融信資源
R R H L

Rosan Resources Holdings Limited
融信資源控股有限公司

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

ANNUAL REPORT
2013

Contents

Corporate Information

DIRECTORS

Mr. Dong Cunling *(Chairman)*
Mr. Yang Hua *(Chief Executive Officer)*
Mr. Chen Xu
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 Yueyong *(Chairman of the Committee)*
Dr. Chen Renbao
Mr. Li Daomin

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr. Li Chun On

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Harbour Centre
25 Harbour Road
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Hong Kong

REGISTERED OFFICE

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2 Church Street
Hamilton HM11
Bermuda

AUDITOR

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Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Woo Kwan Lee & Lo
26th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL REGISTRAR

Codan Services Limited
Clarendon House,
2 Church Street
Hamilton HM 11
Bermuda

REGISTRAR IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. (Hong Kong Branch)
China Construction Bank Ltd. (Dengfeng Branch, Zhengzhou, Henan Province, PRC)

STOCK CODE

578

WEBSITE

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

A summary of the published results and assets, liabilities and total equity of the Group for the last five financial years, as extracted from the Group's audited financial statements, is set out below:

(A) RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
– Continuing operations*	**322,896**	188,702	727,500	908,744	863,894
– Discontinued operations**	**–**	361	236,620	69,899	–
(Loss)/Profit before income tax from continuing operations	**(343,589)**	(383,915)	105,303	192,926	174,516
Income tax (expense)/ credit	**(3,922)**	1,377	(81,155)	(100,247)	(100,062)
(Loss)/Profit after tax from continuing operations	**(347,511)**	(382,538)	24,148	92,679	74,454
Profit from discontinued operations	**–**	5,204	8,939	216	–
Non-controlling interest	**24,056**	33,085	(7,471)	(13,684)	(28,034)
(Loss)/Profit attributable to the owners of the Company	**(323,455)**	(344,249)	25,616	79,211	46,420

* Continuing operations for the last five financial years represented the production and sale of coal.

** Discontinued operations for the year ended 31 December 2012 represented coalbed methane related business (2011: Trading of purchased coal and coalbed methane related business; and 2010: Trading of purchased coal).

(B) ASSETS, LIABILITIES AND TOTAL EQUITY

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,400,060**	1,375,767	1,467,251	1,213,153	1,190,084
Current assets	**1,234,757**	1,969,701	1,651,210	1,247,873	824,215
Total assets	**2,634,817**	3,345,468	3,118,461	2,461,026	2,014,299
Current liabilities	**1,396,475**	1,660,043	1,057,664	882,266	893,229
Non-current liabilities	**73,097**	203,314	198,622	211,222	13,289
Total liabilities	**1,469,572**	1,863,357	1,256,286	1,093,488	906,518
Total equity	**1,165,245**	1,482,111	1,862,175	1,367,538	1,107,781
– attributable to the owners of the Company	**1,124,706**	1,425,177	1,772,723	1,254,387	1,012,992
– Non-controlling interest	**40,539**	56,934	89,452	113,151	94,789

I am pleased to present on behalf of the board (the "**Board**") of directors (the "**Directors**") to the shareholders the report on the results of Rosan Resources Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2013 (the "**Year**").

Market Review

During the Year, the coal industry of the People's Republic of China (the "**PRC**") has been facing a "sluggish period". Coal enterprises in the PRC were confronting with the facts of weakening in demand and dropping in coal price. People nowadays have increased their awareness on environment protection, different enterprises are trying to seek different kinds of clean-energy to replace the traditional coal energy source. However, coal energy is still one of the cheapest and most commonly adopted energy sources for enterprises' power generation and for people's daily life. It is expected that coal energy will not be easily replaced by other energy sources in the short to medium terms.

From certain statistics in relation to the coal industry of the PRC, it indicated that the volume of coal inventories accumulated in warehouses or ports have reached to a high level in the recent few months. It represented that the recent coal supply has been increased in a speed faster than the coal demand, which has caused the pressure on the coal price in the short run. Nonetheless, the trading activities of coal in the PRC are still vigorous. In 2013, the proportion of the PRC's coal imports was accounting for approximately 25% of international coal trade. Net coal imported to the PRC in 2013 totalled 320 million tons ("**mt**"), with 40 mt increased from 2012.

To protect the environment, different coal enterprises in the industry are striving to explore high quality coal as well as to minimize the pollution to the environment. It is believed that the coal industry is not only made reference to the quality of products to be provided, but also the strength of the social responsibilities for enterprises can be put.

Business Review

During the Year, the Group was continuously facing a challenging environment. The occasional suspension of certain coal mines continued to cast an obstacle on the production volume of the Group. Nevertheless, as the length of the suspension period during the Year was shorter than the year ended 31 December 2012 (the "**Last Year**"), the total production volume has been improved for the Year. As at the date of this report, the Group has three coal mines which are in normal operation, including Xiaohe Coal Mine No.2, Xiangyang Coal Mine and Xingyun Coal Mine. The another two coal mines of the Group, namely Xiaohe Coal Mine No.1 and Xiaohe Coal Mine No.3, have not yet obtained the government's approval for resumption in operation and are still in suspension stage.

Despite of the dropping in average coal price during the Year, the total revenue of the Group for the Year has been increased as compared with the Last Year resulting from the improvement in the sales and production volume. However, the total cost incurred by the Group during the Year was still significant to the Group and therefore, a result with net loss was obtained for the Year.

The Group has also undergone the following significant events during the Year:

1. *Capital injection in a coal trading company*

In December 2013, pursuant to a resolution passed by the shareholders of the Company (the "**Shareholders**") at a special general meeting, Henan Zhongyuan JiuAn Foundation & Investment Co., Ltd. ("**Zhongyuan JiuAn**") (an indirectly wholly-owned subsidiary of the Company) has made the capital injection in cash of RMB120.0 million to a coal trading company, called Zhengzhou Huirui Shangmao Company Limited* ("**Huirui**") (鄭州輝瑞商貿有限公司). Upon the completion of the capital injection, Huirui has been owned as to 96% by Zhongyuan JiuAn and to 4% by a minority shareholder. The major reason for the capital injection is to diversify the current principal business of the Group and to engage in trading of purchased coal and mining related products. Details of the transaction were disclosed in the Company's announcements dated 6 September 2013, 11 December 2013 and 16 December 2013 and the Company's circular dated 25 November 2013.

2. *Full redemption of outstanding convertible bonds*

In November 2013, the Company exercised its right to redeem the convertible bonds (the"**Redemption**") before its maturity in the aggregate principal amount of HK$200.0 million in full which were held by Retop International Investment Limited. Upon the Redemption, the Company has no outstanding convertible bonds. Details of the transaction were disclosed in the Company's announcement dated 14 November 2013.

3. *Termination of a potential acquisition of PRC properties*

In November 2013, the Group has terminated a potential acquisition of 60% equity interest of a target company which holds certain properties in the PRC. Since the timing for obtaining the relevant approval from the PRC local government regarding to the potential acquisition was uncertain at the moment of termination, therefore, the Group has decided to terminate the potential acquisition. Details of the termination were disclosed in the Company's announcement dated 11 November 2013.

4. *Capital injection in an Indonesian company*

In June 2013, Xinfa Investments Limited ("**Xinfa**", a wholly-owned subsidiary of the Company) and Honest Oasis Limited ("**Honest Oasis**", an independent third party) have established an Indonesian company (the "**Target Company**") with the registered capital of US$3.0 million and was held as 19% by Xinfa and 81% by Honest Oasis. In August 2013, both parties entered into a capital injection agreement that both parties agreed to undertake the further capital injection in the Target Company. Pursuant to the capital injection agreement, the total amount to be injected to the Target Company is US$18.0 million, of which US$3.42 million representing 19% of the capital injection would be contributed by Xinfa in cash and the balance of US$14.58 million representing 81% of the capital injection would be contributed by Honest Oasis by way of cash. The Target Company is a company incorporated in Indonesia and its principal activity is to seek and make investments in Indonesia. Details of the transaction were disclosed in the Company's announcement dated 21 August 2013.

5. *Changes in shareholding of the largest substantial shareholder*

In June 2013, Mr. Wang Chao, who was the largest substantial shareholder of the Company, had transferred all his shareholding of the Company to Mr. Bao Hongkai's associated company. Mr. Bao Hongkai ("**Mr. Bao**") was the chairman and executive director of the Company during the period from year 2006 to year 2008. The change in the shareholding has indicated Mr. Bao's continuous support to the Company.

6. *Achievement of the pre-determined targets in the investment in software developing company*

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, entered into an agreement in relation to the capital injection in Beijing Baiyitong Technology Co., Ltd* ("**Baiyitong**") (北京佰鎰通科技有限公司) in the amount of RMB30.0 million, representing 34% of the total registered capital of Baiyitong. Baiyitong is principally engaged in the development of computer software and provision of information technology services.

According to the capital injection agreement, Baiyitong has targets to achieve a pre-determined number of customers throughout the years. In 2013, Baiyitong has successfully achieved the required target. It is expected that Baiyitong is able to achieve the further targets and continue to bring its benefits to the Group in the future. Details of the transaction were disclosed in the Company's announcement dated 14 January 2013.

CONCLUSION

The management expects that in the year 2014, the coal industry will be still in a recession period and may not be able to turn around the situation shortly. In the short term, the coal price will still be affected by the reducing domestic demand. In the long run, the coal price will be affected by other replaceable energy sources, such as gasoline, natural gas or other environmental-friendly energy supplies such as sunlight, water and wind power generation. Besides, the performance of the Group will also continue to be affected by the period of suspension of the coal mines.

Nevertheless, the Group will continue to explore new income sources, not only from exploring to different customers in coal mine industry, but also explore in other sectors, such as coal trading and/or through different investments in other industries.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my most sincere thanks and gratitude to our Shareholders, and various parties for their continuous encouragement and support. I would also like to thank my fellow directors and all staff for their considerable contributions to the Group.

Dong Cunling
Chairman
Hong Kong, 26 March 2014

* *For identification purpose only*

OVERVIEW

During the Year, the Group was continuously facing a challenging environment. The occasional suspension of certain coal mines continued to cast an obstacle on the production volume of the Group. Nevertheless, as the length of the suspension period during the Year was shorter than the Last Year, the total production volume has been improved for the Year. As at the date of this report, the Group has three coal mines which are in normal operation, including Xiaohe Coal Mine No.2, Xiangyang Coal Mine and Xingyun Coal Mine. The another two coal mines of the Group, namely Xiaohe Coal Mine No.1 and Xiaohe Coal Mine No.3, have not yet obtained the government's approval for resumption in operation and are still in suspension stage.

