ROSAN RESOURCES HOLDINGS LIMITED
融信資源控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 00578)

Interim Report 2013

The board (the "**Board**") of directors (the "**Directors**") of Rosan Resources Holdings Limited (the "**Company**") is pleased to present the unaudited interim financial report of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013.

Overview

The first half of year 2013 is an important milestone for the Group. Having carried out the business integration in the past periods, the business of the Group has been back on track and going towards to sustain the future development of the Group, especially in its coal mining business.

The Group mainly operates in the production and sale of coal in Henan Province. During the six months ended 30 June 2013 (the "**Period**"), all the coal mines of the Group, i.e. Xiaohe Coal Mine No. 1, Xiaohe Coal Mine No. 2, Xiaohe Coal Mine No. 3, Xiangyang Coal Mine and Xingyun Coal Mine, have been resumed in operation.

However, due to the demand for coal in the domestic market was weak during the Period, the average selling price of coal has dropped as compared with that of the same period of last year. Therefore, the Group continued to make a loss for the Period.

With the in-depth experience in the coal mining industry, the Group believes that there are plenty of opportunities in energy industry for further development and exploration. The Group will dedicate to fully utilize its advantages in domestic energy sectors. In addition, the Group will also consider to participate in domestic and international coal market once there are appropriate opportunities in order for the Group to extend the energy industrial chain.

In respect of real-estate related industry, in December 2012, a subsidiary of the Group has agreed to acquire 60% of the equity interest of Zhengzhou Yingu Zhiye Company Limited* (鄭州銀谷置業有限公司) which holds certain properties located in Zhengzhou City, Henan Province. This is a favorable attempt for the Group to explore in different industries out of the existing energy sector. The Group will continue to explore the possible development in the real-estate industry and the related areas.

For other investment of the Group, in January 2013, Beijing Kaisheng Guanhua Investment Company Limited* (北京凱盛冠華投資有限公司), an indirectly non-wholly owned subsidiary of the Company, agreed to subscribe for 34% equity interest of Beijing Baiyitong Technology Co., Ltd* ("**Baiyitong**") (北京佰鎰通科技有限公司). Baiyitong is an enterprise providing software operation services to customers, i.e. SaaS (Software-as-a-service). It mainly provides procurement management software and application procedures to enterprises in food and beverage industry currently. Customers can utilize the SaaS to manage external procurement of raw materials and purchasing procedures, which directly enhance internal management to control and lower the cost. At the same time, the SaaS also guarantee the information and commodity flow smoothly within the users. Baiyitong has already obtained the software copyrights and possesses the exclusive rights for utilizing the SaaS. It is also possible for Baiyitong to provide other value added services for its customers. Through the investment in Baiyitong, the Group has tried to explore and diversify its investment in different industries which can contribute value to the Company and the shareholders of the Company (the "**Shareholders**") as a whole.

The Group is confident that the extensive experience of our management and the network established in the People's Republic of China (the "**PRC**") can enable the Group to seek for more valuable and favorable opportunities for the Group in order to maximize the returns to the Shareholders.

Financial Review

Revenue

The Group's revenue for the Period amounted to approximately HK$157.8 million, increased by approximately 38.4% from approximately of HK$114.0 million (comprising of approximately HK$113.6 million from continuing operations and approximately HK$0.4 million from discontinued operations) for the six months ended 30 June 2012 (the "**Last Period**"). The increase in revenue was mainly due to the coal mines of the Group have been resumed in operation during the Period. During the Period, the sales volume and production volume of coal were approximately 0.4 million tons ("**mt**") (the Last Period: approximately 0.2 mt) and approximately 0.4 mt (the Last Period: approximately 0.1 mt) respectively. Despite the sales volume of coal has increased during the Period, the average selling price of coal has dropped by 44.1% (the Period: approximately RMB313.1 per ton, the Last Period: approximately RMB559.8 per ton) resulting from the weak demand of coal in the domestic market.

Gross Loss

The gross loss for the Period was approximately HK$3.2 million, reduced by approximately 93.3% as compared with gross loss of approximately HK$47.5 million for the Last Period. The overall gross loss margin was approximately 2.0% for the Period, while the gross loss margin for the Last Period was approximately 41.8%. The occurrence of gross loss and gross loss margin of the Group for the Period were mainly due to the fact that the average selling price of coal has dropped during the Period as mentioned above but the relevant cost incurred on the coal mining did not drop proportionally. Certain costs such as workers' wages and coal mines related removal and relocation expenses were necessarily to be continuously incurred for the coal mines and could not be significantly reduced during the Period.

Net Loss

The net loss attributable to the owners of the Company for the Period was approximately HK$164.7 million, representing an increase in loss of 35.8% as compared with the net loss of approximately HK$121.3 million for the Last Period. The reason for the net loss was mainly due to (i) continue occurrence of gross loss as explained in the precedent paragraph and (ii) there was a loss shared from the investment in associated companies amounted to approximately HK$46.1 million (the Last Period: profit shared from associated companies amounted to approximately HK$11.6 million). The reason for the loss shared from the associated companies was mainly due to the unrealised loss incurred on stock investment made by an associated company resulting from the drop in stock price during the Period.

Accounts and Bills Receivables

(i) The total amount of accounts and bills receivables has been increased by 18.2% from HK$521.6 million as at 31 December 2012 (the "**Last Year End**") to HK$616.5 million as at 30 June 2013 (the "**Period End**"). Among the total accounts receivable amount of approximately HK$253.8 million as at the Period End (the Last Year End: approximately HK$265.9 million), the amount due from the largest customer, i.e. Henan Zhongfu Dianli Company Limited* ("**Zhongfu**") (河南中孚電力有限公司), contributed approximately 94.0% (the Last Year End: approximately 93.1%) or approximately HK$238.6 million (the Last Year End: approximately HK$247.6 million), of which approximately HK$101.4 million (the Last Year End: approximately HK$74.4 million) has been overdue more than one year. Regarding to the slow repayment and long outstanding balance due from Zhongfu, a settlement schedule has been agreed between Zhongfu and Henan Jinfeng Coal Industrial Group Company Limited* ("**Jinfeng**") (河南金豐煤業集團有限公司) (the non-wholly owned subsidiary of the Company) in March 2013. According to the settlement schedule, RMB110.0 million or approximately 54.6% of the total outstanding balance as at the Last Year End has to be settled by 31 July 2013. Up to 31 July 2013, Zhongfu has settled approximately 65.6% of the accounts receivable balance as at the Last Year End, therefore Zhongfu has closely followed the settlement schedule. Having considered by the Group that (a) the long-term strategic business relationship established with Zhongfu; (b) Zhongfu has closely followed the settlement schedule; (c) no bad debts arose in the historical record; and (d) the possible financial support from Zhongfu's holding company which shares are listed in Shanghai Stock Exchange of the PRC, it was not necessary to impair the Zhongfu's outstanding balance as at the Period End. The Group will constantly and closely monitor on the collectability of the amounts due from Zhongfu.

(ii) The increase in bills receivable amount (the Period: approximately HK$362.7 million; the Last Period: approximately HK$255.7 million) was mainly due to the slow cash settlement from the largest customer, i.e. Zhongfu. In order to maintain the operational cashflow hence the liquidity within the group companies, Jinfeng had issued bills to its subsidiaries (i.e. Xiangyang Coal Industry Company Limited* ("**Xiangyang**") (登封市向陽煤業有限公司) and Xingyun Coal Industry Company Limited* ("**Xingyun**") (登封市興運煤業有限責任公司)) to facilitate the inter-companies sales and purchases.

It is the fact that the principal activities of both Xiangyang and Xingyun are production of coal and Jinfeng was the sole purchaser of their coal produced during the Period. Therefore, the operational cashflow hence the liquidity of Xiangyang and Xingyun are relied on the payment (i.e. either by cash or bills) from Jinfeng.

As mentioned before, the cash settlement from Zhongfu to Jinfeng was slow during the Period, which in turn caused the cash settlement from Jinfeng to Xiangyang and Xingyun also slow. In order to maintain the operational cashflow hence the liquidity of Xiangyang and Xingyun to facilitate the production and supply of coal, Jinfeng has used bills as an alternative way to make the payment to Xiangyang and Xingyun. Since more bills have been received by Xiangyang and Xingyun from Jinfeng, the bills receivable amount as at the Period End has been increased.

Accounts and Bills Payables

Bills payable as at the Period End amounted to approximately HK$906.7 million (as at the Last Year End: approximately HK$554.7 million) which contributed approximately 97.2% of the total accounts and bills payables amount as at the Period End, i.e. approximately HK$932.4 million (as at the Last Year End: approximately HK$569.8 million). The bills payable as at the Period End has been increased by approximately 63.5% because Jinfeng has increased to issue bills to its subsidiaries during the Period in order to facilitate the operational cashflow between the group companies as explained in the above paragraph of "Accounts and Bills Receivables".

