves involved subjective judgements by engineers in developing such information and reserves are estimated in accordance with national standard set by the PRC Government. Estimates of proven and probable coal reserves are involved in subjective judgements, because the estimating technology is inaccurate, so the proven and probable coal reserves are only approximate value. The recent production and technology documents shall be considered for the estimates of proven and probable coal reserves which will be updated regularly, the inherent inaccuracy of technical estimating exists. If the past estimates change significantly, the amortisation shall be adjusted during future periods.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

5.6 Net realisable value of inventories

Net realisable value of inventories (including low cost consumables) is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses the estimations at the reporting date.

5.7 Valuation of share options granted

The fair value of share options granted is estimated using the Black-Scholes Option Pricing Model at the date of grant by an independent valuer. The Black-Scholes Option Pricing Model requires input of subjective assumptions such as expected stock price volatility and dividend yield. Changes in the subjective input may materially affect the fair value estimates.

6. REVENUE

The Group's principal activities are disclosed in Note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2015 **HK$'000**	2014 HK$'000
Sales of raw coking coal	**96,880**	537,023
Sales of clean coking coal	**1,899,749**	2,717,838
	1,996,629	3,254,861

7. SEGMENT INFORMATION

The executive directors of the Company consider the Group has one reporting segment, i.e. coking coal mining, which is detailed in Note 3.22.

The operating segment is monitored and strategic decisions are made on the basis of segment operating result. Reconciliation of segment revenue, profit or loss and assets and liabilities is as follows:

	Coking coal mining		Consolidated	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Segment revenue:				
Revenue from external customers	**1,996,629**	3,254,861	**1,996,629**	3,254,861
Segment loss	**(784,401)**	(215,676)	**(784,401)**	(215,676)
Interest income			**141,361**	175,912
Other operating income not allocated			**–**	44,639
General and administrative expenses not allocated			**(167,716)**	(89,086)
Finance costs			**(11,370)**	(11,301)
Change in fair value of derivative financial instruments			**(13,134)**	(42,500)
Share of loss of an associate			**(674)**	(1,203)
Loss before income tax			**(835,934)**	(139,215)

7. SEGMENT INFORMATION (continued)

	Coking coal mining		Corporate		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation	**242,922**	267,800	**441**	639	**243,363**	268,439
Amortisation of mining rights	**194,573**	260,618	**–**	–	**194,573**	260,618
Amortisation of prepaid lease payments	**1,502**	1,536	**–**	–	**1,502**	1,536
Impairment loss on goodwill, mining rights and property, plant and equipment	**791,203**	823,964	**–**	–	**791,203**	823,964
Provision for impairment of trade and other receivables	**101,906**	–	**–**	–	**101,906**	–

	Coking coal mining		Corporate		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**15,509,051**	18,402,978	**4,889,193**	5,183,596	**20,398,244**	23,586,574
Interest in an associate	**–**	–	**15,644**	17,365	**15,644**	17,365
Deferred tax assets	**–**	–	**21,879**	22,489	**21,879**	22,489
Financial assets measured at fair value through other comprehensive income	**–**	–	**291,902**	373,494	**291,902**	373,494
Derivative financial instruments	**–**	–	**–**	56	**–**	56
Group assets					**20,727,669**	23,999,978
Segment liabilities	**1,737,215**	2,006,378	**41,917**	45,320	**1,779,132**	2,051,698
Deferred tax liabilities	**–**	–	**1,740,673**	2,055,672	**1,740,673**	2,055,672
Tax payables	**–**	–	**146,559**	226,712	**146,559**	226,712
Borrowings	**–**	73,899	**–**	–	**–**	73,899
Derivative financial instruments	**–**	–	**17,025**	22,397	**17,025**	22,397
Group liabilities					**3,683,389**	4,430,378

7. SEGMENT INFORMATION (continued)

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Principal markets				
PRC	**1,996,629**	3,254,861	**13,253,387**	15,180,758
Hong Kong	**–**	–	**1,197**	1,638
	1,996,629	3,254,861	**13,254,584**	15,182,396

Geographical location of customers is based on the location at which the goods were delivered whilst geographical location of non-current assets is based on the physical location of the assets.

The Group has four (2014: three) customers with transactions exceeded 10% of the Group's revenues. During the year, HK$506,601,000 or 25% (2014: HK$569,795,000 or 18%), HK$274,052,000 or 14% (2014: HK$467,856,000 or 14%), HK$372,685,000 or 19% (2014: HK$425,874,000 or 13%) and HK$294,794,000 or 15%, of the Group's revenue is generated from these four (2014: three) customers under coking coal mining segment.

8. OTHER OPERATING INCOME

	2015	2014
	HK$'000	HK$'000
Bank interest income	**141,361**	175,912
Dividend income on financial assets measured at fair value through other comprehensive income	**–**	44,639
Gain on disposal of property, plant and equipment	**–**	20
Income from sales of scrapped products	**27,377**	72,950
Others	**–**	2,475
	168,738	295,996

9. FINANCE COSTS

	2015	2014
	HK$'000	HK$'000
Interest charged on discounted bill receivables	**11,370**	11,301

No borrowing costs were capitalised for the years ended 31 December 2015 and 2014.

10. LOSS BEFORE INCOME TAX

	2015	2014
	HK$'000	HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**1,530**	1,530
– other services	**297**	496
Cost of inventories recognised as expenses	**1,508,441**	1,950,708
Amortisation of:		
– prepaid lease payments (Note 17)	**1,502**	1,536
– mining rights (Note 18)	**194,573**	260,618
Depreciation of property, plant and equipment (Note 16)	**243,363**	268,439
Employee benefit expenses (including directors' emoluments) (Note 14)	**565,700**	669,831
Operating lease charges in respect of land and buildings	**6,325**	4,043
Provision for impairment on:		
– trade receivables (Note 24)	**48,821**	–
– other receivables	**53,085**	–
Provision for litigation settlement	**16,571**	–
Net exchange loss	**152,947**	53,927
Loss/(Gain) on disposals of property, plant and equipment	**14,195**	(20)

11. INCOME TAX (CREDIT)/EXPENSE

	2015	2014
	HK$'000	HK$'000
Current tax – PRC income tax		
– Current year	**75,285**	269,108
– (Over)/Under provision in respect of prior years	**(2,292)**	5,877
Deferred tax (Note 31)		
– Current year	**(197,452)**	(53,268)
	(124,459)	221,717

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profit arising in Hong Kong in 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 Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), all established in the PRC, are subject to 25% enterprise income tax in the PRC.

The Group is also subject to withholding tax at the rate of 5% (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.

Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates is as follows:

	2015	2014
	HK$'000	HK$'000
Loss before income tax	**(835,934)**	(139,215)
Tax calculated at the rates applicable to the tax jurisdiction concerned	**(200,143)**	(46,415)
Tax effect of non-deductible expenses	**72,387**	255,400
Tax effect of non-taxable income	**(18,610)**	(28,435)
Tax effect of unused tax losses not recognised	**25,437**	15,253
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	**(1,238)**	20,037
(Over)/Under provision in respect of prior years	**(2,292)**	5,877
Income tax (credit)/expense	**(124,459)**	221,717

12. DIVIDENDS

	2015	2014
	HK$'000	HK$'000
Dividends recognised as distributions during the year:		
2014 final dividend of HK2.7 cents (2013: HK7.8 cents) per ordinary share	**143,150**	413,543
2015 interim dividend of HK1 cent (2014: HK1 cent) per ordinary share	**53,018**	53,018
2015 special dividend of HK15 cents (2014: Nil) per ordinary share	**795,276**	–
	991,444	466,561

On 26 March 2015, the board of directors proposed a final dividend of HK2.7 cents per ordinary share to the owners of the Company in respect of the year ended 31 December 2014. This final dividend was approved by shareholders at the annual general meeting held on 22 May 2015 and total dividend of HK$143,150,000 was paid on 9 July 2015. This final dividend proposed after 31 December 2014 had not been recognised as a liability as at 31 December 2014.

On 23 March 2016, the board of directors proposed a final dividend of HK5 cents per ordinary share totalling HK$265,092,000 to the owners of the Company in respect of the year ended 31 December 2015. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2015 has not been recognised as a liability as at 31 December 2015.

13. LOSS PER SHARE

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

	2015	2014
	HK$'000	HK$'000
Loss used to determine basic and diluted loss per share	**(416,471)**	(425,302)
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic 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 loss per share	**5,301,837**	5,301,837

Basic loss per share is HK7.86 cents (2014: HK8.02 cents), based on the loss for the year attributable to owners of the Company of HK$416,471,000 (2014: HK$425,302,000) and weighted average number of ordinary shares as set out above for basic loss per share.

In calculating the diluted loss per share for the current and last years, the potential issue of shares arising from the Company's share option would decrease the loss per share during the year and was thereby not taken into account as they have an anti-dilutive effect. Therefore, the diluted loss per share for the current and last years was calculated based on the loss for the year of HK$416,471,000 (2014: HK$425,302,000) and on the weighted average of 5,301,837,842 (2014: 5,301,837,842) ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic loss per share.

14. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2015	2014
	HK$'000	HK$'000
Salaries, wages and allowances	**514,746**	610,106
Provision/(Reversal of provision) for unused annual leaves	**566**	(105)
Retirement benefits scheme contributions	**50,388**	59,830
	565,700	669,831

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the directors were as follows:

	2015					2014				
	Fees	Salaries, allowances and benefits	Bonuses	Retirement benefits scheme contributions	Total	Fees	Salaries, allowances and benefits	Bonuses	Retirement benefits scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors										
Mr. Li Shaofeng	–	5,400	–	123	5,523	–	5,400	–	270	5,670
Mr. Ding Rucai *	–	3,120	–	76	3,196	–	1,040	–	52	1,092
Mr. Chen Zhouping #	–	–	–	–	–	–	2,800	–	140	2,940
Mr. Wong Lik Ping ####	–	4,200	–	315	4,515	–	4,200	–	315	4,515
Mr. So Kwok Hoo	–	3,000	–	225	3,225	–	3,000	–	225	3,225
Mr. Chen Zhaoqiang	–	2,640	–	132	2,772	–	2,640	440	154	3,234
Mr. Liu Qingshan	–	2,400	–	120	2,520	–	2,400	400	140	2,940
Non-executive directors										
Mr. Leung Shun Sang, Tony	420	–	–	–	420	420	–	–	–	420
Mr. Zhang Yaoping ##	127	–	–	–	127	420	–	–	–	420
Mr. Xiang Xu Jia	420	–	–	–	420	420	–	–	–	420
Independent non-executive directors										
Mr. Kee Wah Sze	420	–	–	–	420	420	–	–	–	420
Mr. Choi Wai Yin	420	–	–	–	420	420	–	–	–	420
Mr. Chan Pat Lam	420	–	–	–	420	420	–	–	–	420
Mr. Chan Chung Chun ###	149	–	–	–	149	420	–	–	–	420
Mr. Japhet Sebastian Law	420	–	–	–	420	420	–	–	–	420
	2,796	20,760	–	991	24,547	3,360	21,480	840	1,296	26,976

* appointed with effect from 1 September 2014
\# resigned with effect from 1 September 2014
\## resigned with effect from 20 April 2015
\### passed away on 8 May 2015
\#### resigned with effect from 1 January 2016

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

Directors' emoluments (continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2014: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group (2014: Nil). Details of these benefits in kind including the principal terms and number of options granted are disclosed under the heading "Share Option Schemes" in the Report of the Directors.

Five highest paid individuals

The five highest paid individuals in the Group in 2015 and 2014 were all directors of the Company and details of their emoluments are reflected in the analysis presented above.