Despite of the dropping in average coal price during the Year, the total revenue of the Group for the Year has been increased as compared with the Last Year resulting from the improvement in the sales and production volume. However, the total cost incurred by the Group during the Year was still significant to the Group and therefore, a result with net loss was obtained for the Year.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Year amounted to approximately HK$322.9 million, representing an increase of 71.1% from approximately HK$188.7 million for the Last Year. The improvement in revenue was primarily due to the resumption of certain coal mines during the Year and the suspension period was comparatively shorter than the Last Year. During the Year, the total sales volume of coal has reached to approximately 877,000 tons which was higher than the sales volume of the Last Year (approximately 347,000 tons) by 152.7%.

Despite of the improvement in sales volume, the selling price of coal continued to drop during the Year resulting from the persistent weak demand of coal in the domestic market. The average selling price of coal has dropped from approximately RMB441.4 per ton for the Last Year to RMB291.5 per ton for the Year.

Gross Loss

The gross loss during the Year was approximately HK$21.1 million, while the gross loss for the Last Year was approximately HK$157.0 million. The total gross loss has been improved by 86.6% mainly due to the increase in revenue as explained above as well as the cost incurred for the Year was comparable to the Last Year. During the Last Year, the amount of cost of sales was significant to the revenue because certain costs such as removal and allocation expenses for coal mines and other recurring coal mines' related costs, were necessarily to be incurred regardless of the drop in the production volume resulting from the longer suspension period of coal mines. Furthermore, due to the longer period of suspension of coal mines for the Last Year, the Group needed to purchase coal from outsiders with higher cost in order to fulfil the sales orders from customers. During the Year, all the coal was produced by the Group itself without out-sourcing. Therefore, the cost of sales for the Last Year was comparatively higher than the Year and the gross loss for the Last Year was higher than the Year.

Administrative Expenses

During the Year, the total administrative expenses amounted to approximately HK$128.8 million (the Last Year: approximately HK$122.3 million) which mainly comprised of: (i) employee benefit expenses of approximately HK$40.9 million (the Last Year: approximately HK$44.5 million), (ii) amortisation of intangible assets, mining rights and prepaid lease payments amounted to approximately HK$18.6 million (the Last Year: approximately HK$5.1 million), and (iii) impairment loss on certain deposits and other receivables amounted to approximately HK$11.9 million (the Last Year: nil). The slightly increment in the total administrative expenses was mainly resulted from the increase in the amortisation of mining rights during the Year with the increase in the production volume. Furthermore, an impairment on certain long outstanding deposits and other receivables amounted to approximately HK$11.9 million was provided for the Year.

Finance Cost

The finance cost was slightly increased from approximately HK$90.7 million for the Last Year to approximately HK$93.8 million for the Year. The increase in the total finance cost was mainly due to the amount of average bank borrowings such as bank loans during the Year were higher than the Last Year. With the higher average bank borrowings during the Year, higher finance cost were incurred for the Year. Nevertheless, the Group has put effort to improve the settlement period of outstanding amounts from trade debtors during the second half of the Year. Therefore, the total bank borrowing balances has been reduced as at 31 December 2013 (the "**Current Year End**").

Net Loss

The net loss attributable to the owners of the Company for the Year was approximately HK$323.5 million, represented a reduction of approximately 6.0% compared with the net loss made in Last Year of approximately HK$344.2 million. The reasons for the continuous occurrence of net loss for the Year were mainly due to: (i) continuous dropping in average selling price of coal during the Year that caused the Group did not achieve a favorable gross profit on its coal sales; (ii) an increase in the share of losses of associates resulting from the unrealized loss incurred on stock market investment by an associate; and (iii) impairment loss on goodwill amounted to approximately HK$70.3 million for the Year (Last Year: approximately HK$47.4 million).

Accounts and Bills Receivables

(i) As at the Current Year End, the accounts receivable was amounted to approximately HK$297.0 million. There was an increase of 11.7% as compared to the accounts receivable of approximately HK$265.9 million as at 31 December 2012 (the "**Last Year End**"). The increase in the amount of accounts receivable was mainly due to the Company has made more sales to customers during the Year. Hence, there was a higher trade debtors balance as at the Current Year End.

Amongst the total amount of accounts receivable as at the Current Year End, Henan Zhongfu Dianli Company Limited* ("**Zhongfu**") (河南中孚電力有限公司) was the largest debtor who has contributed approximately HK$249.4 million (equivalent to approximately RMB194.7 million) or approximately 84.0% of the total accounts receivable amount, of which approximately HK$67.2 million has been past due more than one year.

Regarding to the long outstanding amounts due from Zhongfu, the management of the Group (the"**Management**") has performed the following impairment assessment:

(a) By reviewing the subsequent settlement since the Current Year End and up to the date of this report, Zhongfu has further settled approximately HK$99.9 million (equivalent to approximately RMB78.0 million) or 40.1% of its outstanding balance as at the Current Year End;

(b) By reviewing the financial status of Zhongfu, it was noted that Zhongfu has sufficient assets for debt repayment;

(c) By interviewing with the representatives of Zhongfu, it was noted that Zhongfu are in normal operation;

(d) By reviewing the group structure of Zhongfu, it is believed that possible financial support can be obtained from its holding company which is a listed company in the PRC;

(e) By reviewing the past transaction records with Zhongfu, Zhongfu has never made bad debts to the Group; and

(f) A repayment schedule was provided by Zhongfu in January 2014 for future settlement of the outstanding balance, of which, Zhongfu agreed that the outstanding balance will be fully settled by 31 December 2014.

The Management therefore concluded that no impairment is needed to be made on the long outstanding amounts due from Zhongfu.

(ii) The bills receivable has been reduced from approximately HK$255.7 million as at the Last Year End to approximately HK$1.2 million as at the Current Year End. The reduction in the amounts of bills receivable was mainly due to the settlement of trade debtors through bills receivable during the last quarter of the Year was less than the same period of the Last Year.

Prepayment, deposits and other receivables

As at the Current Year End, major material balances of prepayments, deposits and other receivables were mainly comprised of the following items:

(i) The deposits paid to a supplier for the purchase of coal amounted to approximately HK$44.3 million (equivalent to approximately RMB34.6 million) (Last Year End: nil). Since the balance has been subsequently settled for more than 94% by the date of this report, no impairment was considered by the Management.

(ii) The amount due from Henan Bianlong Shangmao Company Limited* ("**Bianlong**") (河南汴龍商貿有限公司) of approximately HK$8.6 million (equivalent to approximately RMB6.7 million) (Last Year End: approximately HK$72.7 million (equivalent to approximately RMB58.4 million)). The outstanding amount is unsecured and interest-free (Last Year End: interest bearing at prevailing bank interest rate). Bianlong was a subsidiary of the Company and had been disposed by the Company in December 2011. The original outstanding amount was an inter-subsidiaries current account balance derived in the period before its disposal. After considering the loan aged, the Group waived the interest charged in prior years in order to speed up the settlement. Impairment of approximately HK$6.8 million for the interest receivable was made during the Year. Bianlong has settled majority of its original outstanding amount as at Last Year End (i.e. approximately 87%) by the Current Year End and agreed with a settlement agreement to fully settle all the outstanding amount by 30 September 2014.

(iii) The amount due from Henan Provincial Coal Seam Gas Development and Utilization Company Limited* ("**Coal Seam Gas**") (河南省煤層氣開發利用有限公司) of approximately HK$63.3 million (equivalent to approximately RMB49.4 million). In September 2012, the Group disposed of its entire interest in a joint venture, Henan Yulong Energy Development Co., Ltd., to Coal Seam Gas 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 balance of approximately HK$63.3 million (equivalent to approximately RMB49.4 million) is unsecured and interest-free.

Regarding to the above long outstanding amount due from Coal Seam Gas as at the Current Year End, the Management has performed the following impairment assessment:

(a) By reviewing the subsequent settlement since the Current Year End and up to the date of this report, Coal Seam Gas has further settled approximately HK$6.4 million (equivalent to approximately RMB5.0 million);

(b) By reviewing the background of Coal Seam Gas, it is a state-owned company and is possible to obtain support from government;

(c) By reviewing the assets owned by Coal Seam Gas, it owns several coal mines in the PRC with sufficient asset base;

(d) Coal Seam Gas initiatively provided to the Company a repayment schedule in March 2014 to show its sincere intention for repayment; and

(e) Coal Seam Gas agreed in the above mentioned repayment schedule that all the balances will be progressively repaid by 30 September 2014.

By considering of the above, the Management therefore concluded that no impairment is needed to be made on the outstanding balance.

Accounts and Bills Payables

In order to maintain the operational cashflow and the liquidity within the group companies, Henan Jinfeng Coal Industrial Group Company Limited* (河南金豐煤業集團有限公司) ("**Jinfeng**") has 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 Year. Therefore, the operational cashflow and the liquidity of Xiangyang and Xingyun are relied on the settlement (i.e. either by cash or bills) from Jinfeng.

As the collectability from trade debtors of Jinfeng has been improving in the second half of the Year, the cash settlement from Jinfeng to Xiangyang and Xingyun has also been improved. Therefore, the reliance on settlement from Jinfeng to Xiangyang and Xingyun by using bills was reducing in the second half of the Year.

Bills payable as at the Current Year End amounted to approximately HK$278.0 million (Last Year End: approximately HK$554.7 million) which contributed approximately 92.2% (Last Year End: approximately 97.3%) of the total amount of accounts and bills payables as at the Current Year End, i.e. approximately HK$301.5 million (Last Year End: approximately HK$569.8 million). The bills payables has been reduced significantly by approximately HK$276.6 million or 49.9% because, as explained above, the collectability from trade debtors of the Group has been improving in the second half of the Year and the Group has less reliance on settlement through bills.

Other Payables and Accruals

The total amount of other payables and accruals have been increased by approximately 78.8% from approximately HK$306.9 million as at the Last Year End to approximately HK$548.6 million as at the Current Year End. As at the Current Year End, the other payables were mainly comprised of advances from third parties amounted to approximately HK$99.2 million (as at the Last Year End: nil), provision of PRC social insurance amounted to approximately HK$239.7 million (as at the Last Year End: approximately HK$187.1 million), accrued coal mines related removal and relocation expenses amounted to approximately HK$47.0 million (as at the Last Year End: HK$39.0 million), accrued workers' wages and benefits amounted to approximately HK$33.7 million (as at the Last Year End: HK$47.8 million) and contingent consideration of investment in associates amounted to approximately HK$23.1 million (included in both current and non-current liabilities) (as at the Last Year End: nil). The increase was mainly due to the increase in advances from third parties and the continuing provision has to be made on the PRC social insurance during the Year.

PROSPECT

In the foreseeable future, the Group will continue to put focus on its core business in coal mining business with further improving its profit generating ability and the cost control effectiveness. Moreover, the Group will further broaden the customers' base in order to improve the debt collectability and liquidity.

Other than the coal mining business, the Group is undergoing to diversify its business to coal trading. Subsequent to the acquisition of a coal trading company in December 2013, the Group will be able to explore the opportunities for local and overseas coal trading business in order to enhance the revenue of the Group.

