福山國際能源集團有限公司
Fushan International Energy Group Limited
Stock Code: 639





PRAGMATIC &
Proactive

Interim Report
2009

CORPORATE INFORMATION

DIRECTORS

Executive directors:

CAO Zhong *(Chairman)*
WONG Lik Ping *(Vice-chairman)*
SO Kwok Hoo
XUE Kang
LIU Qingshan

Non-executive directors:

CHEN Zhouping
LEUNG Shun Sang, Tony
SHI Jianping

Independent non-executive directors:

KEE Wah Sze
CHOI Wai Yin
CHAN Pat Lam

AUDIT COMMITTEE

CHOI Wai Yin *(Chairman)*
KEE Wah Sze
CHAN Pat Lam

NOMINATION COMMITTEE

CAO Zhong *(Chairman)*
WONG Lik Ping
KEE Wah Sze
CHOI Wai Yin
CHAN Pat Lam

REMUNERATION COMMITTEE

LEUNG Shun Sang, Tony *(Chairman)*
SO Kwok Hoo
KEE Wah Sze
CHOI Wai Yin
CHAN Pat Lam

STOCK CODE

639

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank (Asia) Corporation Limited
Hang Seng Bank Limited

SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
No. 28 Queen's Road East
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS*

12th Floor Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

* The register office and principal place of business will be changed to 6th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with effect from 1 October 2009.

COMPANY SECRETARY

LAM Lin Chu

AUDITORS

Grant Thornton
Certified Public Accountants

SOLICITORS

Sidley Austin
Clifford Chance

COMPANY'S WEBSITE

www.fushan.com.hk

FINANCIAL HIGHLIGHTS

- Record 2009 interim net profit after tax of HK$920 million – turnround in its profitability from 2008 interim net loss, up HK$213 million or 30% on the 2008 full year net profit.

- Record 2009 interim net profits attributable to equity holders of the Company ("Shareholders") of HK$769 million – turnround in its profitability from 2008 interim net loss attributable to Shareholders, up HK$201 million or 35% on the 2008 full year net profits attributable to Shareholders.

- Gross profit achieved at 72% in 2009 interim results while at 4% in 2008 interim results and at 65% in the 2008 full year results.

- 2009 interim EBITDA[1] of HK$1,416 million – up HK$230 million or 19% on 2008 full year EBITDA.

- 2009 interim basic earnings per share was HK16.82 cents.

- 2009 interim dividend was HK10 cents per share.

- Net assets of HK$13,119 million as at 30 June 2009 while HK$12,449 million as at 31 December 2008.

- Gearing ratio[2] was 8% as at 30 June 2009 while 13% as at 31 December 2008.

Note:

1. EBITDA is defined as operating profit plus depreciation and amortisation.

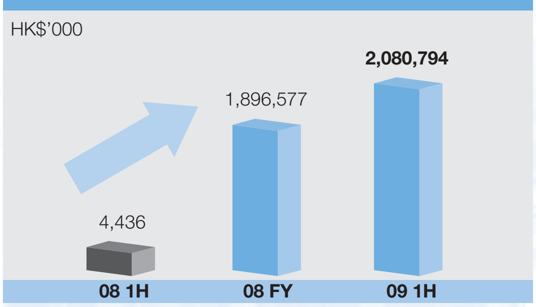
2. Gearing ratio is computed from total borrowing divided by total equity.

FINANCIAL HIGHLIGHTS

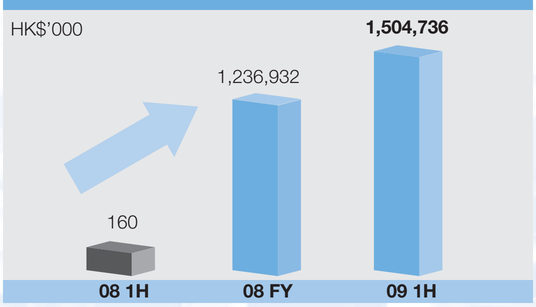
(HK$'000)	2008 1H	2008 FY	2009 1H
Turnover	4,436	1,896,577	2,080,794
Gross Profit	160	1,236,932	1,504,736
Gross Profit Margin	4%	65%	72%
Operating profit/(loss)	(26,192)	1,024,688	1,204,948
EBITA	(24,614)	1,186,235	1,415,844
Net profit/(loss)	(30,864)	706,627	920,087
Net profit/(loss) attributable to equity holders of the Company	(19,630)	567,649	768,506
Total Equity	871,139	12,448,997	13,119,304
Earning/(Loss) per share (HK cents)	(0.80)	16.86	16.82

PROFIT & LOSS SUMMARY

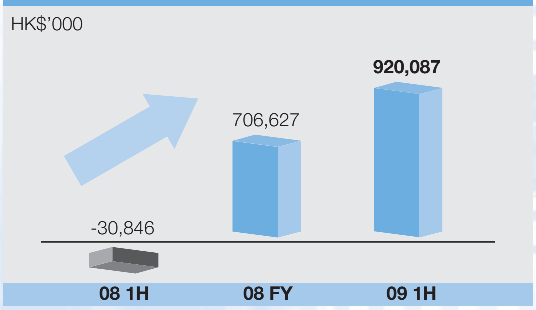
Turnover



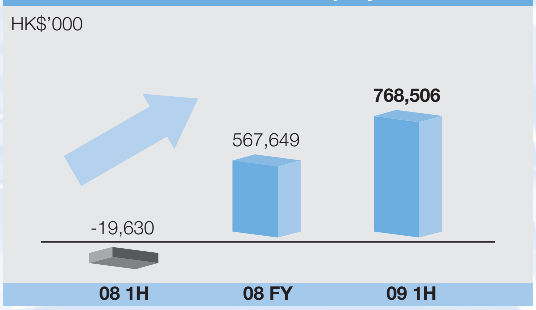
Gross Profit



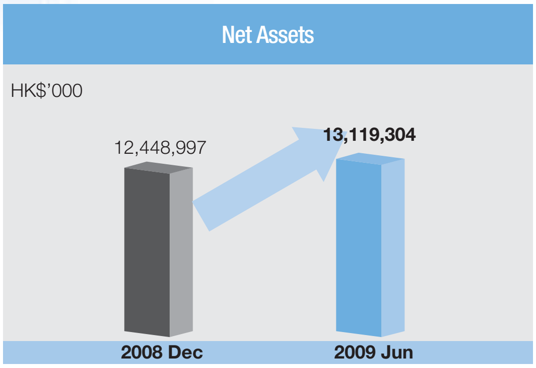
Net Profit/(Loss)

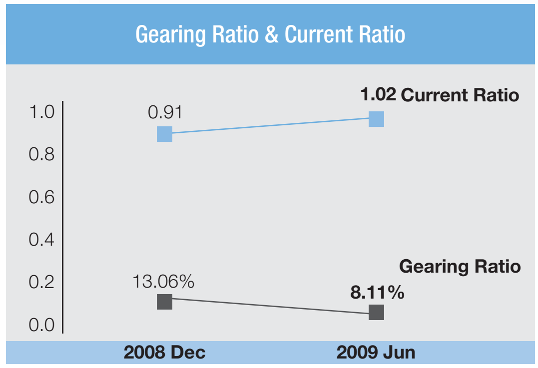


Profit/(Loss) attributable to Equity holders of the Company



HEALTHY FINANCIAL POSITION





IMPORTANT EVENTS DURING THE FIRST HALF OF 2009

2009	
Sept	Fushan was added to MSCI Emerging Markets Index by Morgan Stanley Capital starting from September 2009.
Jul	Fushan placed 400 million new shares at HK$4.38 per share. The net proceeds were approximately HK$1,718 million and will be applied mainly for future acquisition in the PRC and overseas and capital expenditure of the Group.
Jun	A new coal preparation plant, which is in the proximity of the Jinjiazhuang Coal Mine and has an annual processing capacity of 3 million, was formally put into operation.
Mar	Fushan was included as a constituent stock of Hang Seng Composite Index by Hang Seng Indexes Co. Ltd. starting from 9 March 2009.
Feb	Shougang became the single largest shareholding of Fushan.

CHAIRMAN'S STATEMENT

Honorable shareholders,

During the first half of 2009, despite the adversity of international economic disturbance, China managed to secure stable economic growth. A series of stimulus packages and resource integration policies had driven the demand for energy products such as coal. Fushan International Energy Group Limited together with its subsidiaries, ("Fushan Energy") or the ("Group") took the initiative to overcome market swings and continued to develop its core metallic resource business. On the base of relentless efforts from our staff and strong support from our shareholders, the Group recorded remarkable performance growth in the first half of the year. On behalf of the Board, I am pleased to present the 2009 interim results of Fushan Energy to the shareholders.