Other Payables and Accruals

The total amount of other payables and accruals have been increased by approximately 21.2% from approximately HK$306.9 million as at the Last Year End to approximately HK$371.9 million as at the Period End. The other payables were mainly comprised of provision of PRC social insurance (as at the Period End: approximately HK$216.7 million, as at the Last Year End: approximately HK$187.1 million), coal mines related removal and relocation expenses (as at the Period End: approximately HK$35.5 million, as at the Last Year End: approximately HK$39.0 million) and accrued workers' wages and benefits (as at the Period End: approximately HK$47.8 million, as at the Last Year End: approximately HK$28.2 million). The increase was mainly due to continuing provision has to be made on the PRC social insurance and the increase in making accruals on the workers' wages during the Period.

PROSPECT

In the coming years, the Group will continue to seize appropriate opportunities from both the steady economic environment of the PRC and the recovering international economies. The management will also promote the Group's business to achieve greater development through the effective business integration.

In addition to expand the existing principal business in production and sale of coal, the Group will continue to put effort on other business sectors such as coal and energy trading, real-estate related investments and other project investments. With the well safety control in coal production, we will intensify the cooperation with the upstream and downstream strategic partners, emphasize on technical innovation, improve internal management and control production costs to improve the profit margins. Meanwhile, the Group will also consider the expansion of domestic and foreign investment in coal resources in order to strengthen the Group's production capacity.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2013, the net asset value of the Group was approximately HK$1,326.2 million (as at 31 December 2012: approximately HK$1,482.1 million) and the total cash and bank balance (included pledged bank deposits) was approximately HK$1,228.3 million (as at 31 December 2012: approximately HK$952.1 million). As at 30 June 2013, the Group had net current assets of approximately HK$174.6 million (as at 31 December 2012: approximately HK$309.7 million) and its current ratio decreased from 1.2 times as at 31 December 2012 to 1.1 times as at 30 June 2013.

As at 30 June 2013, the Group's total accounts receivable amounted to approximately HK$253.8 million (as at 31 December 2012: approximately HK$265.9 million) and certain accounts receivable were pledged to secure bank loans of the Group. Subsequent to 30 June 2013 and up to 27 August 2013, accounts receivable amounted to approximately HK$77.3 million has been settled.

As at 30 June 2013, bank deposits amounted to approximately HK$710.5 million (as at 31 December 2012: approximately HK$318.8 million) were pledged and not available for the operation or repayment of debts of the Group. Cash and cash equivalents which was not pledged amounted to approximately HK$517.8 million (as at 31 December 2012: approximately HK$633.3 million).

As at 30 June 2013, the Group's total bank loans were amounted to approximately HK$981.9 million (as at 31 December 2012: approximately HK$709.3 million).

As at 30 June 2013, the Group's bills payable amounted to approximately HK$906.7 million (as at 31 December 2012: approximately HK$554.7 million) were partially secured by the pledge of the Group's time deposits and approximately HK$265.7 million (as at 31 December 2012: approximately HK$242.7 million was partially guaranteed by independent third parties) were also partially guaranteed by independent third parties and a substantial shareholder of the Company.

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank loans and liability components of the convertible bonds; divided by (b) the net assets of the Group) was 88.2% (as at 31 December 2012: 60.3%).

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions or disposals of subsidiaries and associated companies during the Period.

* *For identification purpose only*

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), except for the deviation as set out below.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director of the Company and independent non-executive Directors (the "**INEDs**") do not have a specific term of appointment, but subject to rotation in accordance with Bye-law 111 of the Bye-laws of the Company. As the non-executive director of the Company and INEDs are subject to rotation in accordance with the Bye-laws of the Company, the Board considers that the non-executive director of the Company and INEDs so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the CG Code.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors and the non-executive directors should attend general meetings. However, the non-executive director of the Company, Mr. Li Chunyan and the independent non-executive director of the Company, Dr. Chen Renbao were unable to attend the annual general meeting of the Company held in Hong Kong on 24 May 2013 as they were absent from Hong Kong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all Directors have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Group are production and sale of coal in the PRC.

DIVIDEND

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

EXCHANGE RISK EXPOSURE

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The Board therefore is of the opinion that the Group's sensitivity to the change in foreign currency is low and the Group does not hedge its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group has a total of approximately 2,900 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical insurance and pension funds. A share option scheme was adopted by the Group on 20 October 2004 to enable the Directors to grant share options to eligible participants including any employee of the Group as incentive to their valuable contribution to the Group.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The members of the Audit Committee have reviewed the unaudited financial report of the Group for the six months ended 30 June 2013 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosures have been made.

DIRECTORS' AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITION IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in the ordinary shares of the Company

Name of Directors	Nature of interest	Number of shares	Number of underlying shares	Approximate percentage of shareholding
Mr. Dong Cunling	Personal interest	540,000	–	0.08%
Mr. Li Chun On ("**Mr. Li**")	Personal interest	–	127,500 *(Note)*	0.02%
Mr. Wu Jiahong ("**Mr. Wu**")	Personal interest	–	608,175 *(Note)*	0.09%
Mr. Yang Hua	Personal interest	81,089,196	–	11.38%

Note: Mr. Wu is interested as a grantee of share options to subscribe for 608,175 shares and Mr. Li is interested as a grantee of share options to subscribe for 127,500 shares of the Company under the share option scheme as disclosed in note 24 to the interim financial report. Mr. Li has resigned as a director of the Company on 28 August 2013.

Save as disclosed above, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange as at 30 June 2013.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

So far as was known to the Directors or chief executive of the Company, as at 30 June 2013, the person, other than the Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

(a) Long positions in the shares of the Company

Name of Shareholders	Capacity	Number of shares	Approximate percentage of shareholding
Retop International Investment Limited *(Note 1)*	Beneficial owner	141,400,000	19.84%
Vestfoco International Investment Limited ("**Vestfoco**") *(Note 1)*	Interest in controlled corporation	141,400,000	19.84%
Mr. Bao Hongkai ("**Mr. Bao**") *(Note 1)*	Interest in controlled corporation	141,400,000	19.84%
Asia Mark Development Limited *(Note 2)*	Beneficial owner	100,000,000	14.03%
Mr. Kwong Ying Hou *(Note 2)*	Interest in controlled corporation	100,000,000	14.03%
Victory Investment China Group Limited *(Note 3)*	Beneficial owner	60,000,000	8.42%
Dr. Wang Ruiyun ("**Dr. Wang**") *(Note 3)*	Interest in controlled corporation	60,000,000	8.42%

(b) Long positions in underlying shares – Derivatives

Name of Shareholder	Capacity	Number of underlying shares	Approximate percentage of shareholding
Retop International Investment Limited *(Note 1)*	Beneficial owner	200,000,000	28.06%

Notes:

(1) Retop International Investment Limited is beneficially and wholly owned by Vestfoco of which Mr. Bao is the sole beneficial owner. Accordingly, Vestfoco and Mr. Bao are deemed to be interested in the shares and the underlying shares of the Company held by Retop International Investment Limited.

(2) Asia Mark Development Limited is beneficially and wholly owned by Mr. Kwong Ying Hou. He is independent and not related to the Board or management of the Company.

(3) Victory Investment China Group Limited is beneficially and wholly owned by Dr. Wang. He has resigned as a non-executive director and a co-chairman of the Company in November 2011.

Save as disclosed above, no persons had an interest or a short position in the shares and the underlying shares as recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the Period, the Group has not conducted any connected transaction or continuing connected transaction (as defined under the Listing Rules) which are subject to reporting requirements under the Listing Rules.

REVIEW OF UNAUDITED INTERIM RESULTS BY AUDITOR

The unaudited consolidated interim financial report of the Group for the six months ended 30 June 2013 have been reviewed by BDO Limited, the Group's auditor. The auditor's independent review report was set out on pages 12 to 13 of this interim report.

By order of the Board

Dong Cunling
Chairman

Hong Kong, 28 August 2013

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REPORT ON REVIEW OF INTERIM FINANCIAL REPORT
TO THE BOARD OF DIRECTORS OF ROSAN RESOURCES HOLDINGS LIMITED
融信資源控股有限公司
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 14 to 55, which comprises the consolidated statement of financial position of Rosan Resources Holdings Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2013 and the related consolidated income statement, 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 other 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 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial report in accordance with Hong Kong Accounting Standard 34. 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 Hong Kong Accounting Standard 34.

