SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 639

2016

INTERIM REPORT

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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)* Dong Yansheng *(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

CORPORATE INFORMATION (continued)

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

FINANCIAL HIGHLIGHTS

(HK$'000)	**For the six months ended 30 June 2016**	For the six months ended 30 June 2015	Percentage change
Revenue	**677,965**	1,092,612	-38%
Gross profit	**127,574**	273,782	-53%
Gross profit margin	**19%**	25%	
Non-cash impairment loss on goodwill, mining rights and property, plant and equipment	**(595,854)**	(143,715)	+315%
Before non-cash impairment loss on goodwill, mining rights and property, plant and equipment (net of the correspondence deferred tax impact):			
Profit for the period	**658**	151,987	-100%
(Loss)/Profit attributable to owners of the Company ("Owners")	**(2,104)**	156,829	
After non-cash impairment loss on goodwill, mining rights and property, plant and equipment (net of the correspondence deferred tax impact):			
(Loss)/Profit for the period	**(491,116)**	31,782	
(Loss)Profit attributable to Owners	**(306,588)**	84,783	
EBITDA[1]	**192,834**	381,986	-50%
Basic (loss)/earnings per share (HK cents)	**(5.78)**	1.60	
Dividend per share (HK cents)			
– Interim	**–**	1.00	
– Special	**15.00**	15.00	

(HK$'000)	**As at 30 June 2016**	As at 31 December 2015	Percentage change
Total assets	**20,106,297**	20,727,669	-3%
Of which: Cash and cash equivalents and time deposits with original maturity over three months	**5,083,304**	5,038,181	+1%
Unpledged bill receivables	**568,847**	504,567	+13%
Total liabilities	**(3,720,727)**	(3,683,389)	+1%
Of which: Total borrowings	**4,664**	–	
Total borrowings (exclusive of asset-backed financing)	**–**	–	
Current ratio[2]	**3.41 times**	3.69 times	-8%
Gearing ratio[3]	**0.03%**	0.00%	
Total equity	**16,385,570**	17,044,280	-4%
Of which: Equity attributable to Owners	**15,318,422**	15,791,115	-3%
Net assets per share attributable to Owners (HK$)	**2.89**	2.98	-3%

Notes:

1. EBITDA is defined as (loss)/profit 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 assets divided by current liabilities.
3. Gearing ratio is computed from total borrowings divided by total equity.

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TO THE BOARD OF DIRECTORS OF
SHOUGANG FUSHAN RESOURCES GROUP LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 7 to 37, which comprise the consolidated statement of financial position of Shougang Fushan Resources Group Limited and its subsidiaries as of 30 June 2016 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Financial Reporting Standards.

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

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate Number: P04434

Hong Kong, 25 August 2016

INTERIM FINANCIAL REPORT

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
	Notes	**2016** ***HK$'000*** **(Unaudited)**	2015 *HK$'000* (Unaudited)
Revenue	*4*	**677,965**	1,092,612
Cost of sales		**(550,391)**	(818,830)
Gross profit		**127,574**	273,782
Other operating income	*5*	**51,512**	100,574
Selling and distribution expenses		**(85,652)**	(113,663)
General and administrative expenses		**(86,975)**	(110,767)
Other operating expenses		**(642)**	(642)
Impairment loss on goodwill, mining rights and property, plant and equipment	*6(b)*	**(595,854)**	(143,715)
Finance costs	*7*	**(384)**	(7,160)
Change in fair value of derivative financial instruments		**7,899**	47,693
Share of loss of an associate		**(1,157)**	(215)
(Loss)/Profit before income tax	*8*	**(583,679)**	45,887
Income tax credit/(expense)	*9*	**92,563**	(14,105)
(Loss)/Profit for the period		**(491,116)**	31,782

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

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(27,251)**	–
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets measured at fair value through other comprehensive income		**124,749**	12,708
Total comprehensive income for the period		**(393,618)**	44,490
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(306,588)**	84,783
Non-controlling interests		**(184,528)**	(53,001)
(Loss)/Profit for the period		**(491,116)**	31,782
Total comprehensive income for the period attributable to:			
Owners of the Company		**(207,601)**	97,491
Non-controlling interests		**(186,017)**	(53,001)
Total comprehensive income for the period		**(393,618)**	44,490
		HK(Cents)	*HK(Cents)*
(Loss)/Earnings per share	*11*		
– Basic and diluted		**(5.78)**	1.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	**2,764,497**	2,936,672
Prepaid lease payments		**52,148**	53,042
Mining rights		**8,060,343**	8,580,891
Goodwill	6(a)	**1,294,899**	1,359,290
Interest in an associate		**14,452**	15,644
Financial assets measured at fair value through other comprehensive income	13	**416,651**	291,902
Deposits, prepayments and other receivables		**304,778**	309,045
Deferred tax assets		**22,135**	21,879
Total non-current assets		**12,929,903**	13,568,365
Current assets			
Inventories		**212,399**	167,312
Trade and bill receivables	14	**1,626,563**	1,757,738
Deposits, prepayments and other receivables		**111,988**	116,168
Derivative financial instruments		**9,390**	–
Pledged bank deposits	15	**132,750**	79,905
Time deposits with original maturity over three months	16	**3,479,203**	2,747,304
Cash and cash equivalents	16	**1,604,101**	2,290,877
Total current assets		**7,176,394**	7,159,304
Current liabilities			
Trade and bill payables	17	**466,764**	526,447
Other payables and accruals		**1,215,820**	1,248,905
Dividend payable	10	**265,092**	–
Borrowings	18	**4,664**	–
Derivative financial instruments		**–**	17,025
Amounts due to non-controlling interests of subsidiaries		**5,283**	3,780
Tax payables		**146,287**	146,559
Total current liabilities		**2,103,910**	1,942,716
Net current assets		**5,072,484**	5,216,588
Total assets less current liabilities		**18,002,387**	18,784,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