For the six months ended 30 June 2009, the Group recorded a turnover of approximately HK$2,081 million, representing an increase of 468 times over the same period last year; profit attributable to equity holders of the Company ("Shareholders") was approximately HK$769 million and earnings per share of HK16.82 cents, being an encouraging results. Given steady and sound business development of the Group, a more promising macroeconomic prospect and an increasingly earnest market demand, the Board is pleased to recommend the payment of an interim dividend of HK10 cents per share to Shareholders.

As driven by economic stabilisation strategy of the PRC government, market demand for resources is growing. Meanwhile, the recovery of infrastructure, automobile and real estate industries supported the stable upturn of coking coal price on the base of expanding market demand. Further economic stimulus package and infrastructure development promotion by the PRC government provided favorable environment for coal enterprises.

In the first half of 2009, our coal business had seen stable growth and healthy development trend. The Group owns and operates three quality coking coal mines, all being acquired in July 2008, namely Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine, which located in Liulin County, Shanxi Province and are enjoying favorable geological advantages. On the other hand, the reform policies for the coal industry implemented by the Shanxi Provincial Government help our business development in Shanxi. The smooth operation of our mines secured the quality products and laid down solid foundation for realizing our coal capacity expectations. For the six months ended 30 June 2009, the Group produced approximately 3.25 million tonnes of raw coal.

In clean coal business, Fushan Energy has been focusing on the enhancement and development of clean coal production and sales capacity. Except for the existing Xingwu Coal Preparation plant with annual processing capacity of 0.9 million tonnes, the Jinjiazhuang Coal Preparation Plant with annual processing capacity of 3 million tonnes was completed construction and started operation in the second quarter of 2009, which are believed to provide strong support for the production of clean coal to the Group in the second half of the year. Meanwhile, in order to further expand coal preparation capacity and develop clean coal preparation business actively, the Group is constructing two coal preparation plants, which are expected to complete and start operation by the end of 2009 and the second quarter of 2010 respectively. By then, our coal processing capacity will rise to 11 million tonnes by 2010. As planned by the Group, all new coal preparation plants being under construction are all close to our mines. These new coal preparation plants will enhance cost control and operation efficiency, help to improve financial contributions of the clean coal business to the Group and boost the Group's market competitiveness. For the six months ended 30 June 2009, the Group produced approximately 0.45 million tonnes of a clean coal.

We believe that supreme and stable customer base is vital to the long-term development of the Group. In sales strategies, since the second half of 2008, the Group had defined its main sales targets in large scale steel producers. Fushan Energy signed a long-term strategic cooperation agreement with Shougang Corporation last year secured Shougang Corporation and its group companies as our long term reputable customers. The move further solidified the Group's sales base and attracted more large scale steel producers as our customers and achieved our sales strategy, Fushan Energy also signed long-term sales agreement with other major steel producers, including Tangshan Iron & Steel, Baotou Iron & Steel and Taiyuan Iron & Steel. While consolidating our customer base, such agreements also help the smooth development and the profit growth of our clean coal business.

Since our successful completion of strategic business transformation in the second half of 2008, our coal business has kept steady growth and presented outstanding performance in the Hong Kong capital market. Fushan Energy was included into Hang Seng Composite Index (HSCI) for the first time in March 2009, it was added to MSCI Emerging Markets Index by Morgan Stanley Capital in September 2009, indicating that our extraordinary results and stable investment returns have been widely recognised by Hong Kong and international investors.

Looking ahead, though the macro economy still faces uncertainties, the Group will be provided with unprecedented development opportunities amid the coal industry reform and integration policy by the PRC government, supports to coal industry and stringent requirements to safety and environmental protection as well as strong macro control measures from the Shanxi Provincial Government. Leveraging on our set strategies, we are confident to effectively defend against external impacts, actively implement acquisition and merger strategy, consolidate and improve industry chain development as well as continue to strengthen production safety and environmental protection, so as to consolidate our leading position in the coal industry in Central and Western China and maximise profit for our shareholders.

To date, the national economy is gaining momentum whilst demand for quality hard coking coal remains robust. The Group expected that selling price of coking coal will continue to increase in the second half of 2009 to reflect the market supply and demand. It is estimated that the overall selling price in the second half will increase as compared with the first half in tandem with the earnings. The Group remains positive towards the potential of a rapid growth in profit throughout the year.

All in all, the Group is confident to the economic growth of the PRC and the prospect of the natural resources sector. As such, the Group continues to seek for potential investment projects in the metallic resources in order to enhance turnover and profit base and maximise shareholder's return.

Lastly, on behalf of all members of the Board of Fushan Energy, I would like to express my heartfelt gratitude to all shareholders, the Board members, management team and staff of the Group for their support and contributions to the Group throughout the years.

CAO Zhong
Chairman

Hong Kong, 22 September 2009

Grant Thornton
均富

Member of Grant Thornton International Ltd

Independent review report to the Board of Directors of
Fushan International Energy Group Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 8 to 30 which comprise the consolidated statement of financial position of Fushan International Energy Group Limited as of 30 June 2009 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial report 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 HKAS 34.

Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion 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 on the interim financial report.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with HKAS 34.

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

22 September 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*
Revenue	*3*	**2,080,794**	4,436
Cost of sales		**(576,058)**	(4,276)
Gross profit		**1,504,736**	160
Other operating income		**18,218**	1,796
Selling and distribution expenses		**(96,132)**	–
General and administrative expenses		**(110,777)**	(24,564)
Other operating expenses		**(111,097)**	(3,584)
Operating profit/(loss)		**1,204,948**	(26,192)
Gain on disposal of a subsidiary	*4*	**29,542**	–
Finance costs	*5*	**(98,469)**	(4,672)
Share of loss of associates		**(106)**	–
Profit/(Loss) before income tax	*6*	**1,135,915**	(30,864)
Income tax expense	*7*	**(215,828)**	–
Profit/(Loss) for the period		**920,087**	(30,864)
Other comprehensive (loss)/income, net of tax			
Exchange differences on translation of financial statements of foreign operations		**(19,134)**	22,683
Total comprehensive income/(loss) for the period		**900,953**	(8,181)
Profit/(Loss) attributable to:			
Equity holders of the Company		**768,506**	(19,630)
Minority interest		**151,581**	(11,234)
Profit/(Loss) for the period		**920,087**	(30,864)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**751,444**	815
Minority interest		**149,509**	(8,996)
		900,953	(8,181)
Dividends	*8*	**499,596**	–
Earnings/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period	*9*		
– Basic		**HK16.82 cents**	(HK0.80 cent)
– Diluted		**HK16.69 cents**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	At 30 June 2009 (Unaudited) HK$'000	At 31 December 2008 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**2,215,632**	2,062,535
Prepaid lease payments		**60,993**	61,819
Mining rights		**10,397,017**	10,545,819
Goodwill		**2,076,476**	2,079,145
Interests in associates		**19,442**	19,573
Available-for-sale financial assets		**8,393**	8,403
Deposits, prepayments and other receivables		**326,158**	264,665
Amount due from a connected party		**218,428**	218,712
		15,322,539	15,260,671
Current assets			
Inventories		**218,104**	187,465
Trade and bill receivables	11	**1,156,257**	999,408
Deposits, prepayments and other receivables		**167,345**	215,801
Amount due from a director	12	**39,694**	–
Amounts due from connected parties	11	**1,234,975**	1,495,944
Pledged bank deposits	13	**506,007**	168,941
Cash and cash equivalents	14	**437,362**	760,163
Assets classified as held for sale		**–**	163,875
		3,759,744	3,991,597
Current liabilities			
Liabilities directly associated with assets classified as held for sale		**–**	29,238
Trade and bill payables	15	**744,505**	380,795
Other payables and accruals		**1,429,725**	1,819,680
Borrowings	16	**1,046,823**	1,590,917
Amount due to a director		**–**	20,000
Amounts due to connected parties		**23,592**	51,137
Amounts due to related companies		**12,714**	12,316
Amounts due to minority equity holders of subsidiaries		**148,520**	97,203
Tax payables		**270,922**	399,966
		3,676,801	4,401,252
Net current assets/(liabilities)		**82,943**	(409,655)
Total assets less current liabilities		**15,405,482**	14,851,016
Non-current liabilities			
Borrowings	16	**16,946**	35,171
Other long term payables		**239,368**	238,550
Deferred tax liabilities		**2,029,864**	2,128,298
		2,286,178	2,402,019
Net assets		**13,119,304**	12,448,997