Furthermore, the Group will try to seek favorable return through the different direct or indirect investments made by the Group, such as the investment in a software development company in PRC, indirect investment in the PRC stock market and the other investments. It is believed that those investments may bring beneficial results to the Group in the long term.

ESTIMATED COAL RESOURCES OF THE COAL MINES OF THE GROUP

The following table summarized the estimated coal resources of the coal mines of the Group as at 31 December 2013 and 2012:

		As at 31 December 2013 mt	As at 31 December 2012 mt
Coal mines owned by the Group			
(i)	Xiaohe Coal Mine No.1	**7.2**	7.4
(ii)	Xiaohe Coal Mine No.2	**1.7**	1.8
(iii)	Xiaohe Coal Mine No.3	**1.8**	1.8
(iv)	Xiangyang Coal Mine	**15.0**	15.4
(v)	Xingyun Coal Mine	**3.8**	3.9
		29.5	30.3

Notes:

(1) Major assumptions adopted for the annual updates on the above estimated coal resources were:

(i) Original coal resources of each coal mine were made reference to the relevant coal resources reports and/or coal mine information available to the Group at the time of acquisition of the respective coal mines;

(ii) Annual updates on the estimated coal resources for each coal mine as at Current Year End were calculated as follow:

(Estimated coal resources as at the Last Year End) - (Actual coal production volume for the Year);

(iii) There was no material structural change within the coal mines that will cause the significant deviation between the actual coal resources and the above annual updates.

(2) There was no material change of the above assumptions as compared with the previous year.

LIQUIDITY AND CAPITAL RESOURCES

As at Current Year End, the net asset value of the Group was approximately HK$1,165.2 million (as at Last Year End: approximately HK$1,482.1 million) and the total cash and bank balance (included pledged bank deposit) was approximately HK$705.1 million (as at Last Year End: approximately HK$952.1 million). As at Current Year End, the Group had net current liabilities of approximately HK$161.7 million (as at Last Year End: net current assets of approximately HK$309.7 million) and its current ratio decreased from 1.2 times as at Last Year End to 0.9 times as at Current Year End.

As at Current Year End, the Group's total accounts receivable amounted to approximately HK$297.0 million (as at Last Year End: approximately HK$265.9 million) and certain accounts receivable were pledged to secure bank loans of the Group. Subsequent to the Current Year End and up to the date of this report, accounts receivable amounted to approximately HK$142.6 million has been settled.

As at Current Year End, bank deposits amounted to approximately HK$124.3 million (as at Last Year End: 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$580.8 million (as at Last Year End: approximately HK$633.3 million).

As at Current Year End, the Group's total bank loans amounted to approximately HK$461.1 million (as at Last Year End: approximately HK$709.3 million).

As at Current Year End, the Group's bills payable amounted to approximately HK$278.0 million (as at Last Year End: approximately HK$554.7 million) were secured by the pledge of the Group's time deposits and of approximately HK$153.8 million (as at Last Year End: approximately HK$242.7 million), were also guaranteed by independent third parties.

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank loans, advances from third parties, amount due to an associate and liability components of the convertible bonds; divided by (b) the net assets of the Group) was 51.4% (as at Last Year End: 60.3%).

DIVIDEND

The Board does not recommend the payment of any dividend in respect of the Year.

SAFETY PRODUCTION AND ENVIRONMENT PROTECTION

The Group has always been paying great attention to production safety and environmental protection while achieving growth in coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming at building itself into a safety-oriented and environmental-friendly enterprise. During the Year under review, except for occasional suspension of coal mines as mentioned, all coal mines of the Group operated safely and no material safety incidents were recorded.

* *For identification purpose only*

Biographical Details in Respect of the Directors

Name	Age	Position held	Number of years of service	Business experience
Dong Cunling	52	Executive Director, Chairman	2	Joined the Group in December 2011. He holds a professional diploma in Chinese Language of Henan University, the PRC. Mr. Dong was a college teacher in Dengfeng Municipal of Henan Province, the PRC. Mr. Dong joined Henan Jinfeng Coal Industrial Group Company Limited ("**Jinfeng**"), i.e. a subsidiary of the Company, since 2003. He held several positions in Jinfeng and he is currently a director of Jinfeng. He has extensive experience in the management of coal mines.
Chen Xu	46	Executive Director,	0.5	Joined the Group in September 2013. Mr. Chen graduated with master degree of laws from Peking University Law School. He has obtained extensive management experience from different enterprises, including Japanese based company, stated-owned enterprise in China and multinational companies. He has involved in negotiations for several important overseas investment projects and trading agreements. He has obtained the relevant qualification as a legal consultant and he specializes in international trading, energy and economic analysis. He currently holds the position of the PRC Legal Officer of the Company.
Wu Jiahong	47	Executive Director	8	Joined the Group in 2006. He holds a Bachelor of Art diploma from the Beijing Foreign Studies University of Beijing, the PRC and a Master of Business Administration degree from the Georgetown University in the United States. He has over 20 years of experience in corporate finance and strategic management. He is responsible for the management and financial operation of the Group. Mr. Wu is an independent non-executive director of Shun Cheong Holdings Limited since August 2013, which is listed on the Main Board of the Stock Exchange.

Biographical Details in Respect of the Directors

Name	Age	Position held	Number of years of service	Business experience
Yang Hua	36	Executive Director, Deputy Chairman, Chief Executive Officer	4	Joined the Group in June 2010 and is currently an authorised representative of the Company. He graduated with Master's Degree from the Business School of National University of Singapore and with a Bachelor's Degree from Beijing Foreign Studies University. After graduation from the university in Beijing, he has joined a state-owned enterprise and involved in energy trading, economic environment analysis on global energy market and risk control. He has also acted as a trader in PRC for international commodities futures contracts and derivative products. Mr. Yang has extensive experience in financial market and risk management. He also has the qualification to deal with the futures contract in PRC.
Zhou Guangwen	45	Executive Director	2	Joined the Group in February 2012. He graduated with Doctor of Philosophy from Peking University of the PRC. Mr. Zhou has extensive working experience as a senior management in certain local bank and security company in the PRC. He is currently the president of Ginkgo Capital Management Co., Limited which specializes in asset management and securities investment. Mr. Zhou is one of the first batch of the people in the PRC to engage in securities industry.

Name	Age	Position held	Number of years of service	Business experience
Li Chunyan	50	Non-Executive Director	2	Joined the Group in December 2011. He is currently a registered lawyer at Henan Shi Ji Tong Law Firm (河南世紀通律師事務所) in the PRC and is also a certified public accountant, certified public valuer and certified tax agent in the PRC. Mr. Li has acted as a legal adviser to the Henan Provincial People's Hospital, the Henan TV Station and certain listed companies in the PRC. Mr. Li was an independent non-executive director in three PRC listed companies during the period from 2002 to 2008. He was an independent non-executive director of Henan Pinggao Electric Co., Ltd since March 2008 which listed on the Shanghai Stock Exchange of the PRC. Mr. Li is an independent non-executive director of Zhongyu Gas Holdings Limited since October 2010, which is listed on the Main Board of the Stock Exchange.
Chen Renbao	51	Independent Non-Executive Director	2	Joined the Group in December 2011. He received his Bachelor of Arts in Economics from Anhui University, the PRC, in 1985. After graduated from Anhui University, Dr. Chen received his Master of Arts in Demography in 1989, Ph.D. in insurance and Ph.D. in Demography from the University of Pennsylvania, the United States, in 1993. Dr. Chen acted as a director of US Keywise Capital Management and consultant for the NUS Endowment Fund. He was an independent non-executive director (resigned in 2013) of Guangdong Midea Electric Appliances Co., Ltd which is listed in Shenzhen Stock Exchange of the PRC. He currently acts as a consultant in a number of PRC and overseas companies to provide financial and risk management consultation and training services to those companies.

Name	Age	Position held	Number of years of service	Business experience
Li Daomin	71	Independent Non-Executive Director	2	Joined the Group in February 2012. He holds a bachelor degree in Law from Zhongnan University of Economics and Law (formerly known as Hubei University) of the PRC. Mr. Li has been a secretary, deputy dean and dean in certain courts in Henan Province, the PRC, between 1984 and 2008. He is currently the president of Private Economy Research Institute in Henan Province. Mr. Li is an independent non-executive director of China Harmony Auto Holdings Limited, which is listed on the Main Board of the Stock Exchange since March 2013.
Ma Yueyong	49	Independent Non-Executive Director	2	Joined the Group in December 2011. He holds a Bachelor Degree in Accounting from Zhongnan University of Economics and Law (formerly known as Zhongnan University of Finance and Economics), the PRC. He has also achieved postgraduate qualification in Accounting from Shanghai University of Finance and Economics, the PRC. Mr. Ma was appointed as an executive director and an independent non-executive director in three PRC listed companies during the period from 1998 to 2004. Mr. Ma is currently an independent non-executive director of Henan Linzhou Heavy Machinery Co., Ltd. since April 2009 which is listed on Shenzhen Stock Exchange of the PRC. He is a certified public accountant in Reanda Certified Public Accountant Co., Ltd. Henan Branch in the PRC since April 2011. Mr. Ma is a financial controller of Zhengzhou New Dafang Heavy Industry Science & Technology Co., Ltd since January 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 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 (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 ("**INEDs**") do not have a specific term of appointment, but are 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 ("**Mr. Li**") and INEDs, Dr. Chen Renbao ("**Dr. Chen**") and Mr. Li Daomin was unable to attend the special general meeting of the Company held on 11 December 2013 and Mr. Li and Dr. Chen was unable to attend the annual general meeting of the Company held on 24 May 2013 respectively due to other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 Year.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises nine Directors and its composition is set out as follows:

Executive Directors	Mr. Dong Cunling *(Chairman)* Mr. Yang Hua *(Chief Executive Officer)* Mr. Chen Xu (appointed on 19 September 2013) Mr. Li Chun On (resigned on 28 August 2013) Mr. Wu Jiahong Mr. Zhou Guangwen
Non-Executive Director	Mr. Li Chunyan
INEDs	Dr. Chen Renbao Mr. Li Daomin Mr. Ma Yueyong

The brief biographical details of the Directors and the relationship among them are set out in the section headed "Biographical Details in Respect of the Directors" in the 2013 annual report of the Company, of which this report forms part.

RESPONSIBILITY OF BOARD AND MANAGEMENT

The Board determines the overall strategies, monitors and controls operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. Matters reserved for the Board are those affecting the Group's overall strategic policies, finances and shareholders including financial statements, dividend policies, significant changes in accounting policy, material contracts and major investment. Day-to-day management of the Group's businesses is delegated to the executive Directors or senior management. The Board reviews the delegation of power and functions from time to time to ensure effectiveness and appropriateness.