	Notes	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**1,616,817**	1,740,673
Total non-current liabilities		**1,616,817**	1,740,673
Net assets		**16,385,570**	17,044,280
EQUITY			
Equity attributable to owners of the Company			
Share capital	*19*	**15,156,959**	15,156,959
Reserves		**161,463**	634,156
Total equity attributable to owners of the Company		**15,318,422**	15,791,115
Non-controlling interests		**1,067,148**	1,253,165
Total equity		**16,385,570**	17,044,280

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

	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 (Audited)	15,156,959	448,068	571,633	2,095,589	539,060	(1,953,499)	1,068,725	17,926,535	1,643,065	19,569,600
Profit for the period (Unaudited)	–	–	–	84,783	–	–	–	84,783	(53,001)	31,782
Other comprehensive income for the period:										
– Fair value gain on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	–	12,708	–	12,708	–	12,708
Total comprehensive income for the period (Unaudited)	–	–	–	84,783	–	12,708	–	97,491	(53,001)	44,490
2014 final dividends approved (Unaudited)	–	–	–	(143,150)	–	–	–	(143,150)	–	(143,150)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	(7,096)	(7,096)
Appropriations to other reserves (Unaudited)	–	–	1,679	(1,679)	–	–	–	–	–	–
Lapsed of share options (Unaudited)	–	–	–	1,380	(1,380)	–	–	–	–	–
At 30 June 2015 (Unaudited)	15,156,959	448,068	573,312	2,036,923	537,680	(1,940,791)	1,068,725	17,880,876	1,582,968	19,463,844

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the six months ended 30 June 2016

	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 2016 (Audited)	**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**
Loss for the period (Unaudited)	–	–	–	(306,588)	–	–	–	(306,588)	(184,528)	(491,116)
Other comprehensive income for the period:										
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	–	(25,762)	(25,762)	(1,489)	(27,251)
– Fair value gain on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	–	124,749	–	124,749	–	124,749
Total comprehensive income for the period (Unaudited)	–	–	–	(306,588)	–	124,749	(25,762)	(207,601)	(186,017)	(393,618)
2015 final dividends approved (Note 10) (Unaudited)	–	–	–	(265,092)	–	–	–	(265,092)	–	(265,092)
Appropriations to other reserves (Unaudited)	–	–	9,640	(9,640)	–	–	–	–	–	–
Lapsed of share options (Unaudited)	–	–	–	11,689	(11,689)	–	–	–	–	–
At 30 June 2016 (Unaudited)	**15,156,959**	**448,068**	**595,926**	**104,770**	**525,991**	**(1,958,185)**	**444,893**	**15,318,422**	**1,067,148**	**16,385,570**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
(Loss)/Profit before income tax	**(583,679)**	45,887
Adjustments for:		
Amortisation of prepaid lease payments	**724**	763
Amortisation of mining rights	**82,475**	100,590
Depreciation of property, plant and equipment	**103,818**	131,349
Finance costs	**384**	7,160
Impairment loss on goodwill, mining rights and property, plant and equipment	**595,854**	143,715
Share of loss of an associate	**1,157**	215
Interest income	**(36,967)**	(82,662)
Loss on disposals of property, plant and equipment	**–**	642
Change in fair value of derivative financial instruments	**(7,899)**	(47,693)
Net foreign exchange loss	**7,352**	7,001
Operating profit before working capital changes	**163,219**	306,967
Increase in inventories	**(45,659)**	(14,171)
Decrease in trade and bill receivables	**129,829**	480,968
Decrease in deposits, prepayments and other receivables	**23,307**	21,452
Decrease in trade and bill payables	**(38,268)**	(6,496)
Increase in other payables and accruals	**476**	10,511
Increase in amounts due to non-controlling interests of subsidiaries	**1,516**	234
Cash generated from operations	**234,420**	799,465
Income tax paid	**(27,268)**	(107,008)
Net cash from operating activities	**207,152**	692,457

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 HK$'000 (Unaudited)	2015 HK$'000 (Unaudited)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(104,527)**	(137,572)
Proceeds from disposals of property, plant and equipment		**–**	167
Payments to acquire financial assets measured at fair value through other comprehensive income		**–**	(47,844)
Increase in pledged bank deposits		**(53,118)**	(58,914)
Increase in time deposits with original maturity over three months		**(731,899)**	(756,417)
Interest received		**17,590**	72,022
Net cash used in investing activities		**(871,954)**	(928,558)
Cash flows from financing activities			
Finance costs paid		**(384)**	(7,160)
Dividends paid to non-controlling interests of subsidiaries		**–**	(7,096)
Net cash used in financing activities		**(384)**	(14,256)
Net decrease in cash and cash equivalents		**(665,186)**	(250,357)
Cash and cash equivalents at 1 January		**2,290,877**	1,952,602
Effect of foreign exchange rates changes on cash and cash equivalents		**(21,590)**	8,374
Cash and cash equivalents at 30 June		**1,604,101**	1,710,619
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash	*16*	**1,604,101**	1,710,619

NOTES TO THE INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION

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

The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group's operations during the six months ended 30 June 2016.