The emoluments paid or payable to members of senior management are included in the analysis presented above.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and plants HK$'000	CIP HK$'000	Mining structures HK$'000	Mining machinery and equipment HK$'000	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Motor vehicles and transportation equipment HK$'000	Total HK$'000
At 1 January 2014								
Cost	1,462,460	696,624	845,356	1,519,047	2,965	110,919	61,666	4,699,037
Accumulated depreciation	(272,078)	–	(156,081)	(538,691)	(2,436)	(74,453)	(45,623)	(1,089,362)
Net carrying amount	1,190,382	696,624	689,275	980,356	529	36,466	16,043	3,609,675
Year ended 31 December 2014								
Opening net carrying amount	1,190,382	696,624	689,275	980,356	529	36,466	16,043	3,609,675
Exchange retranslation	(20,469)	(12,324)	(12,216)	(16,713)	–	(567)	(257)	(62,546)
Additions	613	74,967	–	48,791	–	5,013	4,359	133,743
Transfers	57,463	(77,608)	12,661	7,484	–	–	–	–
Disposals	(287)	–	–	–	–	–	(36)	(323)
Depreciation (Note 10)	(79,696)	–	(12,056)	(152,997)	(515)	(16,481)	(6,694)	(268,439)
Closing net carrying amount	1,148,006	681,659	677,664	866,921	14	24,431	13,415	3,412,110
At 31 December 2014								
Cost	1,494,494	681,659	842,954	1,548,030	2,965	113,940	64,210	4,748,252
Accumulated depreciation	(346,488)	–	(165,290)	(681,109)	(2,951)	(89,509)	(50,795)	(1,336,142)
Net carrying amount	1,148,006	681,659	677,664	866,921	14	24,431	13,415	3,412,110
Year ended 31 December 2015								
Opening net carrying amount	**1,148,006**	**681,659**	**677,664**	**866,921**	**14**	**24,431**	**13,415**	**3,412,110**
Exchange retranslation	**(62,770)**	**(45,357)**	**(41,159)**	**(46,350)**	**–**	**(1,130)**	**(584)**	**(197,350)**
Additions	**110**	**113,521**	**–**	**37,260**	**–**	**3,571**	**911**	**155,373**
Transfers	**31,024**	**(50,126)**	**19,102**	**–**	**–**	**–**	**–**	**–**
Disposals	**(1,241)**	**–**	**–**	**(14,588)**	**–**	**(26)**	**(31)**	**(15,886)**
Depreciation (Note 10)	**(79,887)**	**–**	**(2,720)**	**(144,597)**	**(14)**	**(11,663)**	**(4,482)**	**(243,363)**
Impairment loss (Note 19(b))	**(101,749)**	**–**	**(36,231)**	**(36,232)**	**–**	**–**	**–**	**(174,212)**
Closing net carrying amount	**933,493**	**699,697**	**616,656**	**662,414**	**–**	**15,183**	**9,229**	**2,936,672**
At 31 December 2015								
Cost	**1,431,022**	**699,697**	**808,781**	**1,423,633**	**2,965**	**110,200**	**60,150**	**4,536,448**
Accumulated depreciation	**(400,610)**	**–**	**(157,613)**	**(726,707)**	**(2,965)**	**(95,017)**	**(50,921)**	**(1,433,833)**
Impairment loss	**(96,919)**	**–**	**(34,512)**	**(34,512)**	**–**	**–**	**–**	**(165,943)**
Net carrying amount	**933,493**	**699,697**	**616,656**	**662,414**	**–**	**15,183**	**9,229**	**2,936,672**

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For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT (continued)

During the years ended 31 December 2015 and 2014, no interest expense was capitalised in property, plant and equipment.

The Group had no property, plant and equipment held under finance leases as at 31 December 2015 and 2014.

As at 31 December 2015, the Group was still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately RMB141,882,000 (HK$166,002,000 equivalent) (2014: 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.

17. PREPAID LEASE PAYMENTS

The Group's interests in leasehold land and land use rights represent the prepaid lease payments under operating leases. Their net carrying amounts are analysed as follows:

	2015 **HK$'000**	2014 HK$'000
Opening net carrying amount	**58,081**	60,681
Exchange retranslation	**(3,537)**	(1,064)
Amortisation (Note 10)	**(1,502)**	(1,536)
Closing net carrying amount	**53,042**	58,081

18. MINING RIGHTS

	2015 **HK$'000**	2014 HK$'000
Opening net carrying amount	**9,966,970**	10,410,259
Exchange retranslation	**(580,977)**	(182,671)
Amortisation (Note 10)	**(194,573)**	(260,618)
Impairment loss (Note 19(b))	**(610,529)**	–
Closing net carrying amount	**8,580,891**	9,966,970
Gross carrying amount	**11,032,808**	11,763,614
Accumulated amortisation	**(1,870,366)**	(1,796,644)
Impairment loss	**(581,551)**	–
Net carrying amount	**8,580,891**	9,966,970

The estimated remaining useful lives of the mining rights range between 29 years and 44 years which are based on exploration reports prepared in accordance with the relevant PRC standards.

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

(a) Reconciliation of carrying amount of goodwill

	2015 HK$'000	2014 HK$'000
Gross carrying amount at 1 January	**2,280,494**	2,321,215
Exchange retranslation	**(88,768)**	(40,721)
Gross carrying amount at 31 December	**2,191,726**	2,280,494
Less:		
Accumulated impairment loss at 1 January	**(825,974)**	(2,010)
Impairment loss	**(6,462)**	(823,964)
Accumulated impairment loss at 31 December	**(832,436)**	(825,974)
Net carrying amount at 31 December	**1,359,290**	1,454,520

The carrying amount of goodwill was allocated as follows:

	2015 HK$'000	2014 HK$'000
Xingwu	**801,368**	854,834
Jinjiazhuang	**–**	6,118
Zhaiyadi	**537,211**	572,857
Jinshan Energy Group Limited ("Jinshan")	**20,711**	20,711
Net carrying amount at 31 December	**1,359,290**	1,454,520

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

During the 2015 interim period, an impairment loss of HK$143,715,000 was recognised for Jinjiazhuang in the consolidated statement of profit or loss and other comprehensive income. Given global economy was slowing down and China's economy was under downward pressure, there was oversupply of coking coal leading to the continuing decrease in coal price in the second half of 2015. The Group reassessed its estimates on the recoverable amounts of CGUs of the coking coal mining segment, and a further impairment loss of HK$647,488,000 was recognised in the consolidated statement of profit or loss and other comprehensive income at the reporting date. Accordingly, a total impairment loss of HK$791,203,000 (2014: HK$823,964,000) was recognised in the year of 2015.

19. 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)

As described in Note 5.2, 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 31 December 2015 were measured by an independent valuer, Asset Appraisal Limited, who is a member of the Hong Kong Institute of Surveyors.

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

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately -1% to 42% (2014: 3% to 12%) and with average discount rate of 12.76% (2014: 14.08%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (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% (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 range 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$794,683,000 (2014: HK$1,239,778,000) and an impairment loss of HK$791,203,000 (2014: HK$805,856,000) 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 amount of goodwill, mining rights and property, plant and equipment, were reduced by HK$6,462,000 (2014: HK$805,856,000); HK$610,529,000 (2014: Nil) (Note 18) and HK$174,212,000 (2014: Nil) (Note 16) 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 12.18% (2014: 14.20%) per annum and the growth rates, covering a 5-year period, of approximately -1% to 42% (2014: 3% to 12%).

19. 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$663,240,000. The key assumptions are the discount rate of 12.95% and the growth rate of approximately -1% to 42%. If the discount rate increased by 1.54% or the growth rate reduced by 0.82%, the carrying amount of Xingwu's CGU would equal its recoverable amount.

The recoverable amount of Zhaiyadi's CGU exceeds its carrying amount by HK$1,064,565,000. The key assumptions are the discount rate of 13% and the growth rate of approximately -1% to 42%. If the discount rate increased by 2.38% or the growth rate reduced by 1.33%, the carrying amount of Zhaiyadi's CGU would equal its recoverable amount.