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	At 30 June 2009 (Unaudited) HK$'000	At 31 December 2008 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	17	**458,196**	456,456
Reserves		**11,141,064**	10,365,283
		11,599,260	10,821,739
Minority interest		**1,520,044**	1,627,258
Total equity		**13,119,304**	12,448,997

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Equity attributable to equity holders of the Company							Minority interest	Total equity
	Share capital	Share premium	Statutory reserve	Accumulated losses	Share-based compensation reserve	Translation reserve	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008 *(Audited)*	242,239	1,089,359	–	(644,167)	32,382	13,918	733,731	58,279	792,010
Changes in equity for the six months ended 30 June 2008:									
Loss for the period *(Unaudited)*	–	–	–	(19,630)	–	–	(19,630)	(11,234)	(30,864)
Other comprehensive income:									
Exchange differences on translation of financial statements of foreign operations *(Unaudited)*	–	–	–	–	–	20,445	20,445	2,238	22,683
Total comprehensive (loss)/income for the period *(Unaudited)*	–	–	–	(19,630)	–	20,445	815	(8,996)	(8,181)
Capital contribution to a subsidiary made by a minority shareholder *(Unaudited)*	–	–	–	–	–	–	–	35,828	35,828
Share-based compensation *(Unaudited)*	–	–		–	6,476	–	6,476	–	6,476
Issue of new shares upon conversion of convertible notes *(Unaudited)*	1,717	43,289	–	–	–	–	45,006	–	45,006
At 30 June 2008 *(Unaudited)*	243,956	1,132,648	–	(663,797)	38,858	34,363	786,028	85,111	871,139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Equity attributable to equity holders of the Company								Minority interest	Total equity
	Share capital	Share premium	Statutory reserve	Specific reserves	(Accumulated losses)/ Retained earnings	Share-based compensation 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 2009 *(Audited)*	**456,456**	**10,384,646**	**107,343**	**-**	**(183,861)**	**36,999**	**20,156**	**10,821,739**	**1,627,258**	**12,448,997**
Changes in equity for the six months ended 30 June 2009:										
Profit for the period *(Unaudited)*	-	-	-	-	768,506	-	-	768,506	151,581	920,087
Other comprehensive loss:										
Exchange differences on translation of financial statements of foreign operations *(Unaudited)*	-	-	-	-	-	-	(17,062)	(17,062)	(2,072)	(19,134)
Total comprehensive income/(loss) for the period *(Unaudited)*	-	-	-	-	768,506	-	(17,062)	751,444	149,509	900,953
Appropriation of profits *(Unaudited)*	-	-	74,725	-	(74,725)	-	-	-	-	-
Appropriation of profits for current period as a result of the change in PRC regulations *(Unaudited) (note)*	-	-	-	64,887	(64,887)	-	-	-	-	-
Appropriation of profits for prior year as a result of the change in PRC regulations *(Unaudited) (note)*	-	-	-	9,347	(9,347)	-	-	-	-	-
Disposal of a subsidiary *(Unaudited)*	-	-	-	-	-	-	-	-	(437)	(437)
Issue of new shares upon conversion of share options *(Unaudited)*	1,740	31,552	-	-	-	(7,215)	-	26,077	-	26,077
Dividends *(Unaudited)*	-	-	-	-	-	-	-	-	(256,286)	(256,286)
At 30 June 2009 *(Unaudited)*	**458,196**	**10,416,198**	**182,068**	**74,234**	**435,686**	**29,784**	**3,094**	**11,599,260**	**1,520,044**	**13,119,304**

Note: 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), entities engaged in coal mining were required to provide for production maintenance fee and safety fund at fixed rates on coal production volume. These funds were charged as expenses in income statement and accounted for as payables accordingly. The payable balance not utilised at the end of financial year was reversed against the cost of related production when the Group prepared its financial statements in accordance with Hong Kong Financial Reporting Standards in previous years.

On 23 June 2009, the Ministry of Finance issued a notice of the Ministry of Finance issuing No. 3 document (Caikuai [2009] No.8) which provides that production maintenance fee and safety fund and other expense of similar nature are required to be charged to cost of production and credited to a specific reserve retrospectively. Accordingly, during the period, these funds are appropriated from retained earnings. Appropriations to specific reserve for prior year were adjusted by the Group in 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**1,248,887**	(51,190)
Net cash used in investing activities	**(346,976)**	(124,870)
Net cash used in financing activities	**(1,219,727)**	(173,967)
Net decrease in cash and cash equivalents	**(317,816)**	(350,027)
Cash and cash equivalents at 1 January	**760,163**	460,538
Effect of foreign exchange rate changes	**(4,985)**	5,400
Cash and cash equivalents at 30 June	**437,362**	115,911
Analysis of balances of cash and cash equivalents:		
Short term bank deposits	**211,796**	40,351
Cash at banks and on hand	**225,566**	75,560
	437,362	115,911

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. General information

Fushan International Energy Group Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. Its registered office address is 12th Floor, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company and its subsidiaries are referred to as the "Group" hereinafter. The principal activities of the Group's subsidiaries comprise coking coal mining, the production and sale of coking coal products and side products. The Group's principal places of the business are in Hong Kong and in the People's Republic of China (the "PRC").

The principal activity of the Company is investment holdings. On 25 July 2008, one of the wholly-owned subsidiaries, Jade Green Investments Limited ("Jade Green") and Mr. Wong Lik Ping ("Mr. Wong"), one of the substantial shareholders, entered into a sale and purchase agreement (the "Agreement") with Mr. Xing Libin ("Mr. Xing"), the controlling shareholder of Fortune Dragon Group Limited ("Fortune Dragon") completed its acquisitions of three companies, namely Thechoice Finance Limited ("Thechoice"), Worldman Industrial Limited ("Worldman") and Gumpert Industries Limited ("Gumpert"), all of which are incorporated in the British Virgin Islands (the "BVI"). Since then, these companies became the subsidiaries of the Group. These companies are all engaged in coking coal mining and production and sales of raw and clean coking coal in the PRC through their non-wholly owned PRC subsidiaries, each of which has coalmines. These PRC subsidiaries are Shanxi Liulin Xingwu Coalmine Company Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Company Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Company Limited ("Zhaiyadi"). Details of the acquisition were set out in the Company's circular dated 25 June 2008.

On 15 January 2009, one of the Group's subsidiaries, Shanxi Jinshan Energy Limited ("Jinshan") completed the disposals of its 70% equity interest in Taiyuan Xishan Risheng Coal and Coking Company Limited ("Risheng") to a subsidiary of the minority shareholder of Risheng to dispose of its 70% equity interest in Risheng (the "Disposal") for a consideration of RMB110 million (HK$125 million equivalent), represented the aggregate consideration payable for the 70% equity interest of Risheng and the assumption of Risheng Loans (as defined in the Company's announcement dated 23 April 2008 (the "Announcement")). Risheng is engaged in the production and sales of coke products in Shanxi, the PRC. Details of the Disposal were set out in the circular of the Company dated 29 December 2008.

Other than above, there were no significant changes in the Group's operations during the period.

2. Basis of preparation and principal accounting policies

This unaudited interim financial statements of the Group for the six months ended 30 June 2009 (the "Unaudited Interim Financial Report") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The Unaudited Interim Financial Report has been reviewed by our auditors 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 Unaudited Interim Financial Report has been prepared in accordance with the accounting policies and method of comparatives used in the annual financial statements of the Company for the year ended 31 December 2008 (the "2008 Annual Financial Statements"), except for the adoption of the new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), which include individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") as disclosed below. The Unaudited Interim Financial Report does not include all the information and disclosures required in the 2008 Annual Financial Statements, and should be read in conjunction with the 2008 Annual Financial Statements.

The Unaudited Interim Financial Report was approved for issue by the board of directors on 22 September 2009.

In the current period, the Group applied for the first time the following new or amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2009.

- HKAS 1 (Revised 2007) Presentation of financial statements
- HKAS 23 (Revised) Borrowing costs
- HKAS 32, HKAS 39 & HKFRS 7 (Amendments) Puttable financial instruments and obligations arising on liquidation
- HKFRS 1 and HKAS 27 (Amendment) Cost of an investment in a subsidiary, jointly controlled entity or an associate
- HKFRS 2 (Amendment) Share-based payment – vesting conditions and cancellations
- HKFRS 8 Operating segments
- HK(IFRIC) – Int 13 Customer loyalty programmes
- HK(IFRIC) – Int 15 Agreements for the construction of real estate
- Amendments to HK(IFRIC) – Int 9 and HKAS 39 Embedded derivatives
- Various – Annual improvements to HKFRSs 2008

Other than as noted below, the adoption of these new or amended HKFRSs has had no material effect on the Unaudited Interim Financial Report.