2. BASIS OF PREPARATION

The interim financial report for the six months ended 30 June 2016 (the "Interim Financial Report") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange. The Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

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

In preparing this Interim Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

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

The Interim Financial Report was approved for issue by the board of directors on 25 August 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2015, except for the adoption of the following standards as of 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 27	Equity Method in Separate Financial Statements

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

4. REVENUE AND SEGMENT INFORMATION

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

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

For the six months ended 30 June 2016, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

4. REVENUE AND SEGMENT INFORMATION (continued)

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

	Coking coal mining		Consolidated	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:				
Revenue from external customers	**677,965**	1,092,612	**677,965**	1,092,612
Segment loss	**(595,982)**	(40,263)	**(595,982)**	(40,263)
Interest income			**36,967**	82,662
General and administrative expenses not allocated			**(31,022)**	(36,830)
Finance costs			**(384)**	(7,160)
Change in fair value of derivative financial instruments			**7,899**	47,693
Share of loss of an associate			**(1,157)**	(215)
(Loss)/Profit before income tax			**(583,679)**	45,887

	Coking coal mining		Corporate		Consolidated	
	30 June 2016	31 December 2015	**30 June 2016**	31 December 2015	**30 June 2016**	31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**14,731,571**	15,509,051	**4,912,098**	4,889,193	**19,643,669**	20,398,244
Segment liabilities	**1,650,757**	1,737,215	**306,866**	41,917	**1,957,623**	1,779,132

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**36,967**	82,662
Income from sales of scrapped products	**14,545**	17,912
	51,512	100,574

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

(a) Reconciliation of carrying amount of goodwill

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gross carrying amount at beginning of the period/year	**2,191,726**	2,280,494
Exchange retranslation	**(3,652)**	(88,768)
Gross carrying amount at end of the period/year	**2,188,074**	2,191,726
Less:		
Accumulated impairment loss at beginning of the period/year	**(832,436)**	(825,974)
Impairment loss for the period/year	**(60,739)**	(6,462)
Accumulated impairment loss at end of the period/year	**(893,175)**	(832,436)
Net carrying amount at end of the period/year	**1,294,899**	1,359,290

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

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

The carrying amount of goodwill was allocated as follows:

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu")	**738,814**	801,368
Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang")	**–**	–
Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi")	**535,374**	537,211
Jinshan Energy Group Limited	**20,711**	20,711
Net carrying amount at end of the period/year	**1,294,899**	1,359,290

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

Given global economy remains stagnant and China's economy is still under downward pressure, the coal prices have been decreasing in the first quarter of 2016 although they were slight rebounded in the second quarter. The Group thus reassessed its estimates on the recoverable amounts of cash-generated units ("CGUs") of the coking coal mining segment. During the six months ended 30 June 2016, an impairment loss of HK$595,854,000 (Six months ended 30 June 2015: HK$143,715,000) was recognised in the consolidated statement of profit or loss and other comprehensive income.

The recoverable amounts of CGUs have been determined based on value-in-use calculations, which are based on certain key assumptions including discount rates, growth rates, expected changes in direct costs and remaining reserves. The recoverable amounts as at 30 June 2016 were measured by an independent valuer, Asset Appraisal Limited, who is a member of the Hong Kong Institute of Surveyors.

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

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

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

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately -17% to 27% (As at 31 December 2015: -1% to 42%) and with an average discount rate of 12.11% (As at 31 December 2015: 12.76%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (As at 31 December 2015: 3%). Cash flow projections during the budget period for each of the above CGU are based on the budgeted revenue and expected gross margins during the budget period and the same inflation rate of 3% (As at 31 December 2015: 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 and an impairment loss of HK$535,115,000 (Six months ended 30 June 2015: HK$143,715,000) was recognised during the period. This impairment loss is first allocated to goodwill and then allocated 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. Given that the goodwill of Jinjiazhuang had been fully impaired during the year ended 31 December 2015, the impairment loss of HK$535,115,000 was allocated to other assets. Accordingly, the carrying amounts of its mining rights and property, plant and equipment were reduced by HK$416,319,000 and HK$118,796,000 respectively. The impairment loss of HK$143,715,000 for last interim period was allocated to goodwill, mining rights and property, plant and equipment amounting to HK$6,118,000, HK$106,912,000 and HK$30,685,000 respectively. The key assumptions are the discount rate of 11.74% (As at 31 December 2015: 12.18%) per annum and the growth rates, covering a 5-year period, of approximately -17% to 27% (As at 31 December 2015: -1% to 42%).

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

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

There was no impairment loss incurred on Xingwu's CGU during the last interim period. As at 30 June 2016, the carrying amount of Xingwu's CGU was determined to be higher than its recoverable amount and an impairment loss of HK$60,739,000 was recognised which was fully allocated to goodwill. As a result, the carrying amount of goodwill on Xingwu was reduced by HK$60,739,000. The key assumptions are the discount rate of 12.26% (As at 31 December 2015: 12.95%) per annum and the growth rates, covering a 5-year period, of approximately -17% to 27% (As at 31 December 2015: -1% to 42%).

The above impairment losses 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.

(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 Zhaiyadi's CGU exceeds its carrying amount by HK$109,955,000. The key assumptions are the discount rate of 12.23% per annum and the growth rate of approximately -17% to 27%. If the discount rate increased by 0.22% or the growth rate reduced by 0.13%, the carrying amount of Zhaiyadi's CGU would equal to its recoverable amount.

7. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on discounted bill receivables	**384**	7,160

No borrowing costs were capitalised for the six months ended 30 June 2016 and 2015.

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit before income tax is arrived at after charging:		
Cost of inventories recognised as expenses	**550,391**	818,830
Amortisation of:		
– prepaid lease payments	**724**	763
– mining rights	**82,475**	100,590
Depreciation of property, plant and equipment	**103,818**	131,349
Employee benefit expenses *(including directors' emoluments)*	**205,678**	275,888
Loss on disposals of property, plant and equipment	**–**	642
Net exchange loss	**7,352**	7,001
Operating lease charges in respect of land and buildings	**3,556**	3,283

9. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC income tax	**27,499**	54,182
Deferred tax	**(120,062)**	(40,077)
	(92,563)	14,105

No provision for Hong Kong Profits Tax has been made in the Interim Financial Report as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2016 and 2015.

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

The Group is also subject to withholding tax at the rate of 5% (Six months ended 30 June 2015: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

10. DIVIDENDS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend: Nil (Six months ended 30 June 2015: HK1 cent per ordinary share)	**–**	53,018
Special dividend: HK15 cents per ordinary share (Six months ended 30 June 2015: HK15 cents per ordinary share)	**795,276**	795,276
	795,276	848,294

10. DIVIDENDS (continued)

Special dividend of HK15 cents per ordinary share (Six months ended 30 June 2015: an interim dividend of HK1 cent per ordinary share and a special dividend of HK15 cents per ordinary share) declared after 30 June 2016 (Six months ended 30 June 2015: 30 June 2015) which have not been recognised as liabilities as at the reporting date.