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate Number P05035

Hong Kong, 28 August 2013

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	*4*	**157,823**	113,675
Cost of sales		**(161,022)**	(161,157)
Gross loss		**(3,199)**	(47,482)
Other income	*4*	**15,979**	12,981
Selling and distribution expenses		**(3,774)**	(2,720)
Administrative expenses		**(58,164)**	(61,290)
Other operating expenses		**(26,887)**	(3,065)
Finance costs	*5*	**(54,678)**	(43,892)
Share of (losses)/profits of associates	*13*	**(46,060)**	11,590
Share of profits/(losses) of a joint venture	*14*	**20**	(1,204)
Loss before income tax	*6*	**(176,763)**	(135,082)
Income tax expense	*7*	**(1,326)**	(4,440)
Loss for the period from continuing operations		**(178,089)**	(139,522)
Discontinued operations			
Profit for the period from discontinued operations	*8*	**–**	5,204
Loss for the period		**(178,089)**	(134,318)
Loss for the period attributable to:			
Owners of the Company		**(164,700)**	(121,321)
Non-controlling interest		**(13,389)**	(12,997)
		(178,089)	(134,318)
Loss for the period attributable to the owners of the Company:			
Continuing operations		**(164,700)**	(126,525)
Discontinued operations	*8*	**–**	5,204
		(164,700)	(121,321)

		Unaudited Six months ended 30 June	
	Notes	**2013** **HK cents**	2012 HK cents (Restated)
Loss per share for loss attributable to the owners of the Company during the period	*10*		
Basic and diluted loss per share			
– from continuing and discontinued operations		**(23.110)**	(17.023)
– from continuing operations		**(23.110)**	(17.754)

The notes on pages 22 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Loss for the period	**(178,089)**	(134,318)
Other comprehensive income for the period (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain/(loss) on translation of financial statements of foreign operations		
– subsidiaries	**19,592**	(17,245)
– a joint venture	**107**	(888)
– associates	**2,467**	(57)
	22,166	(18,190)
Release of exchange fluctuation reserve upon disposal of subsidiaries	**–**	(2,483)
Total comprehensive income for the period	**(155,923)**	(154,991)
Total comprehensive income attributable to:		
Owners of the Company	**(144,139)**	(140,686)
Non-controlling interest	**(11,784)**	(14,305)
	(155,923)	(154,991)
Total comprehensive income attributable to owners of the Company:		
Continuing operations	**(144,139)**	(142,715)
Discontinued operations	**–**	2,029
	(144,139)	(140,686)

The notes on pages 22 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**412,259**	389,061
Prepaid lease payments		**–**	130
Goodwill	*12*	**110,934**	135,334
Mining rights		**649,720**	646,653
Other intangible assets		**96**	293
Interests in associates	*13*	**123,254**	129,514
Interest in a joint venture	*14*	**6,467**	6,340
Deposits paid for potential investments	*15*	**69,597**	68,442
		1,372,327	1,375,767
Current assets			
Inventories	*16*	**25,552**	14,322
Accounts and bills receivables	*17*	**616,509**	521,637
Prepayments, deposits and other receivables	*18*	**660,330**	446,258
Tax recoverable		**10,688**	10,508
Available-for-sale financial assets		**–**	24,888
Pledged bank deposits		**710,522**	318,815
Cash and cash equivalents		**517,803**	633,273
		2,541,404	1,969,701
Current liabilities			
Accounts and bills payables	*19*	**932,439**	569,764
Other payables and accruals		**371,870**	306,857
Provision for reclamation obligations		**80,334**	74,021
Provision for tax		**211**	93
Bank loans	*20*	**981,946**	709,308
		2,366,800	1,660,043
Net current assets		**174,604**	309,658
Total assets less current liabilities		**1,546,931**	1,685,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Non-current liabilities			
Convertible bonds	*21*	**188,086**	184,050
Deferred tax liabilities	*22*	**21,269**	19,264
Other payables		**11,388**	–
		220,743	203,314
Net assets		**1,326,188**	1,482,111
EQUITY			
Share capital	*23*	**71,267**	71,267
Reserves		**1,209,771**	1,353,910
Equity attributable to the owners of the Company		**1,281,038**	1,425,177
Non-controlling interest		**45,150**	56,934
Total equity		**1,326,188**	1,482,111

The notes on pages 22 to 55 form part of this interim financial report.

	Attributable to the owners of the Company												Non-controlling interest	Total
	Share capital	Share premium	Equity component of convertible bonds	Share option reserve	Capital redemption reserve	Other reserve	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Retained profits	Statutory reserve fund	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2012	712,674	235,334	24,351	3,847	50	67,948	8,282	168,064	27,442	415,461	109,270	1,772,723	89,452	1,862,175
Transfer to other reserve	–	–	–	–	–	4,355	–	–	–	(4,355)	–	–	–	–
Loss for the period	–	–	–	–	–	–	–	–	–	(121,321)	–	(121,321)	(12,997)	(134,318)
Other comprehensive income for the period														
– Exchange loss on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	(15,937)	–	–	–	(15,937)	(1,308)	(17,245)
– a joint venture	–	–	–	–	–	–	–	(888)	–	–	–	(888)	–	(888)
– associates	–	–	–	–	–	–	–	(57)	–	–	–	(57)	–	(57)
– Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 26)*	–	–	–	–	–	–	–	(2,483)	–	–	–	(2,483)	–	(2,483)
Total comprehensive income for the period	–	–	–	–	–	–	–	(19,365)	–	(121,321)	–	(140,686)	(14,305)	(154,991)
At 30 June 2012	712,674	235,334	24,351	3,847	50	72,303	8,282	148,699	27,442	289,785	109,270	1,632,037	75,147	1,707,184

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Attributable to the owners of the Company												Non-controlling interest	Total
	Share capital	Share premium	Equity component of convertible bonds	Share option reserve	Capital redemption reserve	Other reserve	Contributed surplus	Exchange fluctuation reserve	Capital reserve	Retained profits	Statutory reserve fund	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2013	71,267	235,334	24,351	3,847	50	72,544	491,671	164,767	27,442	199,447	134,457	1,425,177	56,934	1,482,111
Transfer to other reserve	–	–	–	–	–	5,361	–	–	–	(5,361)	–	–	–	–
Loss for the period	–	–	–	–	–	–	–	–	–	(164,700)	–	(164,700)	(13,389)	(178,089)
Other comprehensive income for the period														
– Exchange gain on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	18,245	–	–	–	18,245	1,347	19,592
– a joint venture	–	–	–	–	–	–	–	96	–	–	–	96	11	107
– associates	–	–	–	–	–	–	–	2,220	–	–	–	2,220	247	2,467
Total comprehensive income for the period	–	–	–	–	–	–	–	20,561	–	(164,700)	–	(144,139)	(11,784)	(155,923)
At 30 June 2013	71,267	235,334	24,351	3,847	50	77,905	491,671	185,328	27,442	29,386	134,457	1,281,038	45,150	1,326,188

The notes on pages 22 to 55 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Net cash generated from operating activities	**79,793**	327,008
Net cash used in investing activities	**(458,506)**	(431,955)
Net cash generated from financing activities	**258,711**	270,082
Net (decrease)/increase in cash and cash equivalents	**(120,002)**	165,135
Cash and cash equivalents at 1 January	**633,273**	697,902
Effect of foreign exchange rate changes on cash and cash equivalents	**4,532**	(6,155)
Cash and cash equivalents at 30 June	**517,803**	856,882

The notes on pages 22 to 55 form part of this interim financial report.

1. BASIS OF PREPARATION

This 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 the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2012, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**")) as disclosed in note 2 to this interim financial report.

This interim financial report is unaudited, but have been reviewed by BDO Limited 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.

This interim financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

2. ADOPTION OF NEW OR REVISED HKFRSs

Adoption of new/revised HKFRSs – effective from 1 January 2013

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (revised)	Separate Financial Statements
HKAS 28 (revised)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009 – 2011 Cycle
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine

The adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The Group's presentation of other comprehensive income in the interim financial report has been modified accordingly.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset the financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective from 1 January 2013 *(Continued)*

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the presentation of consolidated financial statements and HK(SIC) Int 12 "Consolidation –Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 – Joint Arrangements

HKFRS 11, which replaces HKAS 31 "Interests in Joint Ventures", divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

As a result of the adoption of HKFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment in a jointly controlled entity to a joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial results of the Group.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the Group's interim financial report as a result of adopting HKFRS 12.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

Adoption of new/revised HKFRSs – effective from 1 January 2013 *(Continued)*

HKFRS 13 – Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

HKFRSs (Amendments) Annual Improvements 2009 – 2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision marker (the "**CODM**") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on segment disclosure of the Group because the Group does not have any reportable segments with total assets or total liabilities materially different from the amounts reported in the last annual financial statements.