2. Basis of preparation and principal accounting policies (continued)

HKAS 1 (Revised 2007) Presentation of financial statements

The adoption of HKAS 1 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. However, the exchange difference on translation of foreign operations that was recognised directly in equity are now recognised in other comprehensive income. HKAS 1 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Comparatives have been restated to conform with the revised standard.

HKAS 27 Amendments – Cost of an investment in a subsidiary

The amendment requires the investor to recognise dividends from a subsidiary, jointly controlled entity or associate in the income statement irrespective the distributions is out of the investee's pre-acquisition or post-acquisition reserves. In prior years, the Group recognised dividends out of pre-acquisition reserves as a recovery of its investment in the subsidiaries (i.e. a reduction of the cost of investment). Only dividends out of post-acquisition reserves were recognised as income in the income statement.

Under the new accounting policy, if the dividend distribution is excessive, the investment would be tested for impairment according to the Company's accounting policy on impairment of non-financial assets.

HKFRS 8 Operating segments

The adoption of HKFRS 8 has not affected the identified and reportable operating segments for the Group. However, reported segment information is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous years, segments were identified by reference to the dominant source and nature of the Group's risks and returns.

The Group has not early adopted the following new and amended HKFRSs, which have been published but are not yet effective.

HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – Int 18	Transfer of assets from customers[2]
Various	Annual improvements to HKFRS 2009[4]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for transfer received on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2010
4 Generally effective for annual periods beginning on or after 1 January 2010 unless otherwise stated in the specific HKFRS

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

3. Revenue and segment reporting

The Group manages its businesses by business lines (products and services). On its first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's management for the purposes of resource allocation and performance assessment, the Group has identified the following two reportable segments:

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

- Coke production: Production of coke in the PRC

In accordance with HKFRS 8, segment information disclosed in the Unaudited Interim Financial Report has also been presented in a manner to enable the Group management to monitor the results, assets and liabilities attributable to the above reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

	Coal mining Six months ended 30 June		**Coke production* Six months ended 30 June**		**Six months ended 30 June**	
	2009 (Unaudited) *HK$'000*	2008 (Unaudited) *HK$'000*	**2009 (Unaudited) *HK$'000***	2008 (Unaudited) *HK$'000*	**2009 (Unaudited) *HK$'000***	2008 (Unaudited) *HK$'000*
Segment revenue						
Sales to external parties	**2,040,780**	4,436	**40,014**	–	**2,080,794**	4,436
Segment results	**1,253,683**	160	**(36,301)**	(9,929)	**1,217,382**	(9,769)
Unallocated income and expenses					**(12,434)**	(16,423)
Operating profit/(loss)					**1,204,948**	(26,192)
Gain on disposal of a subsidiary					**29,542**	–
Finance costs					**(98,469)**	(4,672)
Share of loss of associates					**(106)**	–
Profit/(Loss) before income tax					**1,135,915**	(30,864)
Income tax expense					**(215,828)**	–
Profit/(Loss) for the period					**920,087**	(30,864)

* *The Group commenced the production of coke in July 2008.*

4. Gain on disposal of a subsidiary

As described in note 1 to the Unaudited Interim Financial Report, on 15 January 2009, the Group completed the Disposal to a subsidiary of the minority shareholder of Risheng, at a total cash consideration of RMB110 million (HK$125 million equivalent). Risheng is engaged in the production and sales of coke products in Shanxi, the PRC. Details of the Disposal were set out in the circular of the Company dated 29 December 2008. Since then, Risheng ceased to be a subsidiary of the Company.

Pursuant to the Disposal, Jinshan agreed to assume the Risheng loans (as defined and described in the "Announcement") in Risheng's books due to various creditors. As at 19 April 2008, Jinshan and Mr. Wong, a shareholder and director of the Company, amongst others, also entered into the Loan Novation Agreements (as also defined and described in the Announcement) with two creditors, under which upon completion of the Disposal, Mr. Wong agreed to assume the liabilities in the aggregate amount of RMB35 million (approximately HK$40 million) owed by Jinshan to two creditors for nil consideration. Thus, a gain on disposal of Risheng of HK$29,542,000 was recognised during the period.

Net assets of Risheng at the date of disposal on 15 January 2009 were as follows:

	(Unaudited) ***HK$'000***
Net assets disposed of:	
Property, plant and equipment	**164,217**
Deposits and other receivables	**6**
Bank and cash balances	**115**
Amount due to minority equity holders	**(2,268)**
Other payables	**(168,762)**
	(6,692)
Minority interest	**(437)**
Loan Novation under the Loan Novation Agreements *(note 12)*	**39,694**
Gain on disposal of a subsidiary	**29,542**
Total consideration	**62,107**
Satisfied by:	
Cash consideration	**124,754**
Less: liabilities assumed by Jinshan	**(102,341)**
	22,413
Loan Novation under the Loan Novation Agreements *(note 12)*	**39,694**
	62,107

4. Gain on disposal of a subsidiary (continued)

	(Unaudited) *HK$'000*
An analysis of net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:	
Cash consideration	**124,754**
Bank and cash balances disposed	**(115)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**124,639**

5. Finance costs

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest charges on:		
– bank loans repayable within five years	**76,162**	2,309
– other loans wholly repayable within five years	**6,881**	3,282
– amounts due to minority equity holders of subsidiaries wholly repayable within five years	**897**	878
– convertible notes wholly repayable within five years	**–**	103
– early redemption of bill receivables	**14,321**	–
– finance charges on finance leases	**208**	–
	98,469	6,572
Less: interest capitalised in construction in progress*	**–**	(1,900)
Total finance costs	**98,469**	4,672

* *The borrowing costs were capitalised at the rates ranging from 6.00 % to 7.00% per annum for the six months ended 30 June 2008.*

6. Profit/(Loss) before income tax

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**576,058**	4,276
Amortisation of		
– prepaid lease payments	**752**	183
– mining rights	**135,105**	–
Depreciation of property, plant and equipment		
– owned assets	**74,220**	1,395
– leased assets	**819**	–
Employee benefit expenses *(including directors' remuneration, share-based compensation expense and retirement benefits scheme contributions)*	**123,695**	16,523
Operating lease charges in respect of land and buildings	**9,163**	412
Write-down of inventories to net realisable value	**19,307**	–
Other operating income		
– bank interest income	**(2,120)**	(1,524)

7. Income tax expense

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – PRC income tax	**238,547**	–
Deferred tax	**(22,719)**	–
	215,828	–

No provision for Hong Kong Profits Tax has been provided in the Unaudited Interim Financial Report as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2009 and 2008.

7. Income tax expense (continued)

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's certain subsidiaries, namely Xingwu, Jinjiazhuang and Zhaiyadi, all established in the PRC, are entitled a 50% relief from the corporate income tax for the three subsequent years ending 31 December 2010. Thus, the enterprise income tax rate for the calendar years from 2008 to 2010 is 12.5%. From the calendar year of 2011 onwards, the enterprise income tax rate for the Group's PRC subsidiaries shall become 25% without any exemption.

In accordance with the relevant enterprise income tax law in the PRC, a 10% withholding tax is levied on dividends declared in respect of profits earned by the PRC subsidiaries to the foreign investors, where there is no tax treaty with the PRC, for the period. The Group is therefore liable to withholding taxes on dividends distributed by its major PRC subsidiaries, in respect of earnings from which generated.

8. Dividends

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend of HK10 cents per share (2008: nil)	**499,596**	–

The interim dividend was declared and will be paid subsequent to the balance sheet date. The balance has not yet been recognised as a liability in the Unaudited Interim Financial Report.

The interim dividend for 2009 will be payable on 22 October 2009 to all equity holders of the Company on the register of members of the Company at the close of business on 9 October 2009. As at the date of the Unaudited Interim Financial Report, the number of the issued share capital of the Company is 4,995,955,352.

9. Earning/(Loss) per share

The calculation of basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit/(Loss) attributable to equity holders of the Company	**768,506**	(19,630)

9. Earning/(Loss) per share (continued)

	’000	’000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**4,568,042**	2,438,801
Effect of dilutive potential ordinary shares:		
– Share options	**36,065**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**4,604,107**	2,438,801

Note: Diluted loss per share for the six months ended 30 June 2008 is not presented because the impact of the exercise of the share options is anti-dilutive.