Special dividend for the six months ended 30 June 2016 is expected to be paid on or about 21 October 2016 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 12 September 2016. As at 30 June 2016, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2015: 5,301,837,842).

A final dividend of HK5 cents per ordinary share totalling HK$265,092,000 in respect of the year ended 31 December 2015 was approved at the annual general meeting held on 29 June 2016. The 2015 final dividend has been recognised as a liability as at 30 June 2016 and is paid on 20 July 2016.

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit used to determine basic and diluted (loss)/earnings per share	**(306,588)**	84,783
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**5,301,837**	5,301,837
Effect of dilutive potential ordinary shares – share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**5,301,837**	5,301,837

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

In calculating the diluted loss per share for the current period, the potential issue of shares arising from the Company's share option would decrease the loss per share during the period and was thereby not taken into account as they have an anti-dilutive effect. Therefore, the diluted loss per share for the current period was calculated based on the loss for the period of HK$306,588,000 and on the weighted average of 5,301,837,842 ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic loss per share.

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

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of HK$57,929,000 (Six months ended 30 June 2015: HK$63,490,000) mainly in relation to the additions of mining equipment and construction in progress for mining infrastructure and coal preparation plants. No property, plant and equipment was disposed during the six months ended 30 June 2016 (Six months ended 30 June 2015: HK$809,000).

During the current and last interim periods, no interest expense was capitalised in property, plant and equipment.

The Group's buildings are situated in the PRC and are held on leases of between 10 to 50 years. As at 30 June 2016, the Group was still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of Renminbi ("RMB") 137,439,000 (HK$160,254,000 equivalent) (As at 31 December 2015: RMB141,882,000 (HK$166,002,000 equivalent)). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

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

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Equity securities, at fair value		
– listed in Australia	**247,439**	167,144
– listed in Hong Kong	**169,212**	124,758
	416,651	291,902
Unlisted equity interest *	**–**	–
	416,651	291,902

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

14. TRADE AND BILL RECEIVABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,105,445**	1,284,785
Less: Provision for impairment losses	**(224,383)**	(225,151)
	881,062	1,059,634
Bill receivables	**745,501**	698,104
	1,626,563	1,757,738

14. TRADE AND BILL RECEIVABLES (continued)

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

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
1 to 3 months	**712,706**	918,910
4 to 6 months	**469,358**	387,880
7 to 12 months	**323,532**	387,994
Over 1 year	**120,967**	62,954
	1,626,563	1,757,738

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

As at 30 June 2016, bill receivables included an amount of RMB140,500,000 (HK$163,823,000 equivalent) (As at 31 December 2015: RMB155,700,000 (HK$182,169,000 equivalent)) (Note 17) which was pledged for bill payables of RMB139,600,000 (HK$162,774,000 equivalent) (As at 31 December 2015: RMB152,416,000 (HK$178,327,000 equivalent)).

As at 30 June 2016, 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.

14. TRADE AND BILL RECEIVABLES (continued)

The discounting and endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted and endorsed bill receivables. As at 30 June 2016, bill receivables of RMB11,004,000 (HK$12,831,000 equivalent) (As at 31 December 2015: RMB9,716,000 (HK$11,368,000 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 30 June 2016, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB4,000,000 (HK$4,664,000 equivalent) (As at 31 December 2015: Nil) (Note 18), RMB2,934,000 (HK$3,421,000 equivalent) (As at 31 December 2015: RMB3,350,000 (HK$3,920,000 equivalent)) (Note 17) and RMB4,070,000 (HK$4,746,000 equivalent) (As at 31 December 2015: RMB6,366,000 (HK$7,448,000 equivalent)) respectively.

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

15. PLEDGED BANK DEPOSITS

As at 30 June 2016, pledged bank deposits of RMB113,503,000 (HK$132,344,000 equivalent) (As at 31 December 2015: RMB68,000,000 (HK$79,560,000 equivalent)) (Note 17) were denominated in RMB and were pledged for bill payables of RMB113,503,000 (HK$132,344,000 equivalent) (As at 31 December 2015: RMB68,000,000 (HK$79,560,000 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.

16. BANK BALANCES AND CASH

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Cash at banks and on hand	**100,232**	52,224
Time deposits at banks	**4,983,072**	4,985,957
Bank balances and cash	**5,083,304**	5,038,181
Less: Time deposits with original maturity over three months	**(3,479,203)**	(2,747,304)
Cash and cash equivalents	**1,604,101**	2,290,877

17. TRADE AND BILL PAYABLES

The credit period granted to the Group by its suppliers ranges between 30 to 180 days. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2016 is as follows:

	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
1 to 3 months	**216,565**	276,622
4 to 6 months	**171,531**	209,840
7 to 12 months	**46,582**	19,589
Over 1 year	**32,086**	20,396
	466,764	526,447

As at 30 June 2016, bill payables amounted to RMB253,393,000 (HK$295,456,000 equivalent) (As at 31 December 2015: RMB284,622,000 (HK$333,008,000 equivalent)) were partially secured by the pledged bank deposits of RMB113,503,000 (HK$132,344,000 equivalent) (As at 31 December 2015: RMB68,000,000 (HK$79,560,000 equivalent)) (Note 15) and bill receivables of RMB140,500,000 (HK$163,823,000 equivalent) (As at 31 December 2015: RMB155,700,000 (HK$182,169,000 equivalent)) (Note 14).

17. TRADE AND BILL PAYABLES (continued)

As at 30 June 2016, included in trade payables of RMB2,934,000 (HK$3,421,000 equivalent) (As at 31 December 2015: RMB3,350,000 (HK$3,920,000 equivalent)) (Note 14) represents the amount of bill receivables endorsed to trade creditors which did not meet the de-recognition requirements in HKAS 39. The corresponding financial assets were included in bill receivables.