3. 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 for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

During the six months ended 30 June 2012, the management has reassessed and changed the information reported internally for the purposes of resources allocation and assessment of business performance, resulting in the disposed coalbed methane ("**CBM**") related business not considered when the executive directors allocate resources and assess performance, the CBM related business was no longer considered as a reportable segment resulting since its disposal in March 2012. Hence, for the six months ended 30 June 2013 and 2012, the executive directors have determined that the Group has only one reportable segment as the Group is only engaged in the business of production and sale of coal, which is the basis to allocate resources and assess performance.

3. SEGMENT INFORMATION *(Continued)*

The Group's revenue from external customers is derived from the People's Republic of China, except Hong Kong (the "**PRC**") and its non-current assets (other than deferred tax assets) located outside the PRC are less than 5%. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "*Operating Segments*".

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of assets.

4. REVENUE AND OTHER INCOME

Turnover from continuing operations represents the revenue arising from the Group's principal activities which are the production and sale of coal. CBM related business has been presented as discontinued operations, further details of which are set out in note 8.

Turnover and other income recognised during the period are as follows:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Revenue/Turnover		
Continuing operations		
Production and sale of coal	**157,823**	113,675
Discontinued operations		
CBM related business	**–**	361
	157,823	114,036

4. REVENUE AND OTHER INCOME *(Continued)*

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Other income		
Continuing operations		
Bank interest income	**10,766**	8,621
Interest income from loans to third parties	**2,085**	2,383
Amortisation of financial guarantee contracts issued	**–**	1,559
Write-back of accruals	**2,502**	–
Others	**626**	418
	15,979	12,981

5. FINANCE COSTS

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Continuing operations		
Interest charge on bank loans wholly repayable within one year	**36,105**	27,367
Effective interest expense on convertible bonds repayable within five years	**4,036**	3,834
Interest expenses on financial liabilities stated at amortised cost	**40,141**	31,201
Bank charges on bills receivable discounted without recourse	**15,637**	15,148
	55,778	46,349
Less: interest capitalised in property, plant and equipment*	**(1,100)**	(2,457)
	54,678	43,892

* The borrowing cost was capitalised at the rate of 6.32% per annum for the six months ended 30 June 2013 (six months ended 30 June 2012: 7.14%).

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited Six months ended 30 June **2013** **HK$'000**	2012 HK$'000
Continuing operations		
Cost of inventories sold	**157,898**	159,155
Depreciation	**18,396**	18,117
Operating lease charges on land and buildings	**1,469**	1,320
Amortisation of prepaid lease payments	**130**	154
Amortisation of mining rights	**7,787**	1,154
Amortisation of intangible assets	**201**	328
Employee benefit expenses (including directors' remuneration and retirement benefit scheme contributions)	**107,875**	68,323
Exchange loss, net	**959**	2
Write off of inventories	**–**	272
Loss on disposal of property, plant and equipment	**43**	–
Impairment loss on goodwill	**24,400**	–
Provision for reclamation obligations	**5,654**	1,494

7. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June **2013** **HK$'000**	2012 HK$'000
Continuing operations		
Current tax		
– Current period	**158**	2,069
– Over-provision in respect of prior period	**(498)**	–
	(340)	2,069
Deferred tax *(note 22)*	**1,666**	2,371
	1,326	4,440

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: Nil).

7. INCOME TAX EXPENSE *(Continued)*

Corporate income tax arising in the PRC is calculated at the statutory income tax rate of 25% (six months ended 30 June 2012: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

8. DISCONTINUED OPERATIONS

On 13 January 2012, the business of CBM related business carried out by the subsidiaries, namely Popular Sky International Limited ("**Popular Sky**") and its subsidiaries, i.e. CFT Henan (HK) Limited ("**CFT**") and Henan Huanglong New Energy Development Company Limited# ("**Huanglong**") (河南煌龍新能源發展有限公司) (collectively called the "**Popular Sky Group**") were disposed of to Dragon Rich Resources Limited ("**Dragon Rich**"), for a total consideration of HK$71.2 million, as the financial results of the CBM related business were considered unsatisfactory. Dragon Rich is a company incorporated in the British Virgin Islands which is beneficially owned as to 60% by Mr. Wu Jiahong ("**Mr. Wu**") and as to 40% by Mr. Xu Lidi ("**Mr. Xu**") respectively. Mr. Wu is the executive director of the Company and Mr. Xu is a former director of the Company and both Mr. Wu and Mr Xu are the directors of Dragon Rich. The disposal was completed on 2 March 2012. Details of the disposal of the subsidiaries are set out in note 26.

Since the abovementioned represented the disposal of a business segment of the Group, this business operation was presented as discontinued operation in accordance with HKFRS 5.

For identification purpose only

The results and cash flows of the disposed companies mentioned above were as follows:

	Unaudited Period from 1 January 2012 to 2 March 2012 HK$'000
Income	424
Expenses	(2,005)
Loss before income tax	(1,581)
Income tax expense	–
Loss after tax	(1,581)
Gain on disposal of subsidiaries *(note 26)*	6,785
Profit for the period from discontinued operations	5,204

8. DISCONTINUED OPERATIONS *(Continued)*

	Unaudited Period from 1 January 2012 to 2 March 2012 HK$'000
Net cash used in operating activities	(12,335)
Net cash used in investing activities	(1,597)
Net cash outflows	(13,932)

9. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

10. LOSS PER SHARE

The comparative figures of basic and diluted loss per share have been restated for the effects of the Share Consolidation as mentioned in note 23(a)(i).

From continuing and discontinued operations

The calculation of basic and diluted loss per share for loss from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Loss from continuing and discontinued operations		
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share computation	**(164,700)**	(121,321)

10. LOSS PER SHARE *(Continued)*

From continuing and discontinued operations *(Continued)*

	Unaudited Six months ended 30 June	
	2013	2012
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share computation	**712,674**	712,674

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 June 2013 is based on the loss attributable to the owners of the Company of approximately HK$164.7 million (six months ended 30 June 2012: HK$121.3 million) and on the weighted average of 712,674,000 (six months ended 30 June 2012: 712,674,000, as restated) ordinary shares during the six months ended 30 June 2013.

In calculating the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2013, the potential issue of shares arising from the conversion of the Company's convertible bonds would decrease the loss per share attributable to the owners of the Company and is not taken into account as they have an anti-dilutive effect. Share options of the Company are not dilutive as the exercise price of the options exceeds the average market price of ordinary shares during the six months ended 30 June 2013. Therefore, the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2013 is based on the loss attributable to the owners of the Company of approximately HK$164.7 million (six months ended 30 June 2012: HK$121.3 million) and on the weighted average of 712,674,000 (six months ended 30 June 2012: 712,674,000, as restated) ordinary shares during the six months ended 30 June 2013.

10. LOSS PER SHARE *(Continued)*

From continuing operations

The calculation of basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Loss from continuing operations		
Loss for the period attributable to owners of the Company	**(164,700)**	(121,321)
Less: Profit for the period from discontinued operations	**–**	5,204
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share from continuing operations computation	**(164,700)**	(126,525)

In calculating the diluted loss per share from continuing operations attributable to the owners of the Company for the six months ended 30 June 2013, the potential issue of shares arising from the conversion of the Company's convertible bonds would decrease the loss per share from continuing operations attributable to the owners of the Company and is not taken into account as they have an anti-dilutive effect. Share options of the Company are not dilutive as the exercise price of the options exceeds the average market price of ordinary shares during the six months ended 30 June 2013. Therefore, the diluted loss per share from continuing operations attributable to the owners of the Company for the six months ended 30 June 2013 is based on the loss from continuing operations attributable to the owners of the Company of approximately HK$164.7 million (six months ended 30 June 2012: HK$126.5 million) and on the weighted average of 712,674,000 (six months ended 30 June 2012: 712,674,000, as restated) ordinary shares during the six months ended 30 June 2013.

10. LOSS PER SHARE *(Continued)*

From discontinued operations

During the six months ended 30 June 2012, basic and diluted earnings per share from the discontinued operations were 0.730 HK cent per share (as restated), based on the profit for the period from the discontinued operations of approximately HK$5.2 million and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted earnings per share from the discounted operations did not take into account the potential issue of shares arising from conversion of the Company's convertible bonds since their conversion would result in a decrease in loss per share from continuing operations.