ATTENDANCE OF THE BOARD AND BOARD COMMITTEEES

The Board meets regularly during the Year and the Directors have made active contribution to the affairs of the Group. The following table shows the attendance of all the Directors at the meetings held during the year ended 31 December 2013:

	Attendance/Number of Meetings				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Dong Cunling	4/4	–	–	–	1/2
Mr. Li Chun On *(Note 1)*	3/3	–	–	–	1/1
Mr. Chen Xu *(Note 2)*	1/1	–	–	–	0/1
Mr. Wu Jiahong	1/4	–	–	–	0/2
Mr. Yang Hua	4/4	–	–	–	2/2
Mr. Zhou Guangwen	1/4	–	–	–	1/2
Non-Executive Director					
Mr. Li Chunyan	1/4	–	–	–	0/2
INEDs					
Dr. Chen Renbao	3/4	2/2	1/1	1/1	0/2
Mr. Li Daomin	0/4	0/2	0/1	0/1	1/2
Mr. Ma Yueyong	3/4	2/2	1/1	1/1	2/2

Notes:

1. Mr. Li Chun On has resigned as an executive director of the Company on 28 August 2013.

2. Mr. Chen Xu has appointed as an executive director of the Company on 19 September 2013.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions and roles of Chairman of the Board and Chief Executive Officer of the Company are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. The Chairman, being Mr. Dong Cunling is responsible for corporate planning and market development. The Chief Executive Officer, being Mr. Yang Hua, who performs the functions of chief executive of the Group, is responsible for the day-to-day management of the Group.

INEDS

One-third of the members of the Board consist of INEDs and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each independent non-executive director of the Company an annual confirmation of his independence for the year ended 31 December 2013 pursuant to Rule 3.13 of the Listing Rules of the Company considers all INEDs to be independent during the Year.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. The non-executive Directors are not appointed for specific terms but they are subject to retirement by rotation and re-election at the annual general meetings ("**AGM**") of the Company. Pursuant to bye-law 111 of the Bye-laws of the Company, each director of the Company shall be subject to retirement by rotation at least once every three years. The Board considers that the non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Group required by the principle of good governance laid down in A.4 of the CG Code.

The procedures for Shareholders to propose a person for election as a director of the Company are available and accessible on the Company's website at http://www.irasia.com/listco/hk/rrhl.

BOARD DIVERSITY POLICY

During the Year, the Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development.

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All board appointments will be based on merit while taking into account diversity including gender diversity.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") with written terms of reference in compliance with the CG Code. The Remuneration Committee comprises three INEDs, namely Dr. Chen Renbao (as chairman), Mr. Li Daomin and Mr. Ma Yueyong as at the date of this report. During the Year, the Remuneration Committee held one meeting. The attendance record of the committee is set out in the table on page 19 of the annual report.

The principle role and functions of the Remuneration Committee are to review the remuneration packages of individual executive Directors and key executives, including salaries, bonuses, benefits in kind and the terms on which they participate in any share options and other plans considering factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and key executives, employment conditions elsewhere in the Group and desirability of performance-based remuneration and making recommendations to the Board from time to time.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") with terms of reference in compliance with the CG Code. The Nomination Committee comprises three INEDs, namely Dr. Chen Renbao, Mr. Li Daomin and Mr. Ma Yueyong (as chairman) as at the date of this report. During the Year, the Nomination Committee held one meeting. The attendance record of the committee is set out in the table on page 19 of the annual report.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of INEDs and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of director and succession planning for Directors. The Nomination Committee reviewed the board diversity policy and the progress on achieving the objectives set for implementing the said policy The recommendations of the nomination committee are then put forward for consideration and adoption where appropriate, by the Board.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with terms of reference in compliance with the CG Code. The Audit Committee comprises three INEDs, namely Dr. Chen Renbao, Mr. Li Daomin and Mr. Ma Yueyong (as chairman) as at the date of this report. The principle role and functions of the Audit Committee are to review and provide supervision over the Group's financial reporting process and internal controls. The Audit Committee also serves as a channel of communication between the Board and the external auditor.

During the Year, the Audit Committee held two meetings. The attendance record of the committee members at these meetings are set out in the table on page 19 of the annual report. The work performed by the audit committee during the Year included reviewing the audited consolidated financial statements of the Group for the year ended 31 December 2012, the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2013 and recommended such financial statements to the Board for approval and also the effectiveness of the internal control practices of the Group.

The Audit Committee has recommended to the Board that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming AGM of the Company.

The Board has delegated the responsibilities for performing the corporate governance duties to the Audit Committee to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and Directors; and to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

It also reviewed the Company's progress in implementing the corporate governance requirements as set out in the CG Code.

AUDITOR'S REMUNERATION

During the year ended 31 December 2013, the remuneration paid or payable to the auditor of the Company, BDO Limited is set out below:

Services rendered	Fee paid/payable HK$'000
Audit services	1,100
Non-audit services (Interim financial review and other services)	830

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Company's accounts. The financial statements for the year ended 31 December 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants, and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The reporting responsibilities of the external auditor, BDO Limited, are set out in the Independent Auditor's Report on pages 32 to 33.

DIRECTORS' AND OFFICERS' LIABILITY

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. A summary of training records received by the Directors for the Year is set out as follows:

Directors	Attending conference(s)/training course(s)/seminars relevant to the business, directors' duties or listing regulatory requirements	Reading materials and/or updates relevant to the business, directors' duties or listing regulatory requirements
Executive Directors		
Mr. Dong Cunling	–	✓
Mr. Li Chun On *(Note 1)*	✓	✓
Mr. Chen Xu *(Note 2)*	✓	✓
Mr. Wu Jiahong	–	✓
Mr. Yang Hua	–	✓
Mr. Zhou Guangwen	✓	✓

Directors	Attending conference(s)/training course(s)/seminars relevant to the business, directors' duties or listing regulatory requirements	Reading materials and/or updates relevant to the business, directors' duties or listing regulatory requirements
Non-Executive Director		
Mr. Li Chunyan	–	✓
INEDs		
Dr. Chen Renbao	✓	✓
Mr. Li Daomin	–	✓
Mr. Ma Yueyong	–	✓

Notes:

1. Mr. Li Chun On has resigned as an executive director of the Company on 28 August 2013.

2. Mr. Chen Xu has appointed as an executive director of the Company on 19 September 2013.

COMPANY SECRETARY

As at 31 December 2013, the Company Secretary of the Company, Mr. Li Chun On ("**Mr. Li**"), fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. He has day-to-day knowledge of the Company's affairs. Mr. Li reports to the Chairman and is responsible for advising the Board on governance matters. For the Year under review, Mr. Li has taken over 15 hours of relevant professional training.

INTERNAL CONTROLS

The Board is responsible for overseeing the Group's internal control system and reviewing its effectiveness. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. During the Year, the Board has reviewed the effectiveness of the existing system of internal controls with a view to safeguard the Shareholders' investment and the Group's assets.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board recognises the importance of good communication with Shareholders. A Shareholders' Communication Policy setting out the Company's procedure in providing the Shareholders with prompt and equal access to information about the Company, in order to enable the Shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company. Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars.

The general meetings of the Company provide a forum for exchange of views between the Shareholders and the Board. The Chairman of the Board, the Directors and senior management of the Company and where applicable, the INEDs, are available to answer questions at the shareholders' meeting.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors. Details of poll voting procedures are included in all circulars to Shareholders which call for a general meeting and are explained during proceedings of the meeting.

The Company continues to enhance communications and relationships with its Shareholders and investors. Information about the Company's activities is provided in its interim and annual reports, which are sent to Shareholders, analysts and/or interested parties. Enquiries from Shareholders and investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at http://www.irasia.com/listco/hk/rrhl, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting pursuant to Section 74 of the Companies Act 1981 of Bermuda (the "**Act**"). The number of Shareholders necessary for a requisition shall be representing not less than one-tenth of the Company's paid-up capital as at the date of requisition having the right to vote at the general meeting.

The written requisition must:

– state the purposes of the special general meeting;

– be signed by all the requisitionists (may consist of one or several documents in like form each singed by one or more requisitionists); and

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a special general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, any themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedure for Shareholders to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at an annual general meeting pursuant to Section 79 of the Act. The number of Shareholders necessary for a requisition shall be:

– representing not less than one-twentieth of the total voting rights of all Shareholders having at the date of requisition a right to vote at the meeting to which the requisition relates; or

– not less than 100 Shareholders.

The written requisition must:

– state the resolution, with a statement not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;

– be signed by all the requisitionists (may consist of one or several documents in like form each singed by one or more requisitionists);

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition; and

– be deposited with a sum reasonably sufficient to meet the Company's expenses in giving notice of the resolution and circulating the statements of the proposed resolution to all Shareholder in accordance with the requirements under the applicable laws and rules.

Enquires to the Board

The Company's website provides email address and telephone to enable Shareholders to make any enquiries and concerns to the Board. Shareholders may send their enquiries by post or by email to the attention of the Company Secretary who will direct the enquiries to the Board for handling.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the Year.

The Board are pleased to present the annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and of the Group at that date are set out on pages 34 to 121 of the annual report.

The Board does not recommend the payment of any dividend in respect of the Year.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on pages 3 and 4 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of the Company's share capital and share option during the Year, together with the reasons therefore, are set out in notes 36 and 37 to the financial statements respectively.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the Year.

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 31 December 2013, the Group has a total of approximately 2,800 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 established an Audit Committee in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises three of the INEDs of the Company. The members of the audit committee have reviewed the financial statements of the Group for the year ended 31 December 2013 and are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements and those adequate disclosures have been made.

CORPORATE GOVERNANCE REPORT

Details of the Corporate Governance Report are set out on pages 18 to 25 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as at 31 December 2013 was approximately HK$485.7 million (as at 31 December 2012: HK$491.0 million). In addition, the Company's share premium account as at 31 December 2013, in the amount of approximately HK$235.3 million, can be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the Year under review, the percentage of turnover attributable to the largest customer and the five largest customers of the Group accounted for 35.6% and 92.7% respectively. The percentage of purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for 13.7% and 29.5% respectively.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report are as follows:

Executive Directors:

Mr. Dong Cunling *(Chairman)*
Mr. Yang Hua *(Chief Executive Officer)*
Mr. Chen Xu (appointed on 19 September 2013)
Mr. Li Chun On (resigned on 28 August 2013)
Mr. Wu Jiahong
Mr. Zhou Guangwen

Non-Executive Director:

Mr. Li Chunyan

INEDs:

Dr. Chen Renbao
Mr. Li Daomin
Mr. Ma Yueyong

The Company has received annual confirmations of independence from all INEDs and as at the date of this annual report still considers them to be independent.