18. BORROWINGS

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Asset-backed financing	**4,664**	–

19. SHARE CAPITAL

	Number of shares		Amount	
	2016 ***'000 shares*** **(Unaudited)**	2015 *'000 shares* (Audited)	**2016** ***HK$'000*** **(Unaudited)**	2015 *HK$'000* (Audited)
Issued and fully paid:				
At 1 January and at 30 June/31 December	**5,301,837**	5,301,837	**15,156,959**	15,156,959

20. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	**164,265**	164,829
Financial assets measured at fair value through other comprehensive income	**416,651**	291,902
	580,916	456,731
Current assets		
Financial assets measured at amortised cost:		
– Trade and bill receivables	**1,626,563**	1,757,738
– Deposits and other receivables	**44,141**	56,182
– Pledged bank deposits	**132,750**	79,905
– Time deposit with original maturity over three months	**3,479,203**	2,747,304
– Cash and cash equivalents	**1,604,101**	2,290,877
Financial assets measured at fair value through profit or loss:		
– Derivative financial instruments	**9,390**	–
	6,896,148	6,932,006
Total financial assets	**7,477,064**	7,388,737
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	**466,764**	526,447
– Other payables and accruals	**752,638**	760,990
– Dividend payable	**265,092**	–
– Borrowings	**4,664**	–
– Amounts due to non-controlling interests of subsidiaries	**5,283**	3,780
Financial liabilities measured at fair value through profit or loss:		
– Derivative financial instruments	**–**	17,025
Total financial liabilities	**1,494,441**	1,308,242

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

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bill receivables, deposits and other receivables, amounts due to non-controlling interests of subsidiaries, bank balances and cash, trade and bill payables, other payables and accruals, dividend payable and borrowings.

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

(b) Financial instruments measured at fair value

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

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

		30 June 2016			
	Notes	**Level 1 *HK$'000* (Unaudited)**	**Level 2 *HK$'000* (Unaudited)**	**Level 3 *HK$'000* (Unaudited)**	**Total *HK$'000* (Unaudited)**
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	*(a)*	**416,651**	**–**	**–**	**416,651**
– Unlisted equity securities	*(b)*	**–**	**–**	**–**	**–**
Financial assets measured at fair value through profit or loss					
– Derivative financial assets	*(c)*	**–**	**9,390**	**–**	**9,390**
		416,651	**9,390**	**–**	**426,041**

		31 December 2015			
	Notes	Level 1 *HK$'000* (Audited)	Level 2 *HK$'000* (Audited)	Level 3 *HK$'000* (Audited)	Total *HK$'000* (Audited)
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)

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

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

There were no transfers between levels during the six months ended 30 June 2016 (Year ended 31 December 2015: Nil).

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.

(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.

21. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2016, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Within one year	**4,489**	6,298
In the second to fifth years	**10,754**	10,791
After the fifth year	**31,887**	33,346
	47,130	50,435

The Group leases a number of land and buildings and other assets under operating lease arrangements. 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

	30 June 2016 *HK$'000* **(Unaudited)**	31 December 2015 *HK$'000* (Audited)
Commitments for the:		
– Acquisition of property, plant and equipment	**188,767**	206,803
– Exploration and design fees for a potential mining project	**8,722**	8,752
	197,489	215,555

22. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Interim Financial Report, the following transactions for the six months ended 30 June 2016 and 2015 were carried out with related parties:

(a) During the period, the Group paid management fees and company secretarial service fees of HK$780,000 (Six months ended 30 June 2015: HK$780,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is a substantial shareholder of the Company. As at 30 June 2016, no amounts were outstanding (As at 31 December 2015: Nil).

(b) During the period, the Group paid office rental expenses of HK$1,800,000 (Six months ended 30 June 2015: HK$1,170,000) to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), which is the substantial shareholder of Shougang International. As at 30 June 2016, no amounts were outstanding (As at 31 December 2015: Nil).

(c) During the period, the Group sold clean coking coal amounted to HK$189,941,000 (Six months ended 30 June 2015: HK$319,515,000) 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 30 June 2016, amount due from/to the Shougang Group was HK$432,644,000 (As at 31 December 2015: HK$549,519,000) and HK$1,581,000 (As at 31 December 2015: HK$9,484,000) respectively.

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, bonuses, fees, allowances and benefits	**9,540**	11,916
Retirement benefits scheme contributions	**257**	577
	9,797	12,493

23. REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622 ("THE COMPANIES ORDINANCE")

The financial information relating to the year ended 31 December 2015 that is included in this Interim Finance Report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. 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 the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

Business Review

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the six months ended 30 June 2016 (the "period under review") together with that of the same period of 2015 is summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2016**	2015	Quantity/ Amount	Percentage	2015FY	Percentage
Production volume:							
Raw coking coal	Mt	**2.07**	2.28	-0.21	-9%	4.51	
Clean coking coal	Mt	**1.21**	1.46	-0.25	-17%	2.69	
Sales volume:							
Raw coking coal	Mt	**0.27**	0.09	+0.18	+200%	0.28	
Clean coking coal	Mt	**1.02**	1.36	-0.34	-25%	2.61	
Average realised selling price (inclusive of VAT):							
Raw coking coal	RMB/tonne	**280**	369	-89	-24%	328	-15%
Clean coking coal	RMB/tonne	**581**	731	-150	-21%	694	-16%

For the six months ended 30 June 2016, the Group produced approximately 2.07 million tonnes ("Mt") (Six months ended 30 June 2015: approximately 2.28 Mt) of raw coking coal, representing a year-on-year ("YoY") decrease of 9% and also produced approximately 1.21 Mt (Six months ended 30 June 2015: approximately 1.46 Mt) of clean coking coal, representing a YoY decrease of 17%. Our three premium operating coking coal mines operated smoothly during the period under review.