11. PROPERTY, PLANT AND EQUIPMENT

(a) During the six months ended 30 June 2013, the Group incurred capital expenditure of approximately HK$0.7 million (six months ended 30 June 2012: approximately HK$9.2 million) in buildings and mining structures, approximately HK$2.2 million (six months ended 30 June 2012: approximately HK$0.6 million) in plant and machineries, approximately HK$13.5 million (six months ended 30 June 2012: approximately HK$12.3 million) in mining related machinery and equipment, approximately HK$0.1 million (six months ended 30 June 2012: approximately HK$0.2 million) in furniture, fixtures, equipment and leasehold improvement, approximately HK$18.5 million (six months ended 30 June 2012: approximately HK$22.4 million) in construction in progress and approximately HK$0.7 million in motor vehicles (six months ended 30 June 2012: Nil).

(b) During the six months ended 30 June 2012, the Group transferred certain items from construction in progress of approximately HK$1.8 million to buildings and mining structures and mining related machinery and equipment, amounted to approximately HK$1.7 million and HK$0.1 million respectively upon completion of the respective constructions. No construction in progress of the Group was transferred to property, plant and equipment for the six months ended 30 June 2013.

(c) During the six months ended 30 June 2013, the Group disposed of certain items of property, plant and equipment with carrying value amounted to approximately HK$0.8 million and recognised a loss of approximately HK$0.04 million in the consolidated income statement. No property, plant and equipment of the Group were disposed for the six months ended 30 June 2012.

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

(d) During the six months ended 30 June 2012, the Group disposed, through the disposal of subsidiaries (note 26), certain items with carrying value of approximately HK$0.6 million in buildings and mining structures, approximately HK$26.8 million in plant and machineries, approximately HK$0.2 million in furniture, fixtures, equipment and leasehold improvement, approximately HK$0.9 million in motor vehicles and approximately HK$12.1 million in construction in progress. No property, plant and equipment of the Group were disposed through the disposal of subsidiaries for the six months ended 30 June 2013.

12. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
At beginning of the period/year		
Gross carrying amount	**268,746**	268,746
Accumulated impairment loss	**(133,412)**	(85,985)
Net carrying amount	**135,334**	182,761
For the period/year		
Opening net carrying amount	**135,334**	182,761
Impairment loss	**(24,400)**	(47,427)
Closing net carrying amount	**110,934**	135,334
At end of the period/year		
Gross carrying amount	**268,746**	268,746
Accumulated impairment loss	**(157,812)**	(133,412)
Net carrying amount	**110,934**	135,334

Goodwill as at 31 December 2012 and 30 June 2013 arose from the acquisitions of Clear Interest Limited ("**CIL**") and its subsidiaries (the "**CIL Group**") and represented the future economic benefits from the production and sales of coal.

12. GOODWILL *(Continued)*

At the time when the Group acquired its interest in the CIL Group, the mining license held by the CIL Group only had around a month to its expiry. The grant of a longer term mining license for the underlying mines held by the CIL Group was not granted at the acquisition date. The mining license with around one month expiry held by the CIL Group would not in any way guarantee that the CIL Group would be able to obtain a longer term mining license. Due to uncertainty over the granting of a longer term mining license from the relevant local government authorities at that time, no reliable estimation of the fair value of a longer term mining license was available at the acquisition date. The purchase consideration paid by the Group over the fair value of net assets of the CIL Group acquired (not including a longer term mining license) was recognised as goodwill accordingly. Accordingly, any value attributable to the mining potential in the CIL Group was accounted for as goodwill arising from the acquisition of CIL. In 2008, the government approved to extend the mining right for 7-14.5 years. Effectively, a substantial amount of the goodwill balance represents the value of the mining right.

The carrying amount of goodwill has been allocated to the cash-generating unit ("**CGU**") of the production and sale of coal, for impairment testing. During the six months ended 30 June 2013, the directors of the Company evaluated that the financial performance of the CGU is, or will be, worse than expected, in light of the persistently declining trend of coal price. As at 30 June 2013, the recoverable amount of the CGU was determined based on fair value less costs to sell calculations, covering a detailed five-year budget plan, followed by an extrapolation of discounted cash flows. In determining the value of the Group's mining assets/goodwill, the directors have taken account of the estimated coal reserves of the mines after deducting the cumulative amounts of coal already extracted and sold. Accordingly, as the Group depletes its coal reserves, the value of its mining assets/goodwill will also decrease. The write-down of goodwill carrying amount is therefore of similar financial statements effects of amortisation of mining rights as if a separate fair value had been recognised on the longer-term mining license on the acquisition of CIL. The related impairment loss of approximately HK$24.4 million (year ended 31 December 2012: approximately HK$47.4 million) was included under "Other operating expenses" in the consolidated income statement.

Management's key assumptions were used in the fair value less cost to sell calculation of the CGU for the six months ended 30 June 2013. The following described each key assumption on which management has based its cash flow projects to undertake impairment testing of goodwill.

Stable net profit margins – Management determined net profit margin based on past experience in this market and its expectations for market development.

Discount rate – The discount rate reflects specific risks relating to the mining industry.

12. GOODWILL *(Continued)*

The discount rate and growth rate used in the cash flow projection are shown as below:

	Unaudited 30 June 2013	Audited 31 December 2012
Growth rate	**5.7% per annum**	4.9% per annum
Post-tax discount rate	**18.4% per annum**	18.4% per annum

Apart from the considerations described in determining the fair value less costs to sell of the CGU above, the Group's management is not currently aware of any other reasonably possible changes that would necessitate changes in its key estimates.

13. INTERESTS IN ASSOCIATES

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Unlisted investments:		
Share of net assets	**96,411**	129,514
Goodwill	**26,843**	–
	123,254	129,514

13. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates of the Group as at 30 June 2013 were as follows:

Name	Place of incorporation/ operations and type of legal entity	Particulars of registered capital	Percentage of issued capital held by the Group	Principal activities
Beijing Zhaohua Hefu Investment Management Limited#, ("**Zhaohua Hefu**") (北京兆華合富投資管理有限公司)	PRC, limited liability company	RMB2,000,000	25%	Investment management, asset management and consultation of investment in the PRC
Beijing Shuozhan Zhongfu Investment Centre (Limited Partnership)# (the "**Partnership**") (北京碩展中富投資中心(有限合夥) *(Note a)*	PRC, limited partnership	RMB100,000,000	99%	Project investment, investment management, assets management and consultation service
Beijing Baiyitong Technology Co., Ltd# ("**Baiyitong**") (北京佰鎰通科技有限公司) *(Note b)*	PRC, limited liability company	RMB13,250,000	34%	The development of computer software and provision of information technology services

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13. INTERESTS IN ASSOCIATES *(Continued)*

Note:

(a) Pursuant to the partnership agreements entered in May 2012 and June 2012, the general partner of the Partnership in Zhaohua Hefu (the "**General Partner**"), which is an associate of the Group, owns 1% of the equity interest of the Partnership. The General Partner is responsible for management and control of the business of the Partnership while Beijing Kaisheng Guanhua Investment Company Limited# ("**Kaisheng**") (北京凱盛冠華投資有限公司), the limited partner of the Partnership, possesses significant influence over the operating and financial policies of the Partnership through its participation in the investment committee. As abovementioned, although the Group owned 99% equity interest in the Partnership, the Group only possessed significant influence over the operating and financial policies of the Partnership, therefore, the investment has been classified as interests in associates in the consolidated statement of financial position as at the reporting date.

(b) Pursuant to the capital injection agreement entered in January 2013, Kaisheng agreed to inject a cash of approximately HK$15.2 million (equivalent to RMB12.0 million) (the "**First Capital Injection**") to Baiyitong. According to the agreement, Kaisheng is entitled to 34% of equity interests of Baiyitong when the First Capital Injection is completed. After the first year and second year from the date of the First Capital Injection, Kaisheng is required to inject a further cash of approximately HK$11.4 million (equivalent to RMB9.0 million) (the "**Second Capital Injection**") and approximately HK$11.4 million (equivalent to RMB9.0 million) (the "**Third Capital Injection**") respectively, if the number of customers increases to the agreed amount in the first year and second year from date of the First Capital Injection. The equity interests of Baiyitong will remain 34% when the Second Capital Injection and Third Capital Injection are completed. Management considers that the Group is liable to pay and estimates that the fair value of the contingent consideration at the acquisition date is HK$22.8 million, which is included as part of the cost of acquisition and the liabilities are recognised as other payables under current liabilities and non-current liabilities of approximately HK$11.4 million and HK$11.4 million, respectively. Moreover, the difference between the capital injections and the Group's share of the net assets in Baiyitong is recognised as goodwill of approximately HK$26.8 million, which forms part of the cost of investment. In the opinion of the directors, the fair values of intangible assets of Baiyitong at the date of the Capital Injection were minimal, as such, no intangible assets have been separated from goodwill as at the date of the Capital Injection.