20. INTEREST IN AN ASSOCIATE

	2015	2014
	HK$'000	HK$'000
Unlisted equity shares, at cost	**19,884**	19,884
Exchange retranslation	**(8)**	1,039
Share of net assets	**(4,232)**	(3,558)
	15,644	17,365

Particulars of the associate at 31 December 2015 are as follows:

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of registered capital	Effective interest held by the Group 2015	2014
Luliang Jin Yu Cangchu Company Limited # 呂梁晉煜倉儲有限公司	PRC, limited liability company	Provision of coal storage services in the PRC	RMB42,000,000	**35%**	35%

The English translation is unofficial and for identification purpose only.

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For the year ended 31 December 2015

20. INTEREST IN AN ASSOCIATE (continued)

Summary of financial information of the Group's associate as extracted from its unaudited management accounts is as follows:

	2015 HK$'000	2014 HK$'000
Assets	**40,847**	49,618
Liabilities	**3,314**	7,649
Revenue	**–**	104
Loss for the year	**(1,919)**	(3,426)
Other comprehensive income	**(2,516)**	(795)
Total comprehensive income	**(4,435)**	(4,221)

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

	2015 HK$'000	2014 HK$'000
Equity securities, at fair value		
– listed in Australia (Note (a))	**167,144**	253,994
– listed in Hong Kong (Note (b))	**124,758**	119,500
	291,902	373,494
Unlisted equity interest (Note (c))	**–**	–
	291,902	373,494

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes:

(a) This represents an investment in a company listed on the Australian Securities Exchange Limited (the "Australian Securities Exchange"), Mount Gibson Iron Limited ("Mount Gibson").

As at 31 December 2015, the Group directly held 15.02% (2014: 15.02%) interest in Mount Gibson and the fair value of the investment in Mount Gibson was HK$167,144,000 (2014: HK$253,994,000) which represented the market value with reference to its closing price as at that day in the Australian Securities Exchange. A fair value loss of HK$86,850,000 (2014: HK$896,351,000) was recognised in the security investment reserve during the year ended 31 December 2015.

(b) This represents an investment in a company listed on The Stock Exchange, APAC Resources Limited ("APAC").

As at 31 December 2015, the Group directly held 15.60% (2014: 15.60%) interest in APAC and the fair value of the investment in APAC was HK$124,758,000 (2014: HK$119,500,000) which represented the market value with reference to its closing price as at that day in The Stock Exchange. During the year, the Group accepted the open offer for subscription of 478,000,000 shares at HK$0.10 per offer share. A fair value loss of HK$42,585,000 (2014: HK$21,032,000) was recognised in the security investment reserve during the year ended 31 December 2015.

(c) This represents the cost of 7% (2014: 7%) equity investment in an unlisted company incorporated in the PRC. The company ceased operation during the year ended 31 December 2013, a fair value loss of approximately HK$8,890,000 was incurred in 2013.

The fair value of the Group's investments in listed and unlisted equity securities has been measured as described in Note 41(b).

22. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES – NON-CURRENT ASSETS

	2015 HK$'000	2014 HK$'000
Deposits for a potential mining project	**164,829**	175,747
Housing loans to PRC employees	**–**	11,834
Prepayments for CIP and property, plant and equipment	**86,287**	24,002
Prepayments for land-use rights	**57,929**	61,767
	309,045	273,350

23. INVENTORIES

	2015 HK$'000	2014 HK$'000
Spare parts and consumables	**98,085**	117,042
Coking coal	**69,227**	63,757
	167,312	180,799

As at 31 December 2015 and 2014, no inventories were stated at net realisable value.

24. TRADE AND BILL RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**1,284,785**	1,308,218
Less: Provision for impairment loss	**(225,151)**	(190,480)
	1,059,634	1,117,738
Bill receivables	**698,104**	1,431,092
	1,757,738	2,548,830

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

24. TRADE AND BILL RECEIVABLES (continued)

The carrying amount of trade and bill receivables is considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, are expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2015, bill receivables included an amount of RMB155,700,000 (HK$182,169,000 equivalent) (2014: RMB205,766,000 (HK$256,693,000 equivalent)) (Note 27) which was pledged for bill payables of RMB152,416,000 (HK$178,327,000 equivalent) (2014: RMB198,857,000 (HK$248,074,000 equivalent)).

As at 31 December 2015, the Group discounted and endorsed certain 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.

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. As at 31 December 2015, bill receivables of RMB9,716,000 (HK$11,368,000 equivalent) (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. As at 31 December 2015, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to Nil (2014: RMB59,237,000 (HK$73,899,000 equivalent)) (Note 29), RMB3,350,000 (HK$3,920,000 equivalent) (2014: RMB57,430,000 (HK$71,644,000 equivalent)) (Note 27) and RMB6,366,000 (HK$7,448,000 equivalent) (2014: RMB30,693,000 (HK$38,290,000 equivalent)) (Note 28) 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 the bill receivables.

At each reporting date, trade and bill receivables are individually assessed for impairment review purpose. The individually impaired receivables, if any, are recognised, based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

24. TRADE AND BILL RECEIVABLES (continued)

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case impairment loss is written off against trade and bill receivables directly. As at 31 December 2015, ageing analysis of net trade and bill receivables, based on the invoice dates, is as follows:

	2015	2014
	HK$'000	HK$'000
1 to 3 months	**918,910**	1,300,738
4 to 6 months	**387,880**	1,196,636
7 to 12 months	**387,994**	51,456
Over 1 year	**62,954**	–
	1,757,738	2,548,830

Movement in the provision for impairment of trade receivables is as follows:

	2015	2014
	HK$'000	HK$'000
At 1 January	**190,480**	193,917
Exchange retranslation	**(14,150)**	(3,437)
Impairment loss recognised (Note 10)	**48,821**	–
At 31 December	**225,151**	190,480

24. TRADE AND BILL RECEIVABLES (continued)

As at 31 December 2015, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2015 HK$'000	2014 HK$'000
Current	**1,218,565**	2,218,086
Less than 3 months past due	**101,712**	285,401
4 to 6 months past due	**314,236**	44,804
More than 6 months but less than 12 months past due	**123,225**	539
	539,173	330,744
	1,757,738	2,548,830

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the balances are considered fully recoverable.

25. PLEDGED BANK DEPOSITS

As at 31 December 2015, pledged bank deposits of RMB68,000,000 (HK$79,560,000 equivalent) (2014: RMB83,102,000 (HK$103,670,000 equivalent)) (Note 27) were denominated in RMB and were pledged for bill payables of RMB68,000,000 (HK$79,560,000 equivalent) (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.