In accordance with bye-law 111 of the Company's Bye-laws, Mr. Dong Cunling, Mr. Zhou Guangwen and Mr. Li Chunyan will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company. Mr. Chen Xu was appointed as the executive director of the Company, is also due to retire and being eligible, offer himself for election in accordance with bye-law 115 of the Company's Bye-laws at the forthcoming AGM of the Company.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 14 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 44 to the financial statements, no director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

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

As at 31 December 2013, the interests and short positions of the Directors and the 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 and 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 37 to the financial statements. Mr. Li resigned as an executive 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 31 December 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 31 December 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

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)*	Interests in controlled corporation	141,400,000	19.84%
Mr. Bao Hongkai ("**Mr. Bao**") *(Note 1)*	Interests in controlled corporation	141,400,000	19.84%
	Beneficial owner	675,000	0.09%
Asia Mark Development Limited *(Note 2)*	Beneficial owner	100,000,000	14.03%
Mr. Kwong Ying Hou *(Note 2)*	Interests 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 *(Note 3)*	Interests in controlled corporation	60,000,000	8.42%

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 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 Ruiyun. He 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above and note 37 to the financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PENSION SCHEME AND COSTS

Details of the Group's pension scheme and the employer's pension costs charged to the income statement for the Year are set out in notes 3.21 and 13 to the financial statements, respectively.

In the opinion of the Board, the Group had no significant obligations for long service payments to its employee pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong, at 31 December 2013.

CONNECTED TRANSACTIONS

During the year ended 31 December 2013, the Group has not conducted any "connected transaction" or "continuing connected transaction" (as defined under Chapter 14A of the Listing Rules) which is subject to reporting and annual review requirements under the Listing Rules. The transactions disclosed in note 44 to the financial statements as related party transactions did not fall under the definition of "connected transaction" or "continuing connected transaction" (as defined under Chapter 14A of the Listing Rules).

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No Directors are considered to have interest in any business which is likely to compete directly or indirectly with that of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 December 2013 amounted to approximately HK$0.3 million.

AUDITOR

A resolution will be proposed at the forthcoming AGM of the Company to re-appoint the auditor, BDO Limited.

For and on behalf of the Board

Dong Cunling
Chairman

Hong Kong
26 March 2014

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To the shareholders of Rosan Resources Holdings Limited 融信資源控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Rosan Resources Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 34 to 121, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3.1 in the financial statements which indicates that the Group incurred a loss of approximately HK$347,511,000 during the year ended 31 December 2013 and, as of that date, the Group and the Company had net current liabilities of approximately HK$161,718,000 and approximately HK$1,731,000 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

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

Hong Kong, 26 March 2014

Consolidated Income Statement

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	5	322,896	188,702
Cost of sales		(343,965)	(345,751)
Gross loss		(21,069)	(157,049)
Other income	5	34,036	28,207
Selling and distribution expenses		(9,015)	(6,655)
Administrative expenses		(128,793)	(122,304)
Other operating expenses		(8,877)	(8,265)
Finance costs	7	(93,802)	(90,687)
Share of (losses)/profits of associates		(45,339)	5,668
Share of losses of a joint venture		(454)	(1,977)
Gain on disposal of a joint venture	23	–	16,574
Impairment loss on goodwill		(70,276)	(47,427)
Loss before income tax	8	(343,589)	(383,915)
Income tax (expense)/credit	9	(3,922)	1,377
Loss for the year from continuing operations		(347,511)	(382,538)
Discontinued operations			
Profit for the year from discontinued operations	10	–	5,204
Loss for the year		(347,511)	(377,334)
Loss for the year attributable to:			
Owners of the Company	11	(323,455)	(344,249)
Non-controlling interest		(24,056)	(33,085)
		(347,511)	(377,334)
Loss for the year attributable to the owners of the Company:			
Continuing operations		(323,455)	(349,453)
Discontinued operations	10	–	5,204
		(323,455)	(344,249)

	Notes	2013 HK cents	2012 HK cents
Loss per share for loss attributable to the owners of the Company during the year	12		
Basic and diluted			
– from continuing and discontinued operations		(45.386)	(48.304)
– from continuing operations		(45.386)	(49.034)

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	**(347,511)**	(377,334)
Other comprehensive income for the year (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	**30,255**	5,041
– a joint venture	**181**	(775)
– associates	**4,309**	2,168
	34,745	6,434
Release of exchange fluctuation reserve upon disposal of subsidiaries	**–**	(2,483)
Release of exchange fluctuation reserve upon disposal of a joint venture	**–**	(6,681)
Total comprehensive income for the year	**(312,766)**	(380,064)
Total comprehensive income attributable to:		
Owners of the Company	**(291,463)**	(347,546)
Non-controlling interest	**(21,303)**	(32,518)
	(312,766)	(380,064)
Total comprehensive income attributable to the owners of the Company:		
Continuing operations	**(312,766)**	(349,575)
Discontinued operations	**–**	2,029
	(312,766)	(347,546)

Consolidated Statement of Financial Position

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**525,206**	389,061
Prepaid lease payments	17	**–**	130
Goodwill	19	**69,032**	135,334
Mining rights	20	**647,373**	646,653
Other intangible assets	21	**–**	293
Interests in associates	22	**125,816**	129,514
Interest in a joint venture	23	**6,067**	6,340
Deposits paid for potential investments	24	**–**	68,442
Available-for-sale financial assets	25	**26,566**	–
		1,400,060	1,375,767
Current assets			
Inventories	26	**13,779**	14,322
Accounts and bills receivables	27	**298,216**	521,637
Prepayments, deposits and other receivables	28	**207,867**	446,258
Tax recoverable		**9,774**	10,508
Available-for-sale financial assets	25	**–**	24,888
Pledged bank deposits	29(a)	**124,286**	318,815
Cash and cash equivalents	29(b)	**580,835**	633,273
		1,234,757	1,969,701
Current liabilities			
Accounts and bills payables	30	**301,465**	569,764
Other payables and accruals	31	**548,649**	306,857
Provision for reclamation obligations	32	**85,249**	74,021
Provision for tax		**–**	93
Bank loans	33	**461,112**	709,308
		1,396,475	1,660,043
Net current (liabilities)/assets		**(161,718)**	309,658
Total assets less current liabilities		**1,238,342**	1,685,425

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Other payables	*22(b)*	**11,532**	–
Amount due to an associate	*22*	**38,439**	–
Convertible bonds	*34*	**–**	184,050
Deferred tax liabilities	*35*	**23,126**	19,264
		73,097	203,314
Net assets		**1,165,245**	1,482,111
EQUITY			
Share capital	*36*	**71,267**	71,267
Reserves	*38(a)*	**1,053,439**	1,353,910
Equity attributable to the owners of the Company		**1,124,706**	1,425,177
Non-controlling interest		**40,539**	56,934
Total equity		**1,165,245**	1,482,111

Dong Cunling
Director

Yang Hua
Director

Statement of Financial Position

as at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*18*	**796,164**	1,012,333
Current assets			
Prepayments, deposits and other receivables		**291**	225
Cash and cash equivalents		**3,215**	3,733
		3,506	3,958
Current liabilities			
Other payables and accruals		**5,237**	6,362
Net current liabilities		**(1,731)**	(2,404)
Total assets less current liabilities		**794,433**	1,009,929
Non-current liabilities			
Convertible bonds	*34*	**–**	184,050
Net assets		**794,433**	825,879
EQUITY			
Share capital	*36*	**71,267**	71,267
Reserves	*38(b)*	**723,166**	754,612
Total equity		**794,433**	825,879

Dong Cunling
Director

Yang Hua
Director

	Attributable to the owners of the Company												Non-controlling interest	Total
	Share capital	Share premium* *(Note 38(a))*	Equity component of convertible bonds*	Share option reserve*	Capital redemption reserve* *(Note 38(a))*	Other reserve* *(Note 38(a))*	Contributed surplus* *(Note 38(a))*	Exchange fluctuation reserve*	Capital reserve* *(Note 38(a))*	Statutory reserve fund* *(Note 38(a))*	Retained profits*	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	109,270	415,461	1,772,723	89,452	1,862,175
Capital Reorganisation *(note 36(a))*	(641,407)	–	–	–	–	–	641,407	–	–	–	–	–	–	–
Transfer from contributed surplus to accumulated losses of the Company *(note 38(b))*	–	–	–	–	–	–	(158,018)	–	–	–	158,018	–	–	–
Transactions with owners	(641,407)	–	–	–	–	–	483,389	–	–	–	158,018	–	–	–
Transfer to statutory and other reserves	–	–	–	–	–	4,596	–	–	–	25,187	(29,783)	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	–	–	(344,249)	(344,249)	(33,085)	(377,334)
Other comprehensive income for the year														
– Exchange gain/(loss) on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	4,703	–	–	–	4,703	338	5,041
– a joint venture	–	–	–	–	–	–	–	(787)	–	–	–	(787)	12	(775)
– associates	–	–	–	–	–	–	–	1,951	–	–	–	1,951	217	2,168
– Release of exchange fluctuation reserve upon disposal of subsidiaries *(note 41)*	–	–	–	–	–	–	–	(2,483)	–	–	–	(2,483)	–	(2,483)
– Release of exchange fluctuation reserve upon disposal of a joint venture *(note 23)*	–	–	–	–	–	–	–	(6,681)	–	–	–	(6,681)	–	(6,681)
Total comprehensive income for the year	–	–	–	–	–	–	–	(3,297)	–	–	(344,249)	(347,546)	(32,518)	(380,064)
At 31 December 2012	71,267	235,334	24,351	3,847	50	72,544	491,671	164,767	27,442	134,457	199,447	1,425,177	56,934	1,482,111

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Attributable to the owners of the Company												Non-controlling interest	Total
	Share capital	Share premium* *(Note 38(a))*	Equity component of convertible bonds*	Share option reserve*	Capital redemption reserve* *(Note 38(a))*	Other reserve* *(Note 38(a))*	Contributed surplus* *(Note 38(a))*	Exchange fluctuation reserve*	Capital reserve* *(Note 38(a))*	Statutory reserve fund* *(Note 38(a))*	Retained profits/ (Accumulated losses)*	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	134,457	199,447	1,425,177	56,934	1,482,111
Early redemption of convertible bonds *(note 34)*	–	–	(9,008)	–	–	–	–	–	–	–	–	(9,008)	–	(9,008)
Lapse of share option	–	–	–	(1,741)	–	–	–	–	–	–	1,741	–	–	–
Transfer from contributed surplus to accumulated losses of the Company *(note 38(b))*	–	–	–	–	–	–	(5,354)	–	–	–	5,354	–	–	–
Non-controlling interests arising from acquisition of a subsidiary *(note 40)*	–	–	–	–	–	–	–	–	–	–	–	–	4,908	4,908
Transactions with owners	–	–	(9,008)	(1,741)	–	–	(5,354)	–	–	–	7,095	(9,008)	4,908	(4,100)
Transfer to statutory and other reserves	–	–	–	–	–	413	–	–	–	35	(448)	–	–	–
Transfer upon redemption of convertible bonds *(note 34)*	–	–	(15,343)	–	–	–	–	–	–	–	15,343	–	–	–
Loss for the year	–	–	–	–	–	–	–	–	–	–	(323,455)	(323,455)	(24,056)	(347,511)
Other comprehensive income for the year														
– Exchange gain on translation of financial statements of foreign operations														
– subsidiaries	–	–	–	–	–	–	–	27,951	–	–	–	27,951	2,304	30,255
– a joint venture	–	–	–	–	–	–	–	163	–	–	–	163	18	181
– associates	–	–	–	–	–	–	–	3,878	–	–	–	3,878	431	4,309
Total comprehensive income for the year	–	–	–	–	–	–	–	31,992	–	–	(323,455)	(291,463)	(21,303)	(312,766)
At 31 December 2013	71,267	235,334	–	2,106	50	72,957	486,317	196,759	27,442	134,492	(102,018)	1,124,706	40,539	1,165,245

* The aggregate amount of these balances of approximately HK$1,053.4 million (2012: approximately HK$1,353.9 million) represents the reserves in the consolidated statement of financial position.