The following illustrates the summarised financial information of the Group's associates extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

For identification purpose only

13. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information in respect of the Group's associates is set out below:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Total assets	**127,639**	139,006
Total liabilities	**(9,347)**	(6,262)
	118,292	132,744
Group's share of net assets of the associates	**96,411**	129,514

	Unaudited Six months ended 30 June	
	2013 HK$'000	2012 HK$'000
Income	**1,431**	13,673
Expenses	**(50,456)**	(110)
(Loss)/Profit after income tax expense for the period	**(49,025)**	13,563
Group's share of (losses)/profits of the associates for the period	**(46,060)**	11,590

14. INTEREST IN A JOINT VENTURE

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Share of net assets	**6,467**	6,340

14. INTEREST IN A JOINT VENTURE *(Continued)*

Particulars of the joint venture of the Group at 30 June 2013 were as follows:

Name	Place of incorporation/ operations and type of legal entity	Particulars of registered capital	Percentage of issued capital held by the Group	Principal activities
Henan Chalco Li Chuang Resources Company Limited# ("**Henan Chalco**") (河南中鋁立創礦業有限公司) *(Note)*	PRC, other limited liability company	RMB10,000,000	51%	Sale of alumina

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Note: Although the Group owned 51% equity interest in Henan Chalco, the Group and the other equity owner of Henan Chalco have joint control over Henan Chalco and none of the participating parties has unilateral control over the economic activity pursuant to the joint venture agreement entered in July 2012. Therefore this investment has been classified as interest in a joint venture as at the reporting date.

The following illustrates the summarised financial information of the Group's joint venture extracted from its management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group.

The Group's share of the joint venture assets, liabilities, income and expenses are as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Non-current assets	**7**	8
Current assets	**6,460**	6,332
	6,467	6,340

14. INTEREST IN A JOINT VENTURE *(Continued)*

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Income	**40**	1,758
Expenses	**(20)**	(2,962)
Profit/(Loss) after income tax expense attributable to the Group	**20**	(1,204)

The Group has not incurred any contingent liabilities or other commitments relating to its joint venture.

15. DEPOSITS PAID FOR POTENTIAL INVESTMENTS

As at 30 June 2013, the Group paid deposits amounted to approximately HK$69.6 million (equivalent to RMB55.0 million) (as at 31 December 2012: HK$68.4 million (equivalent to RMB55.0 million)) to Henan Zhongtou Yingke Investment Company Limited# ("**Zhongtou Yingke**")（河南中投盈科投資有限公司）in relation to the acquisition of a property investment business. Details regarding the acquisition of property business were as follows:

On 31 December 2012, the Group entered into a conditional agreement with an independent third party of the Group, i.e. Zhongtou Yingke, regarding the acquisition of 60% of Zhengzhou Yingu Zhiye Company Limited# ("**Yingu**")（鄭州銀谷置業有限公司）at a consideration of approximately HK$78.4 million (equivalent to RMB63.0 million). It will become a subsidiary of the Group upon completion. The completion of the acquisition is subject to the terms and conditions as set out in the conditional agreement. Yingu holds certain properties in the PRC. Approximately HK$10.0 million (equivalent to RMB8.0 million) of the total consideration was conditional upon the completion of the relevant registration process and the issuance of relevant certificates of one of the properties held by Yingu.

Pursuant to the non-legal binding memorandum of understanding dated 27 August 2013, Zhongtou Yingke and Henan Tairun Zhiye Company Limited# ("**Tairun**") (河南泰潤置業有限公司) have agreed to consider disposing their entire equity interests in Yingu to the Group (the "**Potential Acquisition**"). Subsequent to Yingu has completed all the due diligence work and/or financial review regarding the Potential Acquisition, a formal sales and purchase agreement in relation to the Potential Acquisition will be entered into among the Group, Zhongtou Yingke and Tairun.

Up to the date of this report, the acquisition has not yet been completed.

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16. INVENTORIES

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Coal	**11,709**	1,987
Spare parts and consumables	**13,843**	12,335
	25,552	14,322

17. ACCOUNTS AND BILLS RECEIVABLES

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Accounts receivable	**253,782**	265,912
Bills receivable	**362,727**	255,725
	616,509	521,637

17. ACCOUNTS AND BILLS RECEIVABLES *(Continued)*

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally credit periods ranging from 60 to 180 days (as at 31 December 2012: 60 to 180 days) are allowed. Based on the invoice dates, ageing analysis of the Group's accounts receivable at the reporting date is as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
0 – 90 days	**84,520**	40,376
91 – 180 days	**16,908**	25,140
181 – 365 days	**50,968**	123,237
Over 365 days	**113,531**	89,103
	265,927	277,856
Less: Provision for impairment	**(12,145)**	(11,944)
	253,782	265,912

Movement in the allowance for impairment of accounts receivable is as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
At 1 January	**11,944**	11,866
Exchange difference	**201**	78
At 30 June/31 December	**12,145**	11,944

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2013, prepayments, deposits and other receivables are mainly comprised of the following items:

(i) Amount due from Henan Bianlong Shangmao Company Limited# (河南汴龍商貿有限公司), a former subsidiary of the Group, amounted to approximately HK$66.8 million (equivalent to approximately RMB52.8 million) (as at 31 December 2012: HK$72.7 million (equivalent to approximately RMB58.4 million)). The amount due is unsecured, interest bearing at prevailing bank interest rate and repayable within one year;

(ii) The deposits paid to independent third parties for the purchase of coal amounted to approximately HK$196.5 million (equivalent to approximately RMB155.3 million) (as at 31 December 2012: HK$43.8 million (equivalent to approximately RMB35.2 million)). In the opinion of the Company's directors, the amount is expected to be utilised within one year;

(iii) In September 2012, the Group disposed of its entire interest in a joint venture, Henan Yulong Energy Development Co., Ltd ("**Yulong**"), to the other equity owner of Yulong at a consideration of approximately HK$93.6 million (equivalent to approximately RMB76.5 million) as set out in the Company's announcement dated 3 September 2012. The consideration remain unsettled up to the date of this report and has been included in other receivables as at 30 June 2013 and 31 December 2012. The balance is unsecured, interest-free. The Group will continue to negotiate with the debtors to settle the amount by the end of 2013; and

(iv) As set out in the Company's announcement dated 31 December 2012, the Group has made certain deposits to Zhongtou Yingke acquire 60% equity interest of Yingu, an investment holding company incorporated in the PRC, which holds certain properties located in Zhengzhou City, Henan Province. Upon finalisation of the consideration of the acquisition, the over-paid deposits of approximately HK$141.1 million (equivalent to RMB111.5 million) (as at 31 December 2012: HK$70.3 million (equivalent to RMB56.5 million)) is included in other receivables. The balance is unsecured, interest-free and repayable on demand.

As at 31 December 2012, balance of prepayments, deposits and other receivables also included amounts due from third parties amounted to approximately HK$22.4 million (equivalent to RMB18.0 million). The amounts due were unsecured and repayable on demand, interest bearing ranging from 4.46% to 11.20% per annum. These amounts were fully settled during the six months ended 30 June 2013.

For identification purpose only

19. ACCOUNTS AND BILLS PAYABLES

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Accounts payable	**25,780**	15,113
Bills payable	**906,659**	554,651
	932,439	569,764

The Group was granted by its suppliers' credit periods ranging from 30 – 90 days (as at 31 December 2012: 30 – 90 days). Based on the invoice dates, ageing analysis of the Group's accounts payable at the reporting date is as follows:

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
0 – 90 days	**16,675**	12,745
91 – 180 days	**8,248**	1,237
181 – 365 days	**48**	337
Over 365 days	**809**	794
	25,780	15,113

20. BANK LOANS

	Unaudited 30 June 2013 HK$'000	Audited 31 December 2012 HK$'000
Bank loans repayable within one year and classified as current liabilities	**981,946**	709,308

As at 30 June 2013, bank loans of approximately HK$729.1 million (as at 31 December 2012: approximately HK$609.8 million) were secured by certain accounts receivable and equity interests in certain subsidiaries of the Company.

As at 30 June 2013, bank loans of approximately HK$868.1 million (as at 31 December 2012: approximately HK$709.3 million was guaranteed by independent third parties) were guaranteed by independent third parties and a substantial shareholder of the Company and his spouse.

As at 30 June 2013, all bank loans bear interest at fixed rates ranging from 4.85% to 8.82% per annum (as at 31 December 2012: 5.44% to 8.53% per annum).