26. BANK BALANCES AND CASH

	2015 HK$'000	2014 HK$'000
Cash at banks and on hand	**52,224**	87,865
Time deposits at banks	**4,985,957**	5,315,521
Bank balances and cash	**5,038,181**	5,403,386
Less: Time deposits with original maturity over three months	**(2,747,304)**	(3,450,784)
Cash and cash equivalents	**2,290,877**	1,952,602

Cash at banks generates interest at the floating rates based on the daily bank deposit rates. During the year, time deposits with original maturity within three months were made for varying periods of one day to three months depending on the immediate cash requirements of the Group and earned interest at the respective time deposit rates ranging from 0.03% to 6.02% (2014: 0.27% to 5.14%) per annum.

27. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2014: 30 to 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2015 is as follows:

	2015 HK$'000	2014 HK$'000
1 to 3 months	**276,622**	266,322
4 to 6 months	**209,840**	291,329
7 to 12 months	**19,589**	19,001
Over 1 year	**20,396**	24,410
	526,447	601,062

As at 31 December 2015, bill payables amounted to RMB284,622,000 (HK$333,008,000 equivalent) (2014: RMB281,820,000 (HK$351,571,000 equivalent)) were partially secured by the pledged bank deposits of RMB68,000,000 (HK$79,560,000 equivalent) (2014: RMB83,102,000 (HK$103,670,000 equivalent)) (Note 25) and bill receivables of RMB155,700,000 (HK$182,169,000 equivalent) (2014: RMB205,766,000 (HK$256,693,000 equivalent)) (Note 24).

As at 31 December 2015, included in trade payables of RMB3,350,000 (HK$3,920,000 equivalent) (2014: RMB57,430,000 (HK$71,644,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 24).

28. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Advances from customers	**102,684**	236,306
Accruals	**495,921**	493,136
Other payables	**641,402**	709,151
Amount due to other parties	**8,898**	8,247
	1,248,905	1,446,840

As at 31 December 2015, included in other payables of RMB6,366,000 (HK$7,448,000 equivalent) (2014: RMB30,693,000 (HK$38,290,000 equivalent)) represents the amount of bill receivables endorsed to other creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 24).

29. BORROWINGS

	2015 HK$'000	2014 HK$'000
Asset-backed financing	**–**	73,899

The carrying amount of asset-backed financing as at 31 December 2014 approximated to its fair value. Asset-backed financing represented the financing obtained in invoice discounting transactions which did not meet the de-recognition requirements in HKAS 39. The corresponding financial assets were included in bill receivables (Note 24).

30. AMOUNTS DUE TO NON-CONTROLLING INTERESTS OF SUBSIDIARIES

The balance as at 31 December 2015 and 2014 is denominated in RMB and is unsecured, interest-free and repayable on demand.

31. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets recognised in the consolidated statement of financial position and their movements during the year are as follows:

	Tax deductible expense	
	2015	2014
	HK$'000	HK$'000
At 1 January	**22,489**	27,586
Exchange retranslation	**(1,437)**	(456)
Credit/(Charged) to profit or loss (Note 11)	**827**	(4,641)
At 31 December	**21,879**	22,489

Deferred tax liabilities recognised in the consolidated statement of financial position and their movements during the year are as follows:

	Withholding tax	**Fair value adjustments of property, plant and equipment and mining rights**	**Mining funds**	**Total**
	HK$'000	HK$'000	HK$'000 (Note)	HK$'000
At 1 January 2014	32,587	2,030,369	88,346	2,151,302
Exchange retranslation	(494)	(35,673)	(1,554)	(37,721)
Credited to profit or loss (Note 11)	(12,191)	(44,032)	(1,686)	(57,909)
At 31 December 2014 and 1 January 2015	**19,902**	**1,950,664**	**85,106**	**2,055,672**
Exchange retranslation	**(863)**	**(112,013)**	**(5,498)**	**(118,374)**
(Credited)/Charged to profit or loss (Note 11)	**(7,875)**	**(193,201)**	**4,451**	**(196,625)**
At 31 December 2015	**11,164**	**1,645,450**	**84,059**	**1,740,673**

31. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Note: Pursuant to changes in certain regulations of the PRC government, the Group is required to set aside the production maintenance fee, safety fund, and other expense of similar nature (collectively the "Mining Funds"). As such amendments are deductible for the purpose when they are set aside but are expensed for accounting purpose only when they are utilised, a deferred tax liability is recorded for the temporary difference in respect of excess fund set aside for tax purposes.

As at 31 December 2015 and 2014, no deferred tax assets has been recognised in respect of the deductible temporary differences and unused tax losses arising from certain subsidiaries incorporated in Hong Kong and PRC as it is uncertain whether future taxable profit is available against which the deductible temporary differences and tax losses can be utilised. Deferred tax assets have not been recognised in respect of the following items:

	2015 **HK$'000**	2014 HK$'000
Deductible temporary differences	**536**	613
Tax losses	**341,084**	298,584
	341,620	299,197

The Group has no tax losses (2014: approximately HK$4,878,000) which shall expire in this year (2014: this year) and tax losses of approximately HK$341,084,000 (2014: HK$293,706,000) which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

32. SHARE CAPITAL

	Number of shares		Amount	
	2015	2014	**2015**	2014
	'000 shares	'000 shares	**HK$'000**	HK$'000
Issued and fully paid:				
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 31 December	**5,301,837**	5,301,837	**15,156,959**	15,156,959

Note: In accordance with the new Companies Ordinance, 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.

33. RESERVES

Group

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium

Prior to 3 March 2014, the application of the share premium account was governed by s.48B of the Hong Kong Companies Ordinance, Cap. 32. In accordance with the transitional provisions set out in s.37 of Schedule 11 to the new Companies Ordinance, any amount standing to the credit of the share premium account at the beginning of 3 March 2014 became part of the Company's share capital. The use of this share premium balance is governed by s.38 of Schedule 11 to the new Companies Ordinance.

Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

33. RESERVES (continued)

Group (continued)

Other reserves

In accordance with the Notice of the Ministry of Finance and the State Administration of Safety Coal Mine in Liulin Province in May 2005 (Liucaizi [2005] No. 35) and the No. 3 document of the Ministry of Finance in 23 June 2009 (Caikuai [2009] No.8), entities engaged in coal mining are required to provide for production maintenance fee, safety fund and other expense of similar nature at fixed rates on coal production volume. These funds were charged as expenses to cost of production and credited to specific reserves accordingly. At the end of the financial year, the unused funds were reversed against the cost of related production when the Group prepared its financial statements in accordance with HKFRSs.