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from operating activities of continuing and discontinued operations			
Loss before income tax from			
continuing operations		**(343,589)**	(383,915)
discontinued operations	*10*	**–**	5,204
		(343,589)	(378,711)
Adjustments for:			
Share of losses/(profits) of associates		**45,339**	(5,668)
Share of losses of a joint venture		**454**	1,977
Interest expense		**67,432**	65,891
Amortisation of mining rights	*8*	**18,198**	4,188
Amortisation of prepaid lease payments	*8*	**130**	308
Amortisation of other intangible assets	*8*	**293**	574
Impairment loss on goodwill		**70,276**	47,427
Impairment on deposits and other receivables	*8*	**11,867**	–
Interest income	*5*	**(24,074)**	(22,256)
Depreciation	*8, 16*	**37,902**	35,596
Loss on disposals of property, plant and equipment	*8*	**1,232**	1,144
Gain on disposals of financial assets at fair value through profit or loss	*5*	**(102)**	(829)
Reversal of provision for impairment on deposit paid	*5*	**(3,791)**	–
Write-back of accruals	*5*	**(2,655)**	–
Gain on disposals of subsidiaries	*10*	**–**	(6,785)
Gain on disposal of a joint venture	*23*	**–**	(16,574)
Gain on early redemption of convertible bonds	*5*	**(129)**	–
Amortisation of financial guarantee contracts issued	*5*	**–**	(1,656)
Operating loss before working capital changes		**(121,217)**	(275,374)
Decrease in inventories		**2,089**	51
Decrease/(Increase) in accounts and bills receivables		**232,009**	(55,011)
(Increase)/Decrease in prepayments, deposits and other receivables		**(147,849)**	84,046
(Decrease)/Increase in accounts and bills payables		**(276,981)**	444,903
Increase in other payables and accruals		**267,690**	62,636
Increase in provision for reclamation obligations		**8,908**	5,488
Increase in financial assets at fair value through profit or loss		**–**	(11,408)
Cash (used in)/generated from operations		**(35,351)**	255,331
Interest received		**24,074**	17,810
Interest paid		**(60,360)**	(58,094)
Income tax refund/(paid)		**233**	(4,843)
Net cash (used in)/generated from operating activities		**(71,404)**	210,204

Consolidated Statement of Cash Flows

for the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Cash flows from investing activities			
Acquisition of a subsidiary	40	48	–
Disposal of subsidiaries	41	–	(2,238)
Refund of deposits paid for potential investments		–	19,715
Purchases of property, plant and equipment	16	(162,842)	(77,569)
Purchases of available-for-sale financial assets		(26,566)	(24,888)
Proceeds from disposals of property, plant and equipment		942	237
Proceeds of available-for-sale financial assets		24,990	–
Investments in associates		(15,185)	(121,087)
Investment in a joint venture		–	(6,226)
Decrease/(Increase) in prepayments, deposits and other receivables		81,243	(14,399)
Decrease/(Increase) in pledged bank deposits		198,108	(211,180)
Proceeds of outstanding consideration on disposal of subsidiaries		–	12,362
Proceeds of outstanding consideration on disposal of a joint venture		34,241	–
Repayments from a promissory note	41	–	61,200
Net cash generated from/(used in) investing activities		134,979	(364,073)
Cash flows from financing activities			
New bank loans		1,498,333	1,256,844
Repayments of bank loans		(1,763,822)	(1,145,946)
Increase in amount due to an associate		38,439	–
Increase in other payables		99,233	–
Dividend paid to non-controlling shareholder of a subsidiary		–	(24,724)
Net cash (used in)/generated from financing activities		(127,817)	86,174
Net decrease in cash and cash equivalents		(64,242)	(67,695)
Cash and cash equivalents at 1 January		633,273	697,902
Effect of foreign exchange rate changes		11,804	3,066
Cash and cash equivalents at 31 December		580,835	633,273

1. GENERAL INFORMATION

Rosan Resources Holdings Limited (the "**Company**") is a limited liability company incorporated and domiciled in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is in the People's Republic of China, excluding Hong Kong (the "**PRC**"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The principal activities of the Company and its subsidiaries (the "**Group**") are the production and sale of coal and trading of purchased coal in the PRC. The principal activities and other particulars of its subsidiaries are set out in note 18 to the financial statements.

On 6 September 2013, Henan Zhongyuan JiuAn Foundation & Investment Company Limited ("**JiuAn**"), an indirectly wholly-owned subsidiary of the Group entered into a capital injection agreement (the "**Agreement**") with Henan Zhongtou Yingke Investment Company Limited# ("**Zhongtou**") (河南中投盈科投資有限公司) and Zhengzhou Huirui Shangmao Company Limited# ("**Huirui**") (鄭州輝瑞商貿有限公司). Pursuant to the Agreement, JiuAn agreed to inject capital of approximately HK$152.1 million (equivalent to RMB120.0 million) (the "**Capital Injection**") to Huirui. Upon the completion of the Capital Injection, the registered capital of Huirui would increase from approximately HK$6.3 million (equivalent to RMB5.0 million) to approximately HK$158.4 million (equivalent to RMB125.0 million). JiuAn and Zhongtou would hold 96% and 4% of the registered capital of Huirui respectively. Huirui is a limited liability company established in the PRC which principally engages in trading of purchased coal, construction materials and accessories of mining machineries in the PRC. The Capital Injection was completed on 16 December 2013. Details of the Capital Injection were set out in note 40 and the Company's announcements dated 6 September 2013, 11 December 2013 and 16 December 2013 and the Company's circular dated 25 November 2013.

Other than the Capital Injection as described above, there were no other significant changes in the Group's operations during the year.

The financial statements on pages 34 to 121 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 26 March 2014.

For identification purpose only

2. ADOPTION OF NEW/REVISED HKFRSs

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
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 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Int 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government Loans

Except as explained below, the adoption of the new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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 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 has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and may not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of profit or loss and other comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

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

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.

Amendments to HKFRS 7 disclosures are provided in notes 24, 28 and 34. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest (see note 3.3).

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). HKFRS 11 does not allow proportionate consolidation of a joint venture arrangement. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. The Group has changed its accounting policy for joint arrangements (see note 3.5).

2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

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

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in notes 18, 22, 23 and 39. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in notes 19 and 47. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current period. The disclosures about the impairment of goodwill in note 19 have been modified accordingly.

2. ADOPTION OF NEW/REVISED HKFRSs (CONTINUED)

(c) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HK (IFRIC) Int 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HK (IFRIC) Int 21 – Levies

HK (IFRIC) Int 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The financial statements have been prepared under historical cost convention except for available-for-sale financial assets, which are measured at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Group incurred a loss of approximately HK$347,511,000 (2012: approximately HK$377,334,000) for the year ended 31 December 2013 and, as of that date, the Group and the Company had net current liabilities of approximately HK$161,718,000 (2012: net current assets of approximately HK$309,658,000) and approximately HK$1,731,000 (2012: approximately HK$2,404,000) respectively as at 31 December 2013. These conditions indicate the existence of a material uncertainty that may cast significant doubts about the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In presenting the consolidated financial statements for the year ended 31 December 2013, the directors of the Company have given consideration to the future financial positions of the Group and the Company in light of the financial conditions as described in the preceding paragraphs. The directors of the Company are taking active steps to improve the financial positions of the Group and the Company as described below.

The consolidated financial statements have been prepared on the assumptions that the Group and the Company will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2013 and subsequently thereto up to the date of approval of the consolidated financial statements. In order to improve the Group's and the Company's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group and the Company as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of these consolidated financial statements which include, but not limited to, the followings:

(a) The Group has been taking stringent cost controls in cost of sales and administrative expenses;

(b) The Group is currently in the process of negotiating with certain banks and independent third parties in the PRC to raise new medium to long term bonds with an aggregate amount of RMB210.0 million (equivalent to approximately HK$269.1 million);

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation (Continued)

(c) The Group is currently in the process of negotiating with a bank to renew its existing bank loans and banking facilities with an aggregate amount of RMB150.0 million (equivalent to approximately HK$192.2 million); and

(d) The Group has renewed bank loans and banking facilities with an aggregate amount of RMB150.0 million (equivalent to approximately HK$192.2 million) repayable within coming twelve months to repayable after twelve months from 31 December 2013.

In addition to the above measures, the directors of the Company also considered the following current and forecasted cash positions of the Group:

(a) As at 31 December 2013, the Group had cash and cash equivalents amounted to approximately HK$580,835,000.

(b) The directors of the Company have prepared a cash flow forecast for the next twelve months and are of the opinion that the Group and the Company would generate positive cash inflows from its operations.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the twelve months from 31 December 2013. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2013 on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further liabilities which may arise. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3.2 Business combination and basis of consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (Continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.4 Associates

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

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

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

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

3.5 Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

Joint ventures: where the group has rights to only the net assets of the joint arrangement; or

Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Joint arrangements (Continued)

In assessing the classification of interests in joint arrangements, the Group considers:

– The structure of the joint arrangement;

– The legal form of joint arrangements structured through a separate vehicle;

– The contractual terms of the joint arrangement agreement; and

– Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method – see note 3.4).

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

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

3.6 Foreign currency translation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period, provided that the exchange rate do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange fluctuation reserve in equity.

3.7 Revenue recognition

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

– Revenue from sale of coal, ancillary materials and consumable tools and trading of purchased coal are recognised upon transfer of significant risks and rewards of ownership to the customers. This is usually taken as the time when goods are delivered and customer has accepted the goods.

– Revenue from coalbed methane ("**CBM**") related business is recognised based on consumption of units of electricity, which is generated from coalbed methane extracted, by customers.

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

– Repair servicing income is recognised when service is rendered, income can be reliably estimated and it is probable that the revenue will be received.

3.8 Borrowing costs

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Goodwill

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less impairment loss. Goodwill is allocated to cash-generating units ("**CGUs**") and is tested annually for impairment (see note 3.14).

Any excess of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the aggregate of consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

On disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3.10 Intangible assets (other than goodwill and mining rights)

Intangible assets acquired separately are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment loss. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives of two years.

Intangible assets with indefinite useful lives are carried at cost less any subsequent impairment losses. Intangible assets are tested for impairment as described below in note 3.14. Amortisation commences when intangible assets are available for use.