Because of the implementation of production control policies by the Chinese government, our production volume of raw coking coal decreased by 9% during the period under review. In addition, due to the impact of the economic slowdown in the Mainland China, sales volume of clean coking coal dropped by 25% during the period under review. However, sales volume of raw coking coal significant increased by 200% during the period under review as a result of a good effort of our sales team.

Business Review (continued)

For the six months ended 30 June 2016, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 24% to Renminbi ("RMB") 280/tonne when compared with that of the same period of 2015 (Six months ended 30 June 2015: RMB369/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 21% to RMB581/tonne when compared with that of the same period of 2015 (Six months ended 30 June 2015: RMB731/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 52% and 48% (Six months ended 30 June 2015: 0% and 100%) of the total raw coking coal sales volume respectively for the six months ended 30 June 2016. Moreover, sales of No.1 and No.2 clean coking coal accounted for 61% and 39% (Six months ended 30 June 2015: 48% and 52%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2016.

Financial Review

For the six months ended 30 June 2016, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 678 million, representing a substantial decrease of approximately HK$415 million or 38% as compared with that of approximately HK$1,093 million for the same period of 2015. The reduction in turnover for the period under review was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 24% YoY and 21% YoY respectively and the drop in the sales volume of clean coking coal by 25% YoY. In terms of turnover, sales of clean and raw coking coal accounted for 89% and 11% of the Group's turnover respectively for the six months ended 30 June 2016. They accounted for 97% and 3% respectively for the six months ended 30 June 2015.

For the six months ended 30 June 2016, the total turnover to the top five customers accounted for 83% (Six months ended 30 June 2015: 74%) of the Group's turnover. Of which, the total turnover to the largest customer, Shougang Corporation, accounted for 28% (Six months ended 30 June 2015: 29%) of the Group's turnover.

For the six months ended 30 June 2016, gross profit margin was 19% while 25% for the same period in 2015. 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$146 million or 53% YoY.

Financial Review (continued)

For the six months ended 30 June 2016, even though the Group was successfully lower the unit production costs and expenses through stringent cost control measures that partially offset the negative impact from the drop in average realised selling prices and sales volume, the Group still recorded net loss of approximately HK$491 million and loss attributable to the owners of the Company (the "Owners") of approximately HK$307 million. Such turn-around from profit to loss for the six months ended 30 June 2016 is primarily attributable to (i) the drop in gross profit by approximately HK$146 million as stated above; and (ii) due to the weak coal market and cut-down the last year-end forecasted coal prices by the market generally, the increase of non-cash impairment loss made on goodwill, mining rights and property, plant and equipment by approximately HK$452 million YoY to approximately HK$596 million for the period under review even the reversal of the related deferred tax liabilities increased by approximately HK$80 million YoY to approximately HK$104 million as income, it is attributable to the net loss and loss attributable to the Owners amounted to approximately HK$492 million and approximately HK$305 million respectively.

Excluding such non-cash impairment loss on goodwill, mining rights and property, plant and equipment (net of the correspondence deferred tax impact), the Group would record net profit of approximately HK$1 million and loss attributable to the Owners of approximately HK$2 million for the six months ended 30 June 2016.

During the period under review, basic loss per share was HK5.78 cents (Six months ended 30 June 2015: basic earnings per share was HK1.60 cents).

Even though the Group recorded loss, the Group still recorded EBITDA of approximately HK$193 million (Six months ended 30 June 2015: approximately HK$382 million) and generated a positive cash flow of approximately HK$207 million (Six months ended 30 June 2015: approximately HK$692 million) from our operating activities during the period under review. The Group continues to maintain a stable and healthy free cash balance of approximately HK$5,083 million as at 30 June 2016 (As at 31 December 2015: HK$5,038 million).

Cost of Sales

During the period under review, cost of sales was approximately HK$550 million, representing a decrease of approximately HK$269 million or 33%, as compared with that of approximately HK$819 million for the same period of 2015. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales and the decrease in unit production costs as a result of effective cost control as stated below during the period under review.

Financial Review (continued)

Cost of Sales (continued)

Included in cost of sales, amortisation of mining rights was approximately HK$82 million for the six months ended 30 June 2016, representing a decrease of approximately HK$19 million or 19%, as compared with that of approximately HK$101 million for the same period of 2015. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage of raw coking coal for sales during the period under review.

The unit production costs are summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2016**	2015	Amount	Percentage	2015FY	Percentage
Production cost of raw coking coal	RMB/tonne	**226**	260	-34	-13%	243	-7%
of which, depreciation and amortisation	RMB/tonne	***(63)***	*(68)*	*-5*	*-7%*	*(66)*	*-5%*
Processing cost for clean coking coal	RMB/tonne	**43**	47	-4	-9%	46	-7%
of which, depreciation	RMB/tonne	***(12)***	*(11)*	*+1*	*+9%*	*(11)*	*+9%*

As a result of implementation of the effective cost control by the Group, its unit production cost of raw coking coal was decreased by 13% YoY although the production volume of raw coking coal was dropped by 9% YoY for the six months ended 30 June 2016. In addition, its unit processing cost of clean coking coal was also decreased by 9% YoY.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$128 million for the six months ended 30 June 2016, representing a significant decrease of approximately HK$146 million or 53% as compared with that of approximately HK$274 million for the same period of 2015. During the period under review, gross profit margin was 19% compared with 25% for the same period of 2015. The drop in gross profit margin was mainly due to the decline in average realised selling prices of raw and clean coking coal by 24% and 21% respectively for the six months ended 30 June 2016 when compared with that in the same period of 2015 as explained under "Business Review".