Company

	Share premium	**Capital redemption reserve**	**Retained profits**	**Share-based compensation reserve**	**Total**
	HK$'000	HK'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	14,618,903	7,872	1,054,274	552,806	16,233,855
Transfer to share capital upon abolition of par value of shares on 3 March 2014 (Note 32)	(14,618,903)	(7,872)	–	–	(14,626,775)
Lapsed of share options	–	–	13,746	(13,746)	–
Profit for the year	–	–	1,362,750	–	1,362,750
2013 final dividends approved	–	–	(413,543)	–	(413,543)
2014 interim dividends declared	–	–	(53,018)	–	(53,018)
At 31 December 2014 and 1 January 2015	**–**	**–**	**1,964,209**	**539,060**	**2,503,269**
Lapsed of share options	**–**	**–**	**1,380**	**(1,380)**	**–**
Profit for the year	**–**	**–**	**363,704**	**–**	**363,704**
2014 final dividends approved	**–**	**–**	**(143,150)**	**–**	**(143,150)**
2015 interim dividends declared	**–**	**–**	**(53,018)**	**–**	**(53,018)**
2015 special dividends declared	**–**	**–**	**(795,276)**	**–**	**(795,276)**
At 31 December 2015	**–**	**–**	**1,337,849**	**537,680**	**1,875,529**

34. SHARE OPTION SCHEME

At the Company's annual general meeting held on 20 June 2003, an option scheme (the "2003 Scheme") was approved which empowered the directors to implement and administer the 2003 Scheme with effect from the date of the resolution. The 2003 Scheme was enforceable for a period of 10 years ending on 19 June 2013. On 25 May 2012, a new share option scheme (the "2012 Scheme") was adopted by the shareholders of the Company and the 2012 Scheme became effective on 29 May 2012. The 2003 Scheme was terminated from the date on which the 2012 Scheme became effective on 29 May 2012. However, 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. No share options have been granted since the adoption of the 2012 Scheme. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 530,183,784, representing 10% of the shares of the Company in issue as at the date of this annual report.

2012 Scheme was designed to reward and provide incentives to, and strengthen the Group's business relationship with the prescribed classes of participants, including but not limited to eligible employees and directors of any member of the Group, who contributed to the development of the Group.

Under the 2012 Scheme, the exercise price of the options is to be determined by the directors and is at least the highest of (i) the closing price of the Company's shares (the "Shares") as stated in The Stock Exchange's daily quotations sheet on the date of grant; (ii) average closing price of the Shares as stated in The Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Shares on the date of grant. Each of the grantees of the 2012 Scheme is required to pay HK$1 as consideration for the grant of share options. An option may generally be exercised during the period commencing on the date of grant and expiring on the date as determined by the directors, but in any event not more than 10 years from the date of grant.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of in aggregate 0.1% of the Shares in issue (based on the date of grant) and an aggregate value of HK$5 million (based on the closing price of the Shares at the date of each grant), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Details of the principal terms of the 2003 Scheme and the 2012 Scheme are disclosed under the heading " Share Option Schemes" in the Report of the Directors.

34. SHARE OPTION SCHEME (continued)

The total number of option outstanding under the 2003 Scheme as at 31 December 2015 was 254,250,000 (2014: 255,000,000) which represents approximately 4.80% (2014: 4.81%) of the Company's issued shares as at 31 December 2015. All share-based compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

All share options granted under the 2003 Scheme are accounted for under HKFRS 2. Share options and weighted average exercise price for the years ended 31 December 2015 and 2014 are as follows:

	2015		2014	
		Weighted average exercise price		Weighted average exercise price
	'000 shares	**HK$**	'000 shares	HK$
Outstanding at 1 January	**255,000**	**6.00**	261,000	6.00
Lapsed	**(750)**	**6.00**	(6,000)	6.00
Outstanding at 31 December	**254,250**	**6.00**	255,000	6.00
Exercisable at 31 December	**254,250**	**6.00**	255,000	6.00

The exercise prices of the 254,250,000 (2014: 255,000,000) options outstanding as at 31 December 2015 was HK$6.00 (2014: HK$6.00) and a weighted average remaining contractual life of 0.6 years (2014: 1.6 years).

750,000 (2014: 6,000,000) share options under the 2003 Scheme were lapsed during 2015. No options were exercised, granted or cancelled during 2015 and 2014.

35. HOLDING COMPANY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**38**	65
Interests in subsidiaries	36	**120,456**	120,456
Total non-current assets		**120,494**	120,521
Current assets			
Amounts due from subsidiaries		**17,466,571**	16,556,490
Deposits, prepayments and other receivables		**7,817**	17,068
Time deposits with original maturity over three months		**1,290,721**	1,709,054
Cash and cash equivalents		**823,247**	1,143,379
Total current assets		**19,588,356**	19,425,991
Current liabilities			
Amounts due to subsidiaries		**2,661,144**	1,874,620
Other payables and accruals		**11,219**	11,302
Derivative financial instruments		**3,999**	362
Total current liabilities		**2,676,362**	1,886,284
Net current assets		**16,911,994**	17,539,707
Net assets		**17,032,488**	17,660,228
EQUITY			
Share capital	32	**15,156,959**	15,156,959
Reserves	33	**1,875,529**	2,503,269
Total equity		**17,032,488**	17,660,228

On behalf of the directors

Li Shaofeng	**Ding Rucai**
Director	*Director*

36. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2015 are as follows:

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Effective interest held by the Group 2015	Effective interest held by the Group 2014
Xingwu *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB250,000,000	**88%**	88%
Jinjiazhuang *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB374,000,000	**65%**	65%
Zhaiyadi *	PRC, limited liability company	Mining, production and sales of coal in the PRC	Registered capital of RMB800,000,000	**95%**	95%
Jinshan *	PRC, limited liability company	Investment holding, production and sales of coal products in the PRC	Registered capital of RMB600,000,000	**94%**	94%
Liulin Luenshan Coking Company Limited *^	PRC, limited liability company	Production and sales of coal products in the PRC	Registered capital of RMB330,000,000	**61%**	61%
Fu Hui Investments Limited	Hong Kong, limited liability company	Administration and investment vehicle of the Group (Hong Kong)	HK$100	**100%**	100%
Fu Hui Jewellery & Goldsmith Company Limited	Hong Kong, limited liability company	Investment vehicle of the Group (Hong Kong)	HK$2,000,000	**100%**	100%
Thechoice Finance (HK) Limited *	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
Worldman Industrial (HK) Limited *	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%

36. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Effective interest held by the Group 2015	2014
Gumpert Industries (HK) Limited *	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
Shougang Resources (Hong Kong) Limited *	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	**100%**	100%
Jade Green Investments Holding Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Thechoice Finance Limited *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Worldman Industrial Limited *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Gumpert Industries Limited *	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Fushan Energy Group Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Maxease Limited	BVI, limited liability company	Investment vehicle in Hong Kong	1 ordinary share of US$1	**100%**	100%
True Plus Limited	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%
Benefit Rich Limited	Samoa, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1	**100%**	100%

36. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and form of legal entity	Principal activities and place of operations	Particulars of issued share capital/registered capital	Effective interest held by the Group 2015	2014
Shanxi Jinxinglong Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**88%**	88%
Shanxi Jinsheng Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**65%**	65%
Shanxi Jinfulong Energy Co., Ltd * ^	PRC, limited liability company	Investment on coal projects in the PRC	Registered capital of RMB10,000,000	**95%**	95%

* These companies are indirectly held by the Company.