3.11 Prepaid lease payments

Prepaid lease payments are up-front payments to acquire the long term interests in usage of land. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on straight-line method for a period of 10 years, which is determined by the directors of the Company according to the best estimate of the lives of the mining rights associated with the land.

3.12 Mining rights

Mining rights are stated at cost less accumulated amortisation and any identified impairment and are amortised using units-of-production method over the proved and probable reserves of the coal mines.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment, other than construction in progress ("**CIP**"), are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual values over their estimated useful lives, using straight-line method, at the following rates per annum:

Buildings and mining structures	The shorter of the lease terms and 5% per annum
Plant and machineries	4% to 33% per annum
Mining related machinery and equipment	10% to 20% per annum
Furniture, fixtures and equipment	10% to 20% per annum
Leasehold improvement	The shorter of the lease terms and 10% to 20% per annum
Motor vehicles	10% to 25% per annum

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

CIP, which mainly represents construction on buildings and mining structures, is stated at cost less impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on CIP. CIP is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

3.14 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, other intangible assets, mining rights, prepaid lease payments, property, plant and equipment, interests in subsidiaries, interests in associates and interest in a joint venture are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of non-financial assets (Continued)

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

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

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

3.15 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payment made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as financial assets at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Interest income earned on the financial assets is recognised in profit or loss in accordance with the policies set out in note 3.7.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial assets (Continued)

Available-for-sale financial assets (Continued)

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed.

Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivable directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Inventories comprise coal, spare parts and consumable store for trading and own consumption purposes. Costs of coal is determined using weighted average basis whereas costs of spare parts and consumables are stated at first-in first-out or weighted average basis as appropriate, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.18 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.19 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as short-term bank deposits with original maturities of three months or less.

3.20 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits), to the extent they are incremental costs directly attributable to the equity transaction.

3.21 Employee benefits

Retirement benefit obligations

The Group contributes to a defined contribution retirement benefit scheme ("**MPF Scheme**") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the MPF Scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Employee benefits (Continued)

Retirement benefit obligations (Continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government.

The subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees and its directors.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss with a corresponding credit to equity compensation reserve, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the vested share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in equity will be transferred to retained profits.

3.22 Financial liabilities

The Group's financial liabilities include bank loans, accounts and bills payables, other payables and accruals, convertible bonds, amount due to an associate and financial guarantee contracts.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Financial liabilities (Continued)

Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Accounts and bills payables/other payables and accruals/amount due to an associate

These are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Financial liabilities (Continued)

Financial guarantee contracts (Continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.23 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

3.24 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Segment reporting

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

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs.

3.26 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(i) Impairment of goodwill

The Group tests at least on an annual basis whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. The recoverable amounts of CGU, to which the goodwill is allocated, are determined based on both fair value less costs to sell and value-in-use calculations. Estimating the fair value less costs to sell and value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on the Group's assessment, approximately HK$70.3 million (2012: approximately HK$47.4 million) has been provided for impairment losses on goodwill.

(ii) Depreciation

Other than CIP, the Group depreciates property, plant and equipment on straight-line method over the estimated useful lives ranging between 3 to 25 years, starting from the date on which the assets are ready for productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(iii) Amortisation of mining rights

The Group amortises its mining rights on a units-of-production method, utilising only proved and probable coal reserves as the depletion base. The estimated coal reserves reflect the directors' estimation on the Group's intention to derive future economic benefits from the mining rights.

(iv) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(v) Impairment of deposits paid and receivables

The Group's management determines impairment of deposits paid and receivables on a regular basis. This estimate is based on credit history of its customers/borrowers and current market conditions. Management reassesses the impairment of receivables at the reporting date.

The Group's management reviews deposits paid and receivables on a regular basis to determine if any provision for impairment is necessary. The impairment loss on deposits paid and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables, to receive the services, products or acquire the business operations according to the original terms of contracts. Significant financial difficulties of the deposit holder/debtor, probability that the deposit holder/debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the deposit/receivable is impaired. Management reassesses the impairment of deposits and receivables at the reporting date.

(vi) Impairment of inventories

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

(vii) Impairment of property, plant and equipment

The Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i)whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(viii) Impairment of mining rights

Mining rights are carried at cost less accumulated amortisation. The carrying amount is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of mining rights exceeds its recoverable amount. The recoverable amount is the higher of the fair value of mining rights less costs to sell and value-in-use. In estimating the recoverable amount of mining rights, various assumptions, including the Group having uninterrupted rights to operate the coal mines owned by the Group, are made. If future events do not correspond to such assumptions, the recoverable amount will need to be revised, and this may have an impact on the Group's results of operations and financial positions.

(ix) Provision for reclamation obligations

The provision is reviewed regularly to verify that it properly reflects the remaining obligation arising from current and past mining activities. Provision for land restoration and safety costs are determined by management based on their best estimates of the current and future costs, latest government policies and past experiences.

(x) Central pension scheme

The subsidiaries of the Group are required to contribute certain percentage on their payroll costs for employees to the central pension scheme. However, the implementation and settlement of the contribution to the central pension scheme varies among various Social Security Bureaus in cities of the PRC, and the Group has not finalised its contribution calculation and payments with the local Social Security Bureau in the PRC. Accordingly, significant judgement is required in determining the amount of the contribution. The Group recognised the contribution based on management's best estimates according to the understanding of the rules of the central pension scheme.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (Continued)

(xi) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the impairment of goodwill at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

4.2 Critical judgement in applying the entity's accounting policies

Deferred tax liabilities

The Group is in the progress of application for claiming the fair value of its mining rights of Xiangyang Coal Industry Company Limited# ("**Xiangyang**") (登封市向陽煤業有限公司) as its qualifying assets from the relevant PRC local tax authorities to benefit from the tax deduction allowance. As the result of this application is not yet known, significant judgement is required in determining the likely outcome of the application and the amount of deferred tax liabilities. The Group recognises deferred tax liabilities based on estimates of temporary differences at the reporting date between the carrying amounts of assets in the consolidated financial statements and their respective tax bases. If the final outcome of this matter is different from the estimation, it will impact the income tax and deferred tax provision in the periods in which such determination is concluded.

For identification purpose only

5. 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 had been presented as discontinued operations, further details of which are set out in notes 10 and 41.

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

	2013 HK$'000	2012 HK$'000
Revenue/Turnover		
Continuing operations		
Production and sale of coal	322,896	188,702
Discontinued operations		
CBM related business	–	361
	322,896	189,063
Other income		
Continuing operations		
Bank interest income	23,766	17,747
Interest income from loans to third parties	308	4,446
Exchange gain, net	721	–
Sale of ancillary materials	243	24
Sale of consumable tools	147	424
Service income	994	–
Gain on early redemption of convertible bonds	129	–
Gain on disposals of financial assets at fair value through profit or loss*	102	829
Amortisation of financial guarantee contracts issued	–	1,656
Government grant	–	1,848
Reversal of provision for impairment loss on deposit paid	3,791	–
Write-back of accruals	2,655	–
Others	1,180	1,233
	34,036	28,207

* During the year ended 31 December 2013, a subsidiary of the Company which is principally engaged in assets management has purchased certain financial assets at fair value through profit or loss amounted to approximately HK$717.7 million (2012: approximately HK$704.7 million) which were also disposed of in the same year with a gain of approximately HK$0.1 million (2012: approximately HK$0.8 million).

6. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company (the "**Executive Directors**") in order to allocate resources and assess performance of the segment. For the years presented, Executive Directors have determined that the Group has only one operating segment as the Group is principally engaged in the business of production and sale of coal which is the basis to allocate resources and assess performance.

Geographical information

The Group's revenue from external customers is derived from 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 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 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 asset.

Information on major customers

During the year ended 31 December 2013, approximately HK$101.9 million or 31.6% (2012: approximately HK$146.5 million or 77.5%), approximately HK$115.1 million or 35.6% (2012: approximately HK$42.0 million or 22.2%) and approximately HK$32.6 million or 10.1% (2012: Nil) of the Group's revenue were derived from Customer A, Customer B and Customer C respectively in the sale of coal.

As at 31 December 2013, 96.1% (2012: 98.9%) of the Group's accounts receivable were due from these customers.

7. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Interest charge on bank loans wholly repayable within one year	**60,360**	58,094
Effective interest expense on convertible bonds repayable within five years	**7,072**	7,797
Interest expenses on financial liabilities stated at amortised cost	**67,432**	65,891
Bank charges on bills receivable discounted without recourse	**28,014**	27,304
	95,446	93,195
Less: Interest capitalised in construction in progress*	**(1,644)**	(2,508)
	93,802	90,687

* The borrowing cost was capitalised at the rate of 6.45% (2012: 5.71%) per annum for the year ended 31 December 2013.

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2013 HK$'000	2012 HK$'000
Continuing operations		
Cost of inventories sold	336,682	342,456
Auditors' remuneration	1,640	1,562
Depreciation*	37,902	35,014
Operating lease charges on land, buildings and office equipment	3,291	2,873
Amortisation of prepaid lease payments	130	308
Amortisation of mining rights	18,198	4,188
Amortisation of other intangible assets	293	574
Employee benefit expense (including directors' remuneration and retirement benefit scheme contributions) *(note 13)*	193,548	144,222
Exchange (gain)/loss, net	(721)	659
Loss on disposals of property, plant and equipment	1,232	1,144
Impairment loss on deposits and other receivables	11,867	–
Provision for reclamation obligations	10,236	7,551

* Depreciation of approximately HK$32.0 million (2012: approximately HK$27.1 million) has been included in cost of sales and approximately HK$5.9 million (2012: approximately HK$7.9 million) in administrative expenses.

9. INCOME TAX EXPENSE/(CREDIT)

No Hong Kong Profits Tax has been provided for the year in the financial statements as the Group has tax losses brought forward from previous years (2012: Nil).

Enterprise income tax arising from operations in the PRC is calculated at the statutory income tax rate of 25% (2012: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

	2013 HK$'000	2012 HK$'000
Continuing operations		
Current tax – PRC income tax		
– Current year	268	898
– Under-provision in respect of prior year	410	946
	678	1,844
Deferred tax *(note 35)*		
– Current year	3,244	(3,221)
	3,922	(1,377)

9. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

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

	2013 HK$'000	2012 HK$'000
Loss before income tax from continuing operations	**(343,589)**	(383,915)
Tax on loss before income tax, calculated at the applicable rates in the tax jurisdictions concerned	**(77,700)**	(90,446)
Tax effect of non-taxable income	**(3,668)**	(5,431)
Tax effect of non-deductible expenses	**47,295**	32,741
Tax losses not recognised	**37,627**	60,851
Utilisation of previously unrecognised tax losses	**(42)**	(38)
Under-provision in respect of prior year	**410**	946
Income tax expense/(credit)	**3,922**	(1,377)

10. DISCONTINUED OPERATIONS

On 13 January 2012, the CBM related business carried out by the subsidiaries, namely Popular Sky International Limited Company and its subsidiaries, (i.e. CFT Henan (HK) Limited and Henan Huanglong New Energy Development Company Limited# (河南煌龍新能源發展有限公司)) (collectively referred to as 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 was 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. This business operation was already presented as discontinued operation in accordance with HKFRS 5 in the Group's annual financial statements for the year ended 31 December 2012.