Subsequent to the balance sheet date and up to the date of the Unaudited Interim Financial Report, 400,000,000 new shares of the Company were issued on 28 July 2009 under the Placing and Subscription Agreement and 14,000,000 new shares of the Company were issued upon the exercise of granted share options by option holders. As a result, the Company’s issued ordinary shares have increased and potential ordinary shares have decreased accordingly after the balance sheet date. Details of the transactions in relation to the issue of new shares are set out in Note 22(a) and Note 22(d) to the Unaudited Interim Financial Report. As at the date of the Unaudited Interim Financial Report, the number of the issued share capital of the Company is 4,995,955,352.

10. Property, plant and equipment

During the period, the Group acquired property, plant and equipment at a total cost of HK$230,836,000 (31 December 2008: HK$604,623,000) in relation to the construction in progress for coal preparation plants, one (31 December 2008: two) coke plants and a mining project. Plant and equipment with a net book value of HK$18,000 was disposed of during the six months ended 30 June 2009 (31 December 2008: HK$11,504,000).

As at 30 June 2009, net carrying amount of the Group’s property, plant and equipment held under finance leases included buildings of HK$11,687,000 (31 December 2008: HK$12,523,000).

As at 30 June 2009, certain property, plant and equipment with a net carrying amount of approximately HK$502,367,000 (31 December 2008: HK$610,605,000) were pledged for the banking facilities denominated in RMB494,033,000 (HK$560,295,000 equivalent) granted to the Group (note 16).

11. Trade and bill receivables

Ageing analysis of trade and bill receivables (net of allowance for doubtful debts), based on the invoice dates, is as follows:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
0-90 days	**659,780**	442,728
91-180 days	**100,449**	289,269
181-365 days	**147,748**	68,585
Over 365 days	**248,280**	198,826
	1,156,257	999,408

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

As at 30 June 2009, included in trade receivables was a balance of RMB82,442,000 (HK$93,500,000 equivalent) (31 December 2008: RMB72,000,000 (HK$81,763,000 equivalent)) pledged for a bank loan amounting to RMB65,950,000 (HK$74,796,000 equivalent) (31 December 2008: RMB70,000,000 (HK$79,492,000 equivalent)) granted to the Group (note 16).

Included in the balances aged over 365 days are a number of long outstanding balances due from certain customers amounting to approximately HK$233,313,000 (RMB205,721,000 equivalent) (the "Overdue Debts"). According to an undertaking letter dated 4 September 2008, Mr. Xing, together with companies under the control of Ms. Li Feng Xiao ("Mrs. Xing"), namely Shanxi Luensheng Energy Limited, a minority shareholder holding 5% equity interests in Zhaiyadi, and Shanxi Luensheng Energy Investment Limited, a minority shareholder holding 35% equity interests in Jinjiazhuang, (collectively referred to as the "Luensheng Companies") agreed to undertake to make any good losses which the Group may suffer as a result of default in repayment for the Overdue Debts. Further on 15 April 2009, a pledge document was entered into amongst the Company, Jade Green, Mr. Xing and the Luensheng Companies such that the Luensheng Companies agreed to pledge their sharing profits in Zhaiyadi and Jinjiazhuang since 1 January 2009 to settle the Overdue Debts until the Overdue Debts have been fully recovered by the Group.

On 4 August 2009, another undertaking letter was entered into amongst the Company, Jade Green, Mr. Xing and the Luensheng Companies such that, in addition to the Overdue Debts, the Luensheng Companies further agreed to pledge their sharing profits in Zhaiyadi and Jinjiazhuang since 1 January 2009 to settle the receivable balances due from a number of connected parties amounting to approximately HK$538,346,000 (RMB474,679,000 equivalent) (the "Other Debts"), balance included in amount due from connected parties, in Xingwu, Jinjiazhuang and Zhaiyadi until both the Overdue Debts and the Other Debts have been fully recovered by the Group on or before 31 January 2010.

12. Amount due from a director

The balance related to the loan novation under the Loan Novation Agreements upon the completion of the Disposal of a subsidiary (note 4). The balance was settled in full after the balance sheet date.

13. Pledged bank deposits

All pledged bank deposit as at 30 June 2009 was denominated in RMB, of which, RMB3,000,000 (HK$3,402,000 equivalent) (31 December 2008: RMB3,000,000 (HK$3,407,000 equivalent)) were pledged for the banking facilities denominated in RMB497,033,000 (HK$563,697,000 equivalent). The remaining balance of RMB443,165,000 (HK$502,605,000 equivalent) (31 December 2008: RMB145,768,000 (HK$165,534,000 equivalent)) were pledged for bill payables of RMB462,550,000 (HK$524,590,000 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 short maturity period.

14. Cash and cash equivalents

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
	HK$'000	*HK$'000*
Cash at banks and on hand	**225,566**	537,074
Short term bank deposits	**211,796**	223,089
	437,362	760,163

As at 30 June 2009, short term bank deposits of HK$211,796,000 (31 December 2008: HK$136,725,000) were placed at escrow accounts.

15. Trade and bill payables

The Group was granted by its suppliers credit periods ranging between 30 and 180 days during the period. Based on the invoice dates, ageing analysis of trade and bill payables as of the balance sheet dates is as follows:

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
0-90 days	**651,761**	278,580
91-180 days	**16,093**	76,586
181-365 days	**67,678**	12,041
Over 365 days	**8,973**	13,588
	744,505	380,795

16. Borrowings

	30 June 2009 (Unaudited) *HK$'000*	31 December 2008 (Audited) *HK$'000*
Current		
Finance lease payables	**5,877**	5,680
Bank loans – secured	**991,206**	1,472,370
Other loans	**49,740**	112,867
	1,046,823	1,590,917
Non-current		
Finance lease payables	**4,142**	5,279
Bank loans – secured	**–**	3,407
Other loans	**12,804**	26,485
	16,946	35,171
	1,063,769	1,626,088

16. Borrowings (continued)

As at 30 June 2009, bank loan denominated in RMB497,033,000 (HK$563,697,000 equivalent) (31 December 2008: RMB977,556,000 (HK$1,110,112,000 equivalent)) were secured by pledged bank deposits of RMB3,000,000 (HK$3,402,000 equivalent) (31 December 2008: RMB3,000,000 (HK$3,407,000 equivalent)), the entire interests in certain PRC subsidiaries, including the rights to receive all dividends or other distributions and all other rights and benefits, and the Group's mining rights, prepaid lease payments and certain property, plant and equipment. As at 30 June 2009, certain property, plant and equipment, prepaid lease payments and mining rights with net carrying amounts of approximately HK$502,367,000 (31 December 2008: HK$610,605,000) (note 10), HK$43,308,000 (31 December 2008: HK$43,876,000) and HK$10,397,017,000 (31 December 2008: HK$10,545,819,000) respectively were pledged for the banking facilities denominated in RMB497,033,000 (HK$563,697,000 equivalent) (31 December 2008: RMB977,556,000 (HK$1,110,112,000 equivalent)) granted to the Group.

The remaining bank loans of RMB376,950,000 (HK$427,509,000 equivalent) (31 December 2008: RMB319,000,000 (HK$362,256,000 equivalent)) are guaranteed by certain minority equity holders and/or independent third parties, of which RMB65,950,000 (HK$74,796,000 equivalent) (31 December 2008: RMB70,000,000 (HK$79,492,000 equivalent)) were secured by a trade receivable balance amounting to RMB82,442,000 (HK$93,500,000 equivalent (31 December 2008: RMB72,000,000 (HK$81,763,000 equivalent)) (note 11).

At 30 June 2009, other loans, obtained from third parties, are unsecured and interest bearing at fixed rates ranging from 0% to 18% (31 December 2008: 0% to 18%) per annum.

17. Share capital

	Number of shares		Amount	
	30 June 2009 (Unaudited) *'000*	31 December 2008 (Audited) *'000*	**30 June 2009 (Unaudited) *HK$'000***	31 December 2008 (Audited) *HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000**	5,000,000	**500,000**	500,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**4,564,555**	2,422,388	**456,456**	242,239
Issue of shares upon conversion of convertible notes	**–**	17,167	**–**	1,717
Placing of shares	**–**	860,000	**–**	86,000
Issue of consideration shares upon the completion of the Agreement	**–**	1,260,000	**–**	126,000
Issue of shares upon conversion of share options	**17,400**	5,000	**1,740**	500
At 30 June/31 December	**4,581,955**	4,564,555	**458,196**	456,456

As at the date of the Unaudited Interim Financial Report, the number of the issued share capital of the Company is increased to 4,995,955,352. Details of the increase in the number of issued share capital by 414,000,000 new shares subsequent to the balance sheet date are set out in Note 22(a) and Note 22(d) to the Unaudited Interim Financial Report.