^ The English translation is unofficial and for identification purpose only.

The financial statements of the principal subsidiaries have been examined by BDO Limited for purpose of the consolidation of the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

37. NON-CONTROLLING INTERESTS

The following table lists out the information relating to one subsidiary of the Group which have material non-controlling interest ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 HK$'000	2014 HK$'000
Jinjiazhuang		
NCI percentage	**35%**	35%
As at 31 December		
Current assets	**703,795**	1,035,458
Non-current assets	**4,746,319**	5,854,651
Current liabilities	**1,582,713**	1,989,741
Non-current liabilities	**492,659**	708,193
Net assets	**3,374,742**	4,192,175
Carrying amount of NCI	**1,110,354**	1,488,654
For the year ended 31 December		
Revenue	**823,497**	1,311,458
Loss for the year	**(797,608)**	(605,056)
Total comprehensive income	**378,300**	38,302
Profit allocated to NCI	**300,061**	66,317
Dividend paid to NCI	**–**	105,586
Cash flows from operating activities	**494,129**	266,587
Cash flows from investing activities	**(59,771)**	(91,040)
Cash flows from financing activities	**(468,394)**	(184,726)

38. COMMITMENTS

(a) Operating lease commitments

As at 31 December 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:

	2015 HK$'000	2014 HK$'000
Within one year	6,298	5,216
In the second to fifth years	10,791	11,506
After the fifth years	33,346	38,431
	50,435	55,153

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 1 to 34 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

	2015 HK$'000	2014 HK$'000
Commitments for the:		
– Acquisition of property, plant and equipment	206,803	245,285
– Exploration and design fees for a potential mining project	8,752	9,331
	215,555	254,616

39. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements, the following transactions for the years ended 31 December 2015 and 2014 were carried out with related parties:

(i) During the year ended 31 December 2015, the Group paid management fees and company secretarial service fees of HK$1,560,000 (2014: HK$1,560,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is a substantial shareholder of the Company. As at 31 December 2015 and 2014, no amounts were outstanding.

(ii) During the year ended 31 December 2015, the Group paid rental expenses of HK$2,340,000 (2014: HK$2,340,000) to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), which is the substantial shareholder of Shougang International. As at 31 December 2015 and 2014, no amounts were outstanding.

(iii) During the year ended 31 December 2015, the Group sold clean coking coal amounted to HK$506,601,000 (2014: HK$569,795,000) 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 were made at market prices with a maximum discount of 3%. As at 31 December 2015, amount due from/to the Shougang Group was HK$549,519,000 (2014: HK$354,882,000) and HK$9,484,000 (2014: HK$10,465,000) respectively.

(iv) The compensation payable to key management personnel during the year have been disclosed in Note 15.

The related party transactions in (i) above constitute connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules. The related party transaction in (i) above was connected transaction which was exempt from any disclosure and shareholders' approval requirements under the Listing Rules. Except this, none of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk, which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the directors consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The most significant financial risks to which the Group is exposed are described below.

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate. The Group's exposure to foreign currency risk primarily arises from certain financial assets measured at fair value through other comprehensive income, derivative financial instruments and certain bank balances which are denominated in RMB, US$ and Australian Dollars ("AUD").

To mitigate the Group's other exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group's risk management policies. The foreign-currency-denominated financial assets and liabilities, translated into HK$ at closing rates, are as follows:

	2015			2014		
	Expressed in HK$'000			Expressed in HK$'000		
	AUD	**US$**	**RMB**	AUD	US$	RMB
Financial assets measured at fair value through other comprehensive income	**167,144**	**–**	**–**	253,994	–	–
Derivative financial instruments – assets	**–**	**–**	**–**	–	56	–
Time deposit with original maturity over three months	**–**	**2,209,273**	**315,231**	–	2,862,705	588,079
Cash and bank balances	**38,143**	**2,071,359**	**569**	41,724	542,657	1,113,833
Derivative financial instruments – liabilities	**–**	**(17,025)**	**–**	–	(22,397)	–
Overall net exposure	**205,287**	**4,263,607**	**315,800**	295,718	3,383,021	1,701,912

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) Foreign currency risk (continued)

As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No sensitivity analysis in respect of the Group's financial assets denominated in US$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting date.

The following table indicates the approximate change in the Group's loss for the year and equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the reporting date.

	2015			2014		
	Increase/ (Decrease) in foreign exchange rates	**Effect on loss for the year HK$'000**	**Effect on equity HK$'000**	Increase/ (Decrease) in foreign exchange rates	Effect on loss for the year HK$'000	Effect on equity HK$'000
AUD	**+5%**	**(1,907)**	**7,664**	+5%	(2,086)	13,532
AUD	**-5%**	**1,907**	**(7,664)**	-5%	2,086	(13,532)
RMB	**+5%**	**(15,790)**	**–**	+5%	(85,096)	–
RMB	**-5%**	**15,790**	**–**	-5%	85,096	–

(ii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bill receivables, deposits, other receivables, pledged bank deposits, time deposits with original maturity over three months and cash and cash equivalents. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Financial assets carrying significant credit risk exposures are the trade receivables over 90 days past due amounting to HK$437,461,000 (2014: HK$45,343,000) (Note 24). Management is of the opinion that reasonable actions and mitigations have been carried out to minimise the exposure to credit risk and details of such mitigations are set out in respective notes to the financial statements. In this regards, the directors consider that the Group's credit risk is sufficiently managed.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Credit risk (continued)

The credit risk on all pledged bank deposits, time deposits with original maturity over three months and cash and cash equivalents of the Group is minimised as the funds are placed with major banks located in Hong Kong and the PRC respectively.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group's major exposure to interest rate risk relates primarily to cash and cash equivalents. Interest rates and terms of pledged bank deposits, bank balances and cash, borrowings, amounts due to non-controlling interests of subsidiaries, are disclosed in Notes 25, 26, 29 and 30 respectively.