21. CONVERTIBLE BONDS

On 12 March 2010, the Company and Victory Investment China Group Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**") in respect of the proposed issuance of zero coupon bonds ("**CB4**") in the maximum principal amount of HK$1,200.0 million. CB4 will be repayable after 3 years from the date of issuance or convertible into shares of the Company at the conversion price of HK$0.1 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation and/or rights issues).

On 31 May 2010, the Company issued zero coupon bonds in the principal amount of HK$200.0 million (the "**First Tranche of CB4**") mainly for the purpose of settlement of the 2% coupon convertible bonds with principal amount of US$25.0 million (equivalent to approximately HK$194.5 million) issued by the Company on 10 December 2007. Partial of the First Tranche of CB4 with principal amount of HK$80.0 million was converted by its holder on 7 June 2010. On 3 September 2010, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "**Second Tranche of CB4**").

On 7 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "**Third Tranche of CB4**"). On 11 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100.0 million (the "**Fourth Tranche of CB4**").

On 28 January 2011, the Company announced that it received a conditional conversion notice from the Subscriber, stating that the Subscriber shall, subject to the conversion conditions, exercise its right under the Subscription Agreement, to convert the CB4 into the shares of the Company in the principal amount of HK$420.0 million at the conversion price of HK$0.1.

According to the terms and conditions of the CB4, a holder of CB4 may only exercise its conversion rights if the public float of the Company's shares of not less than 25% (or such lower percentage allowable under the Listing Rules) can be maintained. As the shares of the Company held by Dragon Rich, Mr. Bao Hongkai, Mr. Li Chun On and Mr. Xu shall not be considered as in the public hands under the Listing Rules, the maximum amount of CB4 that may be converted is HK$360.0 million and the maximum number of shares of the Company the Subscriber can convert pursuant to the conditional conversion notice will be 3,600,000,000 shares. The Subscriber agreed to only convert the CB4 in the principal amount of HK$360.0 million.

21. CONVERTIBLE BONDS *(Continued)*

One of the conversion conditions is the grant of a waiver from the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the "**Whitewash Waiver**") in respect of the obligation of the Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of HK$0.1 each of the Company not already owned or agreed to be acquired by the Subscriber as a result of the Subscriber converting the CB4 under the Subscription Agreement in respect of 3,600,000,000 shares. The grant of the Whitewash Waiver was subject to approval by independent shareholders by way of poll at a special general meeting under Note 1 of the Notes on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers. Pursuant to an ordinary resolution passed in a special general meeting held on 21 March 2011, the independent shareholders approved the Whitewash Waiver. Accordingly, 3,600,000,000 shares have been issued, at the conversion price of HK$0.1, to the Subscriber upon the conversion of the CB4 with principal amount of HK$360.0 million. Remaining portion of First Tranche of CB4, Second Tranche of CB4, Third Tranche of CB4 and partial of Fourth Tranche of CB4 with principal amount of HK$120.0 million, HK$100.0 million, HK$100.0 million and HK$40.0 million respectively were converted by the Subscriber as a result on 21 March 2011.

The remaining portion of the Fourth Tranche of CB4 with principal amount of HK$40.0 million and HK$20.0 million were converted by its holders on 13 May 2011 and 24 June 2011 respectively.

On 24 November 2011, the Subscriber assigned all of its rights under the Subscription Agreement to Ringfit Investment Group Limited ("**Ringfit Investment**") pursuant to a deed of assignment.

On 2 December 2011, the Company issued zero coupon bonds in the principal amount of HK$200 million (the "**Fifth Tranche of CB4**") to Ringfit Investment.

On 11 October 2012, the conversion price of CB4 was adjusted from HK$0.1 per share to HK$1.0 per share upon the approval of the Capital Reorganisation as mentioned in note 23(a).

On 27 June 2013, Ringfit Investment assigned all of its rights under the Subscription Agreement to Retop International Investment Limited pursuant to a deed of assignment.

21. CONVERTIBLE BONDS *(Continued)*

Movement of liability component of CB4 for the six months ended 30 June 2013 and 2012 is as follows:

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
At beginning of the period	**184,050**	176,253
Interest expense	**4,036**	3,834
At end of the period	**188,086**	180,087

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rates of approximately 4.42% (six months ended 30 June 2012: 5.36%, 4.93%, 4.23%, 4.21% and 4.42% per annum) to the liability components of the Fifth Tranche (six months ended 30 June 2012: the First Tranche, the Second Tranche, the Third Tranche, the Fourth Tranche and the Fifth Tranche) of CB4 for the six months ended 30 June 2013.

22. DEFERRED TAX

As at 30 June 2013, all tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation except for the tax losses amounted to approximately HK$395.4 million (equivalent to approximately RMB312.5 million) (as at 31 December 2012: approximately HK$342.1 million (equivalent to approximately RMB274.9 million)) incurred by three subsidiaries in the PRC, which will expire after 5 years from the year in which the losses were incurred. The Group has taxable losses arising in Hong Kong of approximately HK$2.6 million (as at 31 December 2012: approximately HK$2.6 million). Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and the unpredictability of future profits.

22. DEFERRED TAX *(Continued)*

Movement in deferred tax liabilities during the six months ended 30 June 2013 and 2012 as follows:

	Unaudited Six months ended 30 June 2013		Unaudited Six months ended 30 June 2012		
	Amortisation allowance on mining rights in excess of related amotisation HK$'000	**Total HK$'000**	Mining funds HK$'000 *(Note)*	Amortisation allowance on mining rights in excess of related amotisation HK$'000	Total HK$'000
At beginning of the period	**19,264**	**19,264**	7,395	14,974	22,369
Charged to profit or loss *(note 7)*	**1,666**	**1,666**	–	2,371	2,371
Exchange difference	**339**	**339**	(75)	(162)	(237)
At end of the period	**21,269**	**21,269**	7,320	17,183	24,503

Note: Pursuant to changes in certain regulations of the PRC government in 2009, the Group is required to set aside the mining funds (i.e. production maintenance fee and safety fund). The mining funds are deductible for tax purpose when they are set aside but are expensed for accounting purpose only when they are utilised, a deferred tax liability is provided for the temporary difference in respect of the excess fund set aside for tax purposes. During 2011, a tax notice has been issued to clarify actual utilisation of mining funds is deductible for tax purpose only and thus there is no temporary difference arising from the mining funds. The tax clearance of 2011 issued in 2012 clarified there was no temporary difference regarding mining funds. Following the finalisation of the tax clearance of 2011, the deferred tax liability was reversed during year ended 31 December 2012.

As at 30 June 2013, deferred tax liabilities amounted to approximately HK$42.8 million (as at 31 December 2012: approximately HK$49.6 million) in respect of the aggregate amount of temporary differences of approximately HK$428.4 million (as at 31 December 2012: approximately HK$496.4 million) associated with the undistributed earnings of certain of the Group's subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of the differences because it is considered that the Group's subsidiaries in the PRC will not pay any dividend to their overseas holding companies in the foreseeable future and the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not reverse in the foreseeable future.

23. SHARE CAPITAL

	Notes	**Unaudited 30 June 2013 Number of shares**	**Unaudited 30 June 2013 HK$'000**	Audited 31 December 2012 Number of shares	Audited 31 December 2012 HK$'000
Authorised:					
At 1 January 2012, 31 December 2012, 1 January 2013 and 30 June 2013, ordinary shares of HK$0.1 each		**30,000,000,000**	**3,000,000**	30,000,000,000	3,000,000
Issued and fully paid:					
At 1 January, ordinary shares of HK$0.1 each		**712,673,692**	**71,267**	7,126,736,924	712,674
Share Consolidation (increase in par values from HK$0.1 each to HK$1.0 each)	*(a)(i)*	**–**	**–**	(6,414,063,232)	–
Capital Reduction (decrease in par value from HK$1.0 each to HK$0.1 each)	*(a)(ii)*	**–**	**–**	–	(641,407)
At 31 December 2012 and 30 June 2013, ordinary shares of HK$0.1 each		**712,673,692**	**71,267**	712,673,692	71,267

Notes:

(a) Pursuant to a special resolution passed on 10 October 2012 (the "**Special Resolution**"), the proposed capital reorganisation which comprised the followings (the "**Capital Reorganisation**") has become effective on 11 October 2012.

(i) every ten issued shares of HK$0.1 each is consolidated into one new share ("**Consolidated Share**") of HK$1.0 each (the "**Share Consolidation**"). As a result, the number of issued ordinary shares were reduced by 6,414,063,232 shares; and

(ii) the par value of each issued Consolidated Share is reduced from HK$1.0 each to HK$0.1 each by cancelling paid-up capital to the extent of HK$0.9 on each Consolidated Share in issue (the "**Capital Reduction**") so that the share capital was reduced by approximately HK$641.4 million. The corresponding amount has been credited to contributed surplus.

24. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants ("**Participants**") of the Scheme include any employee of the Company or any of its subsidiaries (including any director of the Company or any of its subsidiaries). The Scheme was approved by shareholders at a Special General Meeting on 20 October 2004 in substitution of the old share option scheme of the Company adopted on 15 May 1997. The Scheme became effective on 20 October 2004 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

Under the Scheme, the board of directors of the Company (the "**Board**") may at its discretion grant options to the Participants to subscribe for shares provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 10% of the shares in issue as at the adoption date. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company shall not in aggregate exceed 30% of the shares in issue from time to time.

No share options were granted nor allotted, exercised and forfeited during the six months ended 30 June 2012 and 30 June 2013.

25. CAPITAL COMMITMENTS

As at 30 June 2013, the Group had capital expenditure commitments in relation to the purchase of property, plant and equipment contracted but not provided for, net of deposit paid, amounted to approximately HK$41.3 million (as at 31 December 2012: approximately HK$13.1 million).

As at 30 June 2013, the Group had capital expenditure commitment contracted but not provided for in relation to the potential investment in Indonesia amounted to approximately HK$4.4 million (equivalent to US$0.6 million). No such capital commitments as at 31 December 2012.

As at 31 December 2012, the Group had capital expenditure commitments authorised but not contracted for in relation to the potential investments in certain PRC operations, net of deposit paid, amounted to approximately HK$12.4 million. No such capital expenditure commitments as at 30 June 2013.

26. DISPOSAL OF SUBSIDIARIES

As mentioned in note 8, on 2 March 2012, the Group disposed of its entire equity interest in Popular Sky Group for a total consideration of HK$71.2 million. Popular Sky Group were engaged in the CBM related business during the period.

	HK$'000
Net assets disposed of comprise:	
Property, plant and equipment	40,640
Accounts and bills receivables	4,757
Prepayments, deposits and other receivables	3,044
Financial assets at fair value through profit or loss	12,237
Cash and cash equivalents	12,238
Accounts and bills payables	(1,038)
Other payables and accruals	(61,750)
	10,128
Exchange fluctuation reserve	(2,483)
Liabilities due to the Group by Popular Sky and CFT assumed by Dragon Rich	56,770
Gain on disposal of subsidiaries	6,785
Total consideration	71,200
Satisfied by:	
Cash	10,000
Promissory note *(Note)*	61,200
	71,200
Net cash outflow arising on disposal:	
Cash consideration received	10,000
Cash and cash equivalents disposed of	(12,238)
	(2,238)

Note:

An interest-free promissory note in the aggregate principal amount of HK$61.2 million issued by Dragon Rich to the Company for part of the consideration which would be due on 30 June 2012. The balance was fully settled during the six months ended 30 June 2012.

27. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim financial report, the Group had the following material transactions with related parties during the period:

(i) Compensation of key management personnel

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Total remuneration of key management personnel during the period	**3,940**	4,624

(ii) Purchase of coal

As at 30 June 2013, included in prepayments, deposits and other receivables were deposits amounted to approximately HK$44.3 million (equivalent to RMB35.0 million) (as at 31 December 2012: approximately HK$43.6 million (equivalent to RMB35.0 million)) arising from the purchase of coal paid to a company, in which a director of a major subsidiary of the Group is a director of this supplier. Yet, a newly appointed director of the major subsidiary of the Group has been the director of this supplier since August 2010. The deposits were paid in the Group's normal course of business.

(iii) Sales of coal

During the six months ended 30 June 2012 the Group sold coal of approximately HK$0.2 million (equivalent to approximately RMB0.1 million) to a company, in which a director of a major subsidiary of the Group is also a director of the holding company of this company. On 25 August 2012, the director ceased to be the director of the major subsidiary of the Group. The sales were conducted in the Group's normal course of business.

(iv) Selling and distribution expenses

During the six months ended 30 June 2012, the Group paid distribution expenses of approximately HK$0.4 million to a company, in which one of its directors is also a director of the Group's major subsidiary. No distribution expenses were paid to this company during the six months ended 30 June 2013.

27. RELATED PARTY TRANSACTIONS *(Continued)*

(v) Purchase of buildings

On 26 September 2008, the Group entered into an agreement in relation to the purchase of buildings with Henan Lianda Property Company Limited# ("**Henan Lianda**") (河南聯大置業有限公司) at a consideration of approximately HK$55.5 million (equivalent to approximately RMB47.0 million). A director of the Company at that time was a shareholder and a director of this company as at the date of the agreement. The director of the Company then ceased to be the shareholder and director of this company in March 2010. In December 2011, this director resigned as a director of the Company while he was still a director of certain subsidiaries of the Group. In April 2013, this director resigned as a director of certain subsidiaries of the Group. As at 30 June 2013, the buildings are still under construction and have not yet been transferred to the Group. As at 30 June 2013, included in prepayments, deposits and other receivables are deposits amounted to approximately HK$55.0 million (equivalent to RMB43.5 million) (as at 31 December 2012: approximately HK$54.1 million (equivalent to RMB43.5 million)) arising from the purchase of buildings from Henan Lianda. The remaining balance of approximately HK$4.4 million (equivalent to approximately RMB3.5 million) (as at 31 December 2012: approximately HK$4.4 million (equivalent to approximately RMB3.5 million)) was included in the capital commitments of the Group as at 30 June 2013.

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(vi) Disposal of a subsidiary

During the six months ended 30 June 2012, the Group disposed of the Popular Sky Group to a related party, Dragon Rich, for a total consideration of HK$71.2 million (For the six months ended 30 June 2013: Nil) as described in notes 8 and 26.

28. SUBSEQUENT EVENTS

(i) On 21 August 2013, Xinfa Investments Limited ("**Xinfa**"), one of the subsidiaries of the Group, entered into the capital injection agreement (the "**Agreement**") with Honest Oasis Limited ("**Honest Oasis**"), an independent third party of the Group, to inject a total amount of US$18.0 million to P.T. Integrity International Investment Indonesia ("**P.T. Integrity**") (the "**Capital Injection**"). According to the Agreement, Xinfa contributes approximately US$3.4 million in cash, representing 19% of the Capital Injection, while Honest Oasis contributes approximately US$14.6 million in cash, representing 81% of the Capital Injection. The Capital Injection of US$18.0 million will be substantially used to acquire 50% of the equity interest of Pt Inti Tambang Makmur ("**Pt Inti**"). Up to the date of this report, the Capital Injection by Xinfa has been completed. P.T. Integrity is a company incorporated in Indonesia and is principally engaged in seeking and making investments in Indonesia. Xinfa and Honest Oasis hold 19% and 81% of equity interest of P.T. Integrity respectively. Pt Inti is a company incorporated in Indonesia and is principally engaged in aluminum mining-related business in Indonesia through its subsidiaries.

28. SUBSEQUENT EVENTS *(Continued)*

(ii) Further to the agreement for acquisition of Yingu as set out in the Company's announcement dated 31 December 2012 and note 18(iv) in this report, the Group entered into a non-legally binding memorandum of understanding with Zhongtou Yingke and Tairun, as disclosed in note 15, regarding the acquisition of the entire equity interest of Yingu. Details of the memorandum of understanding are set out in the Company's announcement dated 27 August 2013. Up to the date of this report, details of the transaction have not been fixed and materialised.

29. APPROVAL OF THE INTERIM FINANCIAL REPORT

This unaudited interim financial report was approved and authorised for issue by the Board on 28 August 2013.

DIRECTORS

Mr. Dong Cunling *(Chairman)*
Mr. Yang Hua *(Chief Executive Officer)*
Mr. Wu Jiahong
Mr. Zhou Guangwen
Mr. Li Chunyan#
Dr. Chen Renbao*
Mr. Li Daomin*
Mr. Ma Yueyong*

Non-Executive Director
* *Independent Non-Executive Directors*

AUDIT COMMITTEE

Mr. Ma Yueyong
(Chairman of the Committee)
Dr. Chen Renbao
Mr. Li Daomin

NOMINATION COMMITTEE

Mr. Ma Yeuyong
(Chairman of the Committee)
Dr. Chen Renbao
Mr. Li Daomin

REMUNERATION COMMITTEE

Dr. Chen Renbao
(Chairman of the Committee)
Mr. Li Daomin
Mr. Ma Yueyong

COMPANY SECRETARY

Mr. Li Chun On

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Henan Province, PRC)

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http://www.irasia.com/listco/hk/rrhl