18. Operating lease commitments

At 30 June 2009, 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 2009		31 December 2008	
	Land and building (Unaudited)	**Other assets (Unaudited)**	Land and building (Audited)	Other assets (Audited)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Within one year	**4,981**	**567**	6,233	1,136
In the second to fifth years	**16,851**	**–**	18,783	–
After five years	**83,340**	**–**	92,564	–
	105,172	**567**	117,580	1,136

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 50 years, without an option to renew the leases and renegotiated 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.

19. Capital commitments

Capital commitments of the Group at 30 June 2009 are as follows:

	30 June 2009 (Unaudited)	31 December 2008 (Audited)
	HK$'000	*HK$'000*
Contracted but not provided for :		
– Acquisition of property, plant and equipment	**400,255**	445,302
– Exploration and design fees for a potential mining project	**8,483**	8,494
	408,738	453,796

20. Financial guarantee contracts

As at 30 June 2009, Xingwu and Zhaiyadi executed guarantees with respect to the bank loans, denominated in RMB382,000,000 (31 December 2008: RMB872,000,000) and RMB100,000,000 (31 December 2008: RMB100,000,000) respectively, granted to three independent third parties, under which Xingwu and Zhaiyadi are liable to pay the banks if the banks are unable to recover the loans from these third parties. At the balance sheet date, no provision for the Group's obligation under the guarantee contracts has been made as the directors consider that it is no probable that the repayment of the loans will be in default.

21. Related party transactions

Except as disclosed elsewhere in the Unaudited Interim Financial Report and the compensation payable to key management personnel disclosed below, there were no other material related party transactions carried out by the Group for the six months ended 30 June 2009.

Included in staff costs are key management personnel compensation and comprises the following categories:

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Basic salaries, housing allowance, other allowances and benefits in kind	**7,611**	2,297
Retirement benefits scheme contributions	**21**	12
Share-based compensation expense	**–**	1,080
	7,632	3,389

22. Post balance sheet events

(a) On 21 July 2009, Mr. Wong and China Merit Limited (the "Vendors"), the Company, and Deutsche Bank AG, Hong Kong Branch and Credit Suisse (Hong Kong) Limited (the "Placing Agents") entered into a placing and subscription agreement (the "Placing and Subscription Agreement") pursuant to which Placing Agents had agreed to act as agents of the Vendors and on a fully underwritten basis to procure purchasers to acquire, and the Vendors had agreed to sell, 600,000,000 shares at the placing price of HK$4.38 per share (the "Placing"). Pursuant to the Placing and Subscription Agreement, the Vendors had conditionally agreed to subscribe for 400,000,000 new shares at the subscription price of HK$4.38 per share (the "Subscription"). Details of the Placing and the Subscription are set out in the announcement of the Company dated 21 July 2009. The Subscription was completed on 28 July 2009 and 400,000,000 shares had been issued under the general mandate approved at the last annual general meeting of the Company held on 2 June 2009. The Company raised a net proceed of approximately HK$1,718 million from the Subscription which will be applied mainly for future acquisitions in the PRC and overseas, and capital expenditures of the Group. As at the date of the Unaudited Interim Financial Report, the net proceed was deposited at bank.

(b) On 19 August 2009, 281,050,000 share options to subscribe for shares of the Company were granted by the Company under its share option scheme adopted by the Company on 20 June 2003 (the "Share Options Scheme") at an exercise price of HK$6.0 per share. Details of the grant of share options under the Share Option Scheme are set out in the announcement of the Company dated 19 August 2009. The estimated fair value of the options granted, measured at the date of grant on 19 August 2009 by using the Black-Scholes option pricing model based on number of assumptions, totalled approximately HK$596,000,000 (subject to audit). As the options vest after two years from the date of grant on 19 August 2009, the amount of HK$596,000,000 will be recognised as a share-base compensation expense in the consolidated statement of comprehensive income over 2 years from 19 August 2009 to 18 August 2011 with a corresponding credit in share-based compensation reserve. Thus, approximately HK$110,000,000, HK$298,000,000 and HK$188,000,000 will be recognised in the consolidated statement of comprehensive income for the year ending 31 December, 2009, 2010 and 2011 respectively. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair estimate, in the directors' opinion, this model does not necessarily provide a reliable single measure of the fair value of the share options.

22. Post balance sheet events (continued)

(c) The Company entered into an up to US$200,000,000 (the "Loan") secured credit agreement between, amongst others, the Company as the borrower and Bank of China (Hong Kong) Limited as the facility agent and the security agent on 11 September 2009. The term of the Loan is 3 to 4 years. The Loan is for the purpose of partly refinancing the RMB equivalent of US$153,800,000 credit agreement between, amongst others, Jade Green and BOCI Leveraged & Structured Finance Limited and of financing the project funding requirement of the Company and its subsidiaries in the future. The interest rate on the Loan is LIBOR plus 1.85%.

(d) Subsequent to the balance sheet date and up to the date of the Unaudited Interim Financial Report, 14,000,000 new shares were issued at exercise price of HK$1.5 per share upon the exercise of granted share options by option holders as a result of further raised a net proceed of approximately HK$21 million.

(e) On 22 September 2009, the Company entered into an agreement (the "First Agreement") among the Company, Sky Choice International Limited ("Sky Choice") and Shougang International Concord Enterprises Company Limited ("Shougang International"). Pursuant to the First Agreement, the Company has conditionally agreed to purchase from Sky Choice, a wholly-owned subsidiary of Shougang International, 154,166,874 shares of Mount Gibson Iron Limited ("Mount Gibson"), representing approximately 14.34% of the issued share capital of Mount Gibson as the date of the First Agreement, at a consideration of HK$1,188,531,169. The consideration will be satisfied in full by the allotment and issue of 213,918,497 new shares of the Company to Sky Choice (or its nominees) at HK$5.556 per share. Mount Gibson, a corporation incorporated under the laws of Australia, the shares of which are listed on The Australian Securities Exchange Limited. The principal business of Mount Gibson is mining of hematite iron ore deposits at Koolan Island, Tallering Peak and exploration and development of hematite iron ore deposits in Western Australia including Koolan Island, Tallering Peak and Extension Hill. Mount Gibson is a pure iron ore exploration and mining company which owns iron ore deposits and holds mining rights.

In addition, on 22 September 2009, the Company entered into another agreement (the "Second Agreement") with Shougang Holding (Hong Kong) Limited ("Shougang Holding"). Pursuant to the Second Agreement, the Company has conditionally agreed to purchase from Shougang Holding the entire issued share capital of Benefit Rich Limited ("Benefit Rich") at a consideration of HK$606,104,000. The consideration will be satisfied in full by the allotment and issue of 109,089,993 new shares of the Company to Shougang Holding (or its nominees) at HK$5.556 per share. The sole asset held by Benefit Rich is the holding of 956,000,000 shares of APAC Resources Limited ("APAC"), representing approximately 16.80% of the issued share capital of APAC at the date of the Second Agreement, whose shares are listed on The Stock Exchange of Hong Kong Limited. APAC is also currently holding 26.03% of the issue share capital of Mount Gibson as at the date of the Second Agreement.

Details of the above transactions are set out in the announcement of the Company dated 22 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2009, although the global economic environment was still affected by uncertainties, Fushan Energy managed to further expand its core coking coal business, improve its industry chain and strengthen its sales network, thanks to the PRC government's macro-economic policies expansion of domestic demand and the Group's effective growth strategy.

In the second quarter of 2009, a new coal preparation plant, which is in the proximity of the Jinjiazhuang Coal Mine and has an annual processing capacity of 3 million tonnes, was formally put into commercial operation. To further expand the coal preparation capacity, the Group is constructing two new coal preparation plants which are adjacent to our other mines. Such coal preparation plants are planned to complete construction and put into production by the end of 2009 and the second quarter of 2010 respectively. By 2010, the Group's annual processing capacity is expected to reach 11 million tonnes. In the first half of 2009, the Group achieved outstanding operating results by scientifically organising production and operation, strictly controlling costs and expenses, and proactively addressing impacts of domestic and overseas macro-economic disadvantages and market changes. During the first half of 2009, the Group produced approximately 3.25 million tonnes of raw coal and approximately 0.45 million tonnes of clean coal respectively.