Financial Review (continued)

Other Operating Income

During the period under review, other operating income was approximately HK$52 million, representing a significant decrease of approximately HK$49 million or 49% as compared with approximately HK$101 million of the same period in 2015. The decrease in other operating income was mainly attributable to (i) the substantial decrease in bank interest income by approximately HK$46 million or 55% YoY which was decreased in line with average bank balance denominated in RMB with relatively earning higher yield from 83% in the same period of 2015 to 8% for the period under review, and (ii) the decrease in income from sales of scrapped products by approximately HK$3 million or 19% YoY as a result of the drop in coal prices and production volume of clean coking coal during the period under review.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$86 million, representing a decrease of approximately HK$28 million or 25% as compared with that of approximately HK$114 million for the same period of 2015. The decrease was mainly as a result of the drop in sales volume of clean coking coal.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK$87 million, representing a significant decrease of approximately HK$24 million or 22% as compared with approximately HK$111 million for the same period of 2015. The decrease was resulted from the strengthen cost control during the period under review.

Financial Review (continued)

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

In the view of the weak coal market and cut-down the last year-end forecasted coal prices by the market generally which are considered impairment indicators, after assessment, the Group recognised a non-cash impairment loss of approximately HK$596 million (Six months ended 30 June 2015: approximately HK$144 million) made on goodwill, mining rights and property, plant and equipment during the period under review. Details of which are disclosed in Note 6(b) to the Interim Financial Report.

Finance Costs

During the period under review, finance costs were approximately HK$0.4 million, representing a sharp decrease of approximately HK$6.6 million or 94% as compared with that of approximately HK$7 million for the same period of 2015. The decrease in finance costs was resulted from the effective cash management during the period under review. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2015: nil).

Income Tax Credit/Expense

During the period under review, it was recorded income tax credit of approximately HK$93 million (Six months ended 30 June 2015: income tax expense of approximately HK$14 million). During the period under review, there is a reversal of deferred tax liabilities of approximately HK$104 million (Six months ended 30 June 2015: approximately HK$24 million) arising from impairment loss on mining rights as income tax credit. In addition, income tax expense was substantial reduced which was in line with the substantial drop in profits arising from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC Subsidiaries") during the period under review. In addition, no provision (Six months ended 30 June 2015: approximately HK$6 million) of withholding tax of 5% on the dividend declared from the 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%.

Financial Review (continued)

Owner's Attributable Loss/Profit

By reasons of the foregoing, the loss attributable to the Owners during the period under review was approximately HK$307 million while the profit attributable to the Owners for the same period of 2015 was approximately HK$85 million.

Material Investments and Acquisitions

During the six months ended 30 June 2016, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2016, the Group had no material disposals.

Safety Production and Environmental Protection

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

Charges on Assets

As at 30 June 2016, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$132 million and bill receivables of approximately HK$164 million were used for securing bills facilities of approximately HK$295 million.

Contingent Liabilities

As at 30 June 2016, there were no guarantees given to any banks or financial institutions by the Group.

Financial Review (continued)

Gearing Ratio

As at 30 June 2016, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was only approximately 0.03%. Other than the effect on early redemption of bill receivables amounting to approximately HK$5 million, the Group had no other borrowings.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2016, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2016, RMB was depreciated by approximately 0.34% while AUD was appreciated by approximately 2.59%, when compared to that as at 31 December 2015. As the net assets value denominated in RMB represented approximately 69% of the Group's total net assets value as at 30 June 2016, except the net foreign exchange loss of approximately HK$7 million (recognised in profit or loss) mainly arising from exchange and re-translation of its monetary assets (mainly bank balance) denominated in RMB into HK$ or United States Dollars at transaction date and as at reporting date, the depreciation in RMB led to exchange loss of approximately HK$27 million (other than the foreign exchange loss recognised in profit or loss) recognised in the other comprehensive income upon translation of financial statements of foreign operations in the PRC for the six months ended 30 June 2016. No material exchange loss in profit or loss of the Group is expected to be incurred arising from the depreciation of RMB in the future as only 7% of our bank balance is denominated in RMB as at 30 June 2016.

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2016, the Group's current ratio (current assets divided by current liabilities) was approximately 3.41 times and the Group's cash and bank deposits amounted to approximately HK$5,216 million, of which approximately HK$132 million was deposited to secure bills facilities of approximately HK$132 million. The Group continued to maintain a stable and healthy net cash balance.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$746 million (of which approximately HK$13 million represented discounted and endorsed bill receivables and approximately HK$164 million was used for securing bills facilities of approximately HK$163 million) as at 30 June 2016 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for those free bill receivables of approximately HK$569 million, the Group's free cash resources would have approximately HK$5,653 million as at 30 June 2016.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2016, the share capital of the Company was approximately HK$15,157 million, represented approximately 5,302 million shares in number. During the period under review, there is no change in number and amount of issued shares.

As at 30 June 2016, all borrowings of the Group are denominated in RMB and are asset-backed financing.

Employees

As at 30 June 2016, the Group had 23 Hong Kong employees and 5,156 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group has a share option scheme. During the period under review, no share option was granted or exercised.

Future Prospects

The subsequent influence of Brexit, collective decisions on interest rates of monthly meetings of The Federal Open Market Committee, the fluctuation of exchange rates, and the stimulus package of major economies indicate that global economy is complicated together with uncertainty will continue.

China's economy would advance along with global economy and run smoothly in the second half of this year. While infrastructure and real estate construction will stabilise and stimulate the domestic economy remarkably at the beginning of economic transformation, we will see moderate development in the real estate market and recovery of profitability of the steel industry.

Policies were issued successively on cutting excessive capacity of steel and coal industries by various ministries and commissions of the Chinese government since this April, and detail measurements of supply-side structural reform in steel and coal industries were announced by many provinces afterwards. Those policies were in good enforcement, which had efficiently regulated the supply-demand relationship of the coal market, and thus the coal price bounced back in the short run. In view of the results of cutting excessive capacity, according to the statistics by National Development and Reform Commission of China, approximately 30% of the established targets in both steel and coal sectors had been completed in the first half of this year respectively. However, instruction that the established targets on cutting excessive capacity of steel and coal industry must be fulfilled this year as scheduled was made by Premier Li Keqiang during an executive meeting of the State Council in July. Therefore, we expect that more strict measurements would be enforced in cutting excessive capacity of the steel and coal industries in the second half of this year, and the supply-demand pattern is anticipated to be further improved in the steel and coking coal markets, which is weighed as supports and incentives to rise in coking coal price in the near future.