The following table illustrates the sensitivity of loss after income tax for the year and retained profits to a change in interest rates of +25 basis points and -25 basis points (2014: +25 basis points and -25 basis points). The calculations are based on the cash at banks and on hand at 31 December 2015 and 2014. All other variables are held constant.

	2015 **HK$'000**	2014 HK$'000
If interest rates were 25 basis points (2014: 25 basis points) higher		
Loss for the year decrease by	**131**	220
If interest rates were 25 basis points (2014: 25 basis points) lower		
Loss for the year increase by	**131**	220

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iv) Price risk

This relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to other price risk arising from its listed equity investments classified as financial assets measured at fair value through other comprehensive income. Details of the financial assets measured at fair value through other comprehensive income are set out in Note 21. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles and consider hedging the risk exposure should the need arise.

For listed equity securities, an average volatility of 17.93% and 13.72% was observed in Hang Seng Index in Hong Kong and All Ordinary Index in Australia in 2015 respectively (2014: 18.01% and 13.97%). Had the quoted stock price for these securities increased or decreased by that amount, the Group's security investment reserve under equity would have been increased or decreased by approximately HK$45,301,000 (2014: HK$57,003,000).

(v) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group manages its liquidity needs by carefully monitoring expected payments for potential investments as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout periods are identified on a monthly basis.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods, funding for long-term liquidity needs will be considered when there is any potential investment identified.

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

The following tables details the remaining contractual maturities at the reporting dates of non-derivative and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rate or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2015			
Non-derivative financial liabilities:			
Trade and bill payables	526,447	526,447	526,447
Other payables and accruals	760,990	760,990	760,990
Amounts due to non-controlling interests of subsidiaries	3,780	3,780	3,780
	1,291,217	1,291,217	1,291,217
Derivatives settled net:			
Forward foreign exchange contracts	17,025	17,025	17,025

40. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000
As at 31 December 2014			
Non-derivative financial liabilities:			
Trade and bill payables	601,062	601,062	601,062
Other payables and accruals	808,020	808,020	808,020
Borrowings	73,899	73,899	73,899
Amounts due to non-controlling interests of subsidiaries	3,796	3,796	3,796
	1,486,777	1,486,777	1,486,777
Derivatives settled net:			
Forward foreign exchange contracts	22,397	22,397	22,397

41. 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 as defined in Notes 3.12 and 3.19:

	2015	2014
	HK$000	HK$000
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	**164,829**	187,581
Financial assets measured at fair value through other comprehensive income	**291,902**	373,494
	456,731	561,075
Current assets		
Financial assets measured at amortised cost:		
– Trade and bill receivables	**1,757,738**	2,548,830
– Deposits and other receivables	**56,182**	126,614
– Pledged bank deposits	**79,905**	103,670
– Time deposit with original maturity over three months	**2,747,304**	3,450,784
– Cash and cash equivalents	**2,290,877**	1,952,602
Financial assets measured at fair value through profit or loss:		
– Derivatives financial instruments	**–**	56
	6,932,006	8,182,556
Total	**7,388,737**	8,743,631
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	**526,447**	601,062
– Other payables and accruals	**760,990**	808,020
– Borrowings	**–**	73,899
– Amounts due to non-controlling interests of subsidiaries	**3,780**	3,796
Financial liabilities measured at fair value through profit or loss:		
– Derivative financial instruments	**17,025**	22,397
Total	**1,308,242**	1,509,174

41. 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 and borrowings.

Due to their short term nature, the carrying value of these financial instruments approximates fair value.

(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.

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

		2015			
		Level 1	**Level 2**	**Level 3**	**Total**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	(a)	**291,902**	**–**	**–**	**291,902**
– Unlisted equity securities	(b)	**–**	**–**	**–**	**–**
		291,902	**–**	**–**	**291,902**
Financial liabilities measured at fair value through profit or loss					
– Derivative financial liabilities	(c)	**–**	**(17,025)**	**–**	**(17,025)**

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

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

		2014			
		Level 1	Level 2	Level 3	Total
	Notes	HK$'000	HK$'000	HK$'000	HK$'000
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 during both years.

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

(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.

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

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

(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.

Of the total gains or losses for the year included in profit or loss, loss of approximately HK$13,134,000 (2014: HK$42,500,000) in relation to forward contracts are included in “change in fair value of derivative financial instruments” in the consolidated statement of profit or loss and other comprehensive income.

42. CAPITAL MANAGEMENT

The Group’s objectives when managing capital are:

(a) To safeguard the Group’s ability to continue as a going concern, so that it continues to provide returns and benefits for stakeholders;

(b) To support the Group’s ability and growth; and

(c) To provide capital for the purpose of strengthening the Group’s risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equity, including its reserves, as capital which was amounted to HK$17,044,280,000 (2014: HK$19,569,600,000) as of 31 December 2015, for capital management purpose.

42. CAPITAL MANAGEMENT (continued)

The Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debts as total debt (which includes borrowings and asset-backed financing) plus unaccrued proposed dividends, less time deposits with original maturity over three months and cash and cash equivalents. Adjusted capital comprises all components of equity and less unaccrued proposed dividends.

During the year, the Group's strategy, which was unchanged from 2014, was to maintain the net debt-to-adjusted capital ratio at the minimal level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. As at 31 December 2015, the Group's adjusted cash position is HK$4,773,089,000 (2014: HK$5,186,337,000).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

FIVE-YEAR FINANCIAL SUMMARY

The financial information contained in this five-year financial summary does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 December 2015, 2014, 2013, 2012 and 2011 but is derived from those published audited financial statements and restated upon the adoption of the new or amended HKFRSs as appropriate, is set out below. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for all four years ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on these financial statements for all five years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

	2015 **HK$'000**	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Revenue	**1,996,629**	3,254,861	4,268,232	5,650,590	7,138,643
(Loss)/Profit attributable to owners of the Company	**(416,471)**	(425,302)	1,115,066	1,800,367	2,256,023
Assets and liabilities					
Total assets	**20,727,669**	23,999,978	26,870,908	26,820,521	27,000,297
Total liabilities	**(3,683,389)**	(4,430,378)	(5,211,743)	(5,958,538)	(6,442,164)
Net assets	**17,044,280**	19,569,600	21,659,165	20,861,983	20,558,133
Non-controlling interests	**(1,253,165)**	(1,643,065)	(1,731,782)	(1,638,299)	(1,591,554)
Equity attributable to owners of the Company	**15,791,115**	17,926,535	19,927,383	19,223,684	18,966,579