FINANCIAL REVIEW

For the six months ended 30 June 2009, the Group recorded a turnover of approximately HK$2,080.8 million, representing a significant increase of approximately 468 times over approximately HK$4.4 million in the same period of 2008. The substantial growth in turnover was attributable to the significant contribution of income to the Group from the three high quality coking coal mines acquired in July 2008 (the "2008 Acquisition"). In addition, the Group recorded a turnround in its profitability and a substantial net profit of approximately HK$920.1 million for the six months ended 30 June 2009 when compared with the net loss of approximately HK$30.8 million for the six months ended 30 June 2008. For the six months ended 30 June 2009, the Group recorded net profit attributable to the equity holders of the Company of approximately HK$768.5 million and earnings of HK16.82 cents per share.

Furthermore, the Group recorded an increase in turnover of approximately HK$184.2 million for the six months ended 30 June 2009 when compared with the turnover of approximately HK$1,896.6 million for the year ended 31 December 2008 which incorporated the financial results of the three high quality coking coal mines since 25 July 2008. Net profit increased by approximately HK$213.5 million for the six months ended 30 June 2009 when compared with that of approximately HK$706.6 million for the year ended 31 December 2008. This demonstrated that the Group's profitability has been further enhanced. Average realised selling price of raw coking coal and clean coking coal (inclusive of VAT) were RMB600 and RMB1,311 respectively during the six months ended 30 June 2009.

Cost of Sales

During the period under review, cost of sales was approximately HK$576.1 million, representing an increase of approximately HK$571.8 million or approximately 135 times, as compared with approximately HK$4.3 million of the same period in 2008. The significant increase was due to the increase in turnover.

Depreciation of property, plant and equipment for the six months ended 30 June 2009 was approximately HK$75 million, representing an increase of approximately HK$73.6 million or approximately 54 times as compared with approximately HK$1.4 million of the same period in 2008. The increase was mainly attributable to the significant additions of property, plant and equipment through the 2008 Acquisition amounting to approximately HK$1,323 million. During the period under review, additions of property, plant and equipment amounted to approximately HK$231 million.

Amortisation of mining rights for the six months ended 30 June 2009 was approximately HK$135 million, which was solely attributable to the addition of carrying amount of mining rights of approximately HK$10,690 million from the 2008 Acquisition.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the six months ended 30 June 2009 was approximately HK$1,504.7 million, representing a significant increase of approximately HK$1,504.6 million or approximately 9,404 times as compared with approximately gross profit of HK$0.2 million of the same period in 2008. During the period under review, gross profit margin achieved at 72% compared with 4% of the same period in 2008.

In addition, gross profit increased by HK$267.8 million when compared with approximately HK$1,236.9 million for the year ended 31 December 2008 and the gross profit margin is 7% higher when compared with 65% for the year ended 31 December 2008. The increase in gross profit, even though the average realised selling prices in the first half of 2009 were lower than that in 2008, was due to (i) the result of the effective cost control, (ii) reducing average unit cost as a result of the expansion of production volume of raw coal from approximately 2.56 million tonnes in 2008 to 3.25 million tonnes in the first half of 2009, (iii) increasing in sales mix by clean coal with high gross margin; and (iv) changes of accounting treatment on development fund for mine transition and environmental recovery guarantee fund amounting to approximately HK$55 million during the period under review not taken into accounts as expenses since 1 January 2009.

Other Operating Income

During the period under review, other operating income was approximately HK$18.2 million, representing an increase of approximately HK$16.4 million or approximately 10 times as compared with approximately HK$1.8 million of the same period in 2008. The increase was mainly attributable to the gain on sales of scrapped products generated from the three quality coking coal mines and the coke plant.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses was approximately HK$96.1 million which was increased with the turnover and mainly attributable to the three quality coking coal mines.

General and Administrative Expenses

During the period under review, administrative expenses were approximately HK$110.8 million, representing an increase of approximately HK$86.2 million or approximately 5 times as compared with approximately HK$24.6 million of the same period in 2008. The increase was again mainly attributable to the three quality coking coal mines.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$111.1 million, representing an increase of approximately HK$107.5 million or approximately 31 times as compared with approximately HK$3.6 million of the same period in 2008. The increase was again mainly attributable to the three quality coking coal mines.

Finance Costs

During the period under review, finance costs were approximately HK$98.5 million, representing an increase of approximately HK$93.8 million or approximately 21 times as compared with approximately HK$4.7 million of the same period in 2008. The increase in finance costs was due to the increase in the borrowings from approximately HK$67.8 million at 30 June 2008 to approximately HK$1,063.8 million at 30 June 2009 of which approximately HK$560 million was solely for used to finance part of the consideration for the 2008 Acquisition.

Income Tax Expense

During the period under review, income tax expense was approximately HK$215.8 million, of which approximately HK$68 million representing the provision of withholding tax on the dividend declared from the three quality coking coal mines in accordance with the tax regulations in the PRC.

The Company's Shareholder's Attributable Profit

By reason of the foregoing, the net profits attributable to the equity holders of the Company (the "Shareholders") in the period under review was approximately HK$768.5 million or approximately HK16.82 cents per share.

Furthermore, the net profit attributable to the Shareholders also increased by approximately HK$200.9 million from approximately HK$567.6 million for the year ended 31 December 2008 to approximately HK$768.5 million for the six months ended 30 June 2009.

Increase in shareholding by Substantial Shareholders

On 9 February 2009, Mr. Wong Lik Ping, the shareholder and executive director of Fushan Energy, and China Merit Limited, the wholly-owned subsidiary of Mr. Wong, entered into the Share Sale Agreement with Shougang Concord International Enterprises Company Limited ("Shougang") and its wholly-owned subsidiary, Excel Bond Investments Limited, pursuant to which 12.05% of the Company's share capital at the completion date of the Share Sale Agreement was sold to Shougang. Shougang together with Shougang Holding (Hong Kong) Limited indirectly increased in its equity interest in Fushan Energy from 9.86% to 21.82% as at 30 June 2009.

Material Investments and Acquisitions

During the six months ended 30 June 2009, the Group had no material investments and acquisitions.

Material Disposals

As the coke plant held by Taiyuan Xishan Risheng Coal and Coking Co., Limited ("Risheng") located in Gujiao, Shanxi Province is relatively distant from the three coking coal mines acquired in the 2008 Acquisition, the Group entered into a conditional sales and purchase agreement with a shareholder of the then minority shareholder of Risheng to sell, inter alia, its 70% equity interest at a consideration of approximately RMB110 million. Details of the transaction were set out in the announcement and the circular of the Company dated 23 April 2009 and 29 December 2008 respectively. The disposal was completed on 15 January 2009 and since then, Risheng ceased to be a subsidiary of the Company. A gain of approximately HK$29.5 million was recognised on disposal during the period under review.

Sales Agreements

Pursuant to the long-term strategic cooperation agreement entered into by Fushan Energy and Shougang Corporation in July 2008, Shougang Corporation will purchase not less than two million tonnes of premier clean coking coal for each calendar year from the Group from 2009 onwards, and such purchase will be expected to increase according to the actual production capacity of the Group for each calendar year thereafter.

Safety Production and Environmental Protection

The Group has always been attaching great importance to production safety and environmental protection while achieving rapid growth in coal production. Thus, the Group made great efforts in promotion of standardised management in safety and quality and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmentally-friendly enterprise. During the period under review, the coal mines of the Group operated smoothly and recorded no material safety incidents. Meanwhile, the Group was one of the industry leaders in environmental protection.

Charges on Assets

As at 30 June 2009, save for the aggregate net carrying amount of approximately HK$10,942 million was pledged for loans of approximately HK$564 million, of which HK$560 million was solely used to finance part of the payment of the consideration for the 2008 Acquisition, none of the Group's assets was charged or subject to any encumbrance.

Contingent Liabilities

As at 30 June 2009, save for the guarantees given by two subsidiaries in the PRC, namely Shanxi Liulin Xingwu Coalmine Company Limited and Shanxi Liulin Zhaiyadi Coal Company Limited amounting to approximately RMB382 million (HK$433 million equivalent) and RMB100 (HK$113 million equivalent) million respectively which were mainly entered prior to the completion of the 2008 Acquisition, with respect to the bank loans to their independent third customers, there were no guarantees given to any banks or financial institutions by the Group. As at 30 June 2009, there was no default in the repayment of the respective loans.

Gearing Ratio

As at 30 June 2009, gearing ratio of the Group, computed from the Group's interest bearing liabilities divided by the total equity, was approximately 8%. The borrowings were mainly used to finance part of the payment of the consideration for the 2008 Acquisition as mentioned above and certain construction and installation of machinery of coal preparation plants and coke plant in the PRC.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2009, other than assets and liabilities denominated in Renminbi, the Group had no material exposure to foreign exchange fluctuations.