Our Group would continue to closely monitor the movement of world's and China's economy in the second half of 2016, and efficiently tackle any difficulty occurred in the process of development. We would also strengthen the long-term strategic partnership with current clients, and spare efforts to diversify client base as well. Meanwhile, production safety is prioritised and we will continue to improve management capabilities; further optimise organisational structure and strengthen cost control. In addition, we have been prudentially seeking for appropriate merger and acquisition opportunities worldwide for sustainable development, and to enlarge our coal reserves and increase output. With our managements' rich experience in administration, operation and investment skills, we have full confidence that our Group would achieve considerable development and shareholders would be benefited greater returns eventually.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved not to declare any interim dividend but to declare a special dividend of HK15 cents per ordinary share for the six months ended 30 June 2016 (2015: an interim dividend of HK1 cent per ordinary share and a special dividend of HK15 cents per ordinary share). The special dividend will be payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 12 September 2016. In order to qualify for the special dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 12 September 2016 for registration. The special dividend is expected to be paid on or about Friday, 21 October 2016.

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

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

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

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

The Directors of the Company who held office at 30 June 2016 had the following interests in the shares and underlying shares of the Company as at 30 June 2016 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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 30.06.2016
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.14%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
Liu Qingshan	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%
Kee Wah Sze	Beneficial owner	700,000	3,200,000	3,900,000	0.07%
Choi Wai Yin	Beneficial owner	20,000	3,200,000	3,220,000	0.06%
Chan Pat Lam	Beneficial owner	200,000	3,200,000	3,400,000	0.06%

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

Save as disclosed above, as at 30 June 2016, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the total number of shares of the Company in issue as at 30.06.2016	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	1,582,864,490	29.85%	*1*
Shougang Concord International Enterprises Company Limited ("Shougang International")	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%	*1*
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.52%	*1*
Ultimate Capital Limited ("Ultimate Capital")	Beneficial owner	650,000,000	12.25%	*1*
Funde Sino Life Insurance Co., Ltd.	Beneficial owner	1,539,844,306	29.04%	
Jiang Jinzhi ("Mr. Jiang")	Interests of controlled corporations	327,326,000	6.17%	*2*

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

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

Notes:

1 Shougang Holding indicated in its disclosure form dated 8 December 2011 (being the latest disclosure form filed up to 30 June 2016) that as at 6 December 2011, its interests included the interests held by Shougang International, a company which was held as to 47.78% by Shougang Holding, as well as Fine Power and Ultimate Capital, each of which was a wholly-owned subsidiary of Shougang International.

Shougang International indicated in its disclosure form dated 9 May 2011 (being the latest disclosure form filed up to 30 June 2016) that as at 5 May 2011, its interests included the interests held by Fine Power and Ultimate Capital.

2 Mr. Jiang indicated in his disclosure form dated 9 May 2016 (being the latest disclosure form filed up to 30 June 2016) that as at 6 May 2016, amongst the interests in the Company, (i) 64,198,000 shares were held through Shanghai Greenwoods Asset Management Limited which was 75% owned by Mr. Jiang; and (ii) 95,000,000 shares were held by Greenwoods China Alpha Master Fund and 32,760,000 shares were held through Greenwoods Asset Management Limited. Greenwoods China Alpha Master Fund was wholly owned by Greenwoods Asset Management Limited which in turn was a wholly-owned subsidiary of Greenwoods Asset Management Holdings Limited. Greenwoods Asset Management Holdings Limited was held as to 81% by Unique Element Corp. which in turn was wholly owned by Mr. Jiang.

Save as disclosed above, as at 30 June 2016, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

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

SHARE OPTIONS (continued)

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

(a) The 2003 Scheme

No share option was granted, exercised or cancelled in accordance with the terms of the 2003 Scheme during the six months ended 30 June 2016. Details of movements in the share options under the 2003 Scheme during the period are as follows:

	Options to subscribe for shares of the Company							
Category or name of grantee	At the beginning of the period	Transferred to other category during the period	Transferred from other category during the period	Lapsed during the period	At the end of the period	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
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
	37,600,000	–	–	(4,500,000)	33,100,000			
Employees of the Group	91,200,000	(550,000)[2]	–	(750,000)[3]	89,900,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	91,200,000	(550,000)	–	(750,000)	89,900,000			
Other participants	125,450,000	–	550,000[2]	–	126,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	125,450,000	–	550,000	–	126,000,000			
	254,250,000	(550,000)	550,000	(5,250,000)	249,000,000			

SHARE OPTIONS (continued)

(a) The 2003 Scheme (continued)

Notes:

1 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 "Employees of the Group" to "Other participants" during the period according to the terms of the 2003 Scheme as a result of retirement of 2 grantees on 1 January 2016.

3 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

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2016, there was no share option outstanding under the 2012 Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2016 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 16 August 2016 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2016.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2016.

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

The following are the changes in the information of Directors since the date of the 2015 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(a) Mr. Li Shaofeng, the Chairman of the Company, has been re-designated from the vice chairman and managing director of Shougang Holding (Hong Kong) Limited ("Shougang Holding") to the managing director of Shougang Holding with effect from 1 June 2016.

(b) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, is a non-executive director of HNA International Investment Holdings Limited, a Hong Kong listed company. The company name of HNA International Investment Holdings Limited has been changed to HNA Holding Group Co. Limited from 27 June 2016.

(c) Mr. Japhet Sebastian Law, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd., a listed company in Hong Kong, with effect from 25 July 2016.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 25 August 2016