Liquidity and Financial Resources

As at 30 June 2009, the Group's current ratio (current assets divided by current liabilities) was approximately 1.02 and the Group's cash and bank deposits amounted to approximately HK$943 million, of which approximately HK$506 million was deposited mainly to secure bill facilities of approximately HK$525 million.

After the balance sheet date, the Group's cash and bank deposits are increased by approximately HK$1,739 million due to the placing of 400 million new shares at HK$4.38 per share and the issue of 14 million new shares at HK$1.50 per share upon the exercise of share options.

Capital Structure

The Group considers total equity, bank loans and other borrowings as capital. As at 30 June 2009, the amount of capital was approximately HK$14,183 million. Subsequent to the balance sheet date, the amount of capital was significant increased resulting from increase in equity by approximately HK$1,739 million from the placing of 400 million new shares and the issue of 14 million new shares upon the exercise of share options.

As at 30 June 2009, the issued capital of the Company was approximately HK$458 million. The Company issued 17,400,000 shares with par value of HK$0.1 each at an exercise price of HK$1.5 per share upon the exercise of the granted options during the period under review.

During the period under review, the total borrowings denominated in RMB which are repayable within 5 years from the balance sheet date, amounted to approximately HK$1,064 million. All borrowings are subject to fixed interest rates.

Employees

The Group had 13 Hong Kong employees and 6,432 PRC employees at 30 June 2009 with remuneration package which are subject to be reviewed annually. The Group provides a mandatory provident fund scheme for its Hong Kong employees and the state-sponsored retirement plan for its PRC employees.

The Group has also adopted share option scheme since 20 June 2003. During the period under review, no share option was granted.

INTERIM DIVIDEND

The directors have declared an interim dividend of HK10 cents per share for the six months ended 30 June 2009. The proposed interim dividend for 2009 will be payable on 22 October 2009 to Shareholders whose names appear on the register of members of the Company at the close of business on 9 October 2009.

FUTURE PROSPECTS

As the PRC Government launches new economic stimulus packages and industrial revitalisation policies in tandem, Fushan Energy is facing unprecedented development opportunities in 2009. In addition, the increasing demands in real estate and automobile industries will drive the output volume of the downstream industries such as steel and building materials. Accordingly, the market demand for coking coal is to gradually recover, accompanying with the continuity of steadily rising price of coking coal. Keeping abreast of the favourable market situation and being market-oriented, the Group will timely adjust its strategies to be conducive to its development. Meanwhile, the Group will further expand its premier customer bases, improve its coal preparation capacity and strengthen the production safety and environmental protection, building itself into an enterprise with strong awareness of social responsibility.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 June 2009, the interests and short positions of the directors and chief executives of the Company in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO")) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required to be 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 Companies (the "Model Code") were as follows:

(i) Long and short positions in ordinary shares (HK$0.10 each) of the Company:

	Number of ordinary shares held				% of issued share
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**capital of the Company**
Mr. Cao Zhong ("Mr. Cao")	(L) 3,000,000	–	–	(L) 3,000,000	0.07%
Mr. Wong Lik Ping ("Mr. Wong")	(L) 173,971,900	–	(L) 699,200,000 *(Note a)*	(L) 873,171,900	19.06%
			(S) (20,475,000) *(Note a & b)*	(S) (20,475,000)	(0.45%)
Mr. So Kwok Hoo	(L) 4,000,000	–	–	(L) 4,000,000	0.09%
Mr. Shi Jianping	(L) 2,454,000	–	–	(L) 2,454,000	0.05%
Mr. Liu Qingshan	–	(L) 330,000 *(Note c)*	–	(L) 330,000	0.01%

* *The letter "L" denotes a long position and the letter "S" denotes a short position.*

Note a: Mr. Wong is the beneficial owner of the entire issued share capital of China Merit Limited, which owned 699,200,000 shares as at 30 June 2009. Mr. Wong is the sole director and sole shareholder of China Merit Limited.

Note b: The short position in 20,475,000 shares held by Mr. Wong through China Merit Limited was derived from shares pledged to PA Capital Opportunity VII Limited for his personal loan.

Note c: The spouse of Mr. Liu Qingshan is the beneficial shareholder.

(ii) Options to subscribe for ordinary shares (HK$0.10 each) of the Company:

The directors have been granted unlisted options under the Company's share option scheme, details of which are set out in the section "SHARE OPTION SCHEME" below.

Save as disclosed above, none of the directors and chief executives had any interest or short position in the shares, debentures or underlying shares of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As at 30 June 2009, the persons other than a director or chief executive of the Company who had an interest or short position in 5% or more of the issued share capital of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of ordinary shares held	% of issued share capital of the Company
Mr. Xing Libin ("Mr. Xing")	Beneficial owner	(L) 669,546,536 *(Note a)*	14.61%
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Corporate interest	(L) 450,000,000 *(Note b)*	9.82%
Shougang Concord International Enterprise Company Limited ("Shougang International")	Corporate interest	(L) 550,000,000 *(Note c)*	12.00%

* *The letter "L" denotes a long position.*

Note a: Pursuant to the substantial shareholder notices dated 30 July 2008, Mr. Xing is the beneficial owner of 86.9% of the entire issued share capital of Firstwealth Holdings Limited, which owned 669,546,536 shares as at 30 June 2009.

Note b: Pursuant to the substantial shareholder notices dated 25 July 2008, Shoungang Holding is the beneficial owner of the entire issued share capital of Fine Power Group Limited, which owned 450,000,000 shares as at 30 June 2009.

Note c: Pursuant to the substantial shareholder notices dated 26 February 2009, Shougang International is the beneficial owner of the entire issued share capital of Ultimate Capital Limited, which owned 550,000,000 shares as at 30 June 2009.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Save as disclosed in the section "SHARE OPTION SCHEME" below, at no time during the period was the Company, or any of its subsidiaries a party to any arrangements which enable a director or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or their spouses or their children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such rights.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 June 2003, the equity holders of the Company approved the adoption of a new option scheme (the "Scheme") to give the directors the power to implement and administer the Scheme with effect from the date of passing of the resolution. The Scheme expires on 19 June 2013.

At 30 June 2009, the option holders of the Company had the following interest in unlisted options to subscribe for shares of the Company granted under the Scheme. The vesting period of the options is two years from the date of grant and the options are then exercisable within a period of the following five years. Each option gives the option holder the right to subscribe for one ordinary share of HK$0.10 each. During the six months ended 30 June 2009, no options were granted.

	Number of options outstanding at the beginning of the period	Number of options exercised during the period	Number of options outstanding at the period end	Grant date	Period during which options are exercisable	Exercise price per share	Market value (closing price) per share on exercise of options
Directors							
Mr. Wong	2,000,000	–	2,000,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	–
So Kwok Hoo	6,500,000	(6,500,000)	–	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	4.13
Xue Kang	6,000,000	–	6,000,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	–
Chan Pat Lam	800,000	–	800,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	–
Choi Wai Yin	800,000	–	800,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	–
Kee Wah Sze	800,000	–	800,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	–
Sub-total	16,900,000	(6,500,000)	10,400,000				
Employees	69,500,000	(9,800,000)	59,700,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	*3.15
Others	12,600,000	(1,100,000)	11,500,000	26 April 2006	26 April 2008 to 25 April 2013	HK$1.50	*3.59
Total	99,000,000	(17,400,000)	81,600,000				

Note: Closing price per share immediately before the date of grant of options was HK$1.34.

* Weighted average of market values per share.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2009 (the "Unaudited Interim Financial Report"), which has been also reviewed by Grant Thornton, the auditor of the Company, 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.

SUBSEQUENT EVENTS

Save for the post balance sheet events set out in note 22 to the Unaudited Interim Financial Report, there are no other material subsequent events.

CODE ON CORPORATE GOVERNANCE PRACTICES

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2009, in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities ("the Listing Rules") on The Hong Kong of Stock Exchange Limited ("The Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by directors (the "Model Code"). The Company has made specific enquiries with all directors of the Company and each of them confirmed that they have complied with the Model Code during the six months ended 30 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 October 2009 to 9 October 2009 (both days inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the interim cash dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 7 October 2009.

By Order of the Board
CAO ZHONG
Chairman

Hong Kong, 22 September 2009

As at the date of this report, the Board comprises Mr. Cao Zhong (Chairman), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo, Mr. Xue Kang and Mr. Liu Qingshan as executive directors of the Company, Mr. Chen Zhouping, Mr. Leung Shun Sang, Tony and Mr. Shi Jianping as non-executive directors of the Company, Mr. Kee Wah Sze, Mr. Choi Wai Yin and Mr. Chan Pat Lam as independent non-executive directors of the Company.