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10. DISCONTINUED OPERATIONS (CONTINUED)

The results and cash flows of the Popular Sky Group mentioned above were as follows:

	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 41)*	6,785
Profit for the period from discontinued operations	5,204
Net cash used in operating activities	(12,335)
Net cash used in investing activities	(1,597)
Net cash outflows	(13,932)

The carrying amounts of the assets and liabilities of the Popular Sky Group at the date of disposal were disclosed in note 41 to the financial statements.

A profit of approximately HK$6.8 million was resulted on the disposal of the Popular Sky Group, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets. No tax charge or credit arose from the disposal.

Profit for the period from discontinued operations includes the followings:

	Period from 1 January 2012 to 2 March 2012 HK$'000
Auditors' remuneration	8
Depreciation	582
Operating lease charges on land, buildings and office equipment	34
Employee benefit expense (including directors' remuneration and retirement benefit scheme contributions)	134

11. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of approximately HK$323.5 million (2012: approximately HK$344.2 million), a loss of approximately HK$22.4 million (2012: approximately HK$9.5 million) has been dealt with in the financial statements of the Company.

12. LOSS PER SHARE

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:

	2013 HK$'000	2012 HK$'000
Loss from continuing and discontinued operations		
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share computation	**(323,455)**	(344,249)

	2013 '000	2012 '000
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 year ended 31 December 2013 is based on the loss attributable to the owners of the Company of approximately HK$323.5 million (2012: approximately HK$344.2 million) and on the weighted average of 712,674,000 (2012: 712,674,000) ordinary shares during the year.

In calculating the diluted loss per share attributable to the owners of the Company for the year ended 31 December 2013 and 2012, 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 year ended 31 December 2013 and 2012. Therefore, the diluted loss per share attributable to the owners of the Company for the year ended 31 December 2013 and 2012 is based on the loss attributable to the owners of the Company of approximately HK$323.5 million (2012: approximately HK$344.2 million) and on the weighted average of 712,674,000 (2012: 712,674,000) ordinary shares during the year ended 31 December 2013.

12. 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:

	2013 HK$'000	2012 HK$'000
Loss from continuing operations		
Loss for the year attributable to owners of the Company	**(323,455)**	(344,249)
Less: Profit for the year from discontinued operations	**–**	5,204
Loss for the year attributable to the owners of the Company for the purpose of basic and diluted loss per share from continuing operations computation	**(323,455)**	(349,453)

In calculating the diluted loss per share from continuing operations attributable to the owners of the Company for the year ended 31 December 2013 and 2012, 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 year ended 31 December 2013 and 2012. Therefore, the diluted loss per share from continuing operations attributable to the owners of the Company for the year ended 31 December 2013 and 2012 is based on the loss from continuing operations attributable to the owners of the Company of approximately HK$323.5 million (2012: approximately HK$349.5 million) and on the weighted average of 712,674,000 (2012: 712,674,000) ordinary shares during the year ended 31 December 2013.

From discontinued operations

For the year ended 31 December 2012, basic and diluted earnings per share for the discontinued operations was 0.730 HK cent per share based on the profit for the year from the discontinued operations of approximately HK$5.2 million and the denominators detailed above for both basic and diluted earnings per share.

The computation of diluted earnings per share from discontinued 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.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2013 HK$'000	2012 HK$'000
Continuing operations		
Wages, salaries, allowance and other benefits in kind	142,853	108,631
Retirement benefit scheme contribution – defined contribution plans	50,695	35,591
	193,548	144,222

14. DIRECTORS' REMUNERATION

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

	Fees HK$'000	Salaries and allowances HK$'000	Share based payment HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2013						
Executive Directors						
Mr. Wu	–	650	–	–	15	665
Li Chun On ("**Mr. Li**")#	–	1,262	–	–	10	1,272
Yang Hua	–	2,284	–	–	75	2,359
Dong Cunling	–	2,092	–	–	–	2,092
Zhou Guangwen	–	300	–	–	–	300
Chen Xu##	–	68	–	–	–	68
Non-Executive Director						
Li Chunyan	300	152	–	–	–	452
Independent Non-Executive Directors						
Chen Renbao	150	–	–	–	–	150
Ma Yueyong	150	–	–	–	–	150
Li Daomin	150	–	–	–	–	150
	750	6,808	–	–	100	7,658

resigned on 28 August 2013

appointed on 19 September 2013

14. DIRECTORS' REMUNERATION (CONTINUED)

	Fees HK$'000	Salaries and allowances HK$'000	Share based payment HK$'000	Bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2012						
Executive Directors						
Mr. Wu	–	1,450	–	–	14	1,464
Mr. Li	–	2,080	–	–	14	2,094
Yang Hua	–	2,193	–	–	65	2,258
Dong Cunling	–	2,275	–	–	–	2,275
Zhou Guangwen*	–	269	–	–	–	269
Non-Executive Director						
Li Chunyan	300	325	–	–	–	625
Independent Non-Executive Directors						
Chen Renbao	150	–	–	–	–	150
Ma Yueyong	150	–	–	–	–	150
Li Daomin*	134	–	–	–	–	134
	734	8,592	–	–	93	9,419

* appointed on 8 February 2012

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group (2012: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

15. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included four* (2012: five) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments payable to the remaining one individual during the year ended 31 December 2013 were as follows:

	2013 HK$'000	2012 HK$'000
Basic salaries, housing benefits, other allowances and benefits in kind	2,080	–
Retirement benefit scheme contributions	15	–
	2,095	–

* Mr. Li, being one of five highest paid individuals, was resigned as the Company's director on 28 August 2013 and his emoluments before resignation as the Company's directors were included in note 14. His emoluments (including those presented in note 14) during the year ended 31 December 2013 were as above.

The emoluments fell within the following band:

	Number of individual	
	2013	2012
Emolument band		
HK$2,000,001 – HK$2,500,000	1	–

During the year, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2012: Nil).

During the year ended 31 December 2013, no share options were granted to the remaining one highest paid individual of the Group to subscribe for ordinary shares of the Company.

The emoluments paid or payable to members of senior management were within the following bands:

	2013 No. of individuals	2012 No. of individuals
Emolument band		
Nil – HK$1,000,000	7	4
HK$1,000,000 – HK$1,500,000	–	1
HK$1,500,000 – HK$2,000,000	–	–
HK$2,000,000 – HK$2,500,000	3	3

16. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Buildings and mining structures HK$'000	Plant and machineries HK$'000	Mining related machinery and equipment HK$'000	Furniture, fixtures, equipment and leasehold improvement HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2012							
Cost	266,563	56,064	116,107	12,437	30,470	25,307	506,948
Accumulated depreciation	(44,858)	(14,553)	(36,508)	(6,220)	(17,983)	–	(120,122)
Net book value	221,705	41,511	79,599	6,217	12,487	25,307	386,826
Year ended 31 December 2012							
Opening net book value	221,705	41,511	79,599	6,217	12,487	25,307	386,826
Exchange difference	1,578	(181)	692	34	29	131	2,283
Additions	14,581	3,660	14,050	451	930	43,897	77,569
Transfer	11,565	–	15,703	–	–	(27,268)	–
Disposals	–	–	(1,379)	–	(2)	–	(1,381)
Disposal of subsidiaries *(note 41)*	(601)	(26,889)	–	(165)	(877)	(12,108)	(40,640)
Depreciation	(14,222)	(3,575)	(11,803)	(1,044)	(4,952)	–	(35,596)
Closing net book value	234,606	14,526	96,862	5,493	7,615	29,959	389,061
At 31 December 2012							
Cost	294,069	29,082	144,799	12,718	30,444	29,959	541,071
Accumulated depreciation	(59,463)	(14,556)	(47,937)	(7,225)	(22,829)	–	(152,010)
Net book value	234,606	14,526	96,862	5,493	7,615	29,959	389,061
Year ended 31 December 2013							
Opening net book value	**234,606**	**14,526**	**96,862**	**5,493**	**7,615**	**29,959**	**389,061**
Exchange difference	**8,357**	**428**	**3,328**	**158**	**187**	**808**	**13,266**
Additions	**85,586**	**3,351**	**45,702**	**417**	**1,054**	**26,732**	**162,842**
Acquisition of a subsidiary *(note 40)*	**–**	**–**	**–**	**113**	**–**	**–**	**113**
Transfer	**29,992**	**–**	**2,447**	**–**	**–**	**(32,439)**	**–**
Disposals	**(1,136)**	**–**	**(234)**	**–**	**(804)**	**–**	**(2,174)**
Depreciation	**(15,031)**	**(3,554)**	**(15,558)**	**(743)**	**(3,016)**	**–**	**(37,902)**
Closing net book value	**342,374**	**14,751**	**132,547**	**5,438**	**5,036**	**25,060**	**525,206**
At 31 December 2013							
Cost	**416,433**	**32,861**	**194,847**	**13,406**	**30,358**	**25,060**	**712,965**
Accumulated depreciation	**(74,059)**	**(18,110)**	**(62,300)**	**(7,968)**	**(25,322)**	**–**	**(187,759)**
Net book value	**342,374**	**14,751**	**132,547**	**5,438**	**5,036**	**25,060**	**525,206**

During the year, interest expenses amounting to approximately HK$1.6 million (2012: HK$2.5 million) was capitalised in construction in progress as disclosed in note 7.

17. PREPAID LEASE PAYMENTS – GROUP

	2013 HK$'000	2012 HK$'000
Opening net book amount	**130**	438
Amortisation charge for the year	**(130)**	(308)
Closing net book amount	**–**	130

All prepaid lease payments at 31 December 2013 and 2012 for leasehold interests in land are held in the PRC on medium-term leases.

As at 31 December 2013, the Group was in the process of changing registration of the title certificate of the land use right. Based on the legal opinion obtained from Henan Qunda Law Firm (河南群達律師事務所), the directors are of the opinion that the Group is entitled to lawfully and validly use the leasehold land during the years ended 31 December 2013 and 2012. The prepaid lease payments were fully amortised during the year.

18. INTERESTS IN SUBSIDIARIES – COMPANY

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**397,801**	397,801
Due from subsidiaries	**398,363**	614,532
	796,164	1,012,333

Amounts due from subsidiaries are unsecured, interest-free and not repayable in the next twelve months after the reporting dates. In the opinion of the directors of the Company, the settlement of these amounts due from subsidiaries is neither planned nor likely to occur in the foreseeable future and in substance, these amounts are extensions of the Group's investments in these subsidiaries.

The table below lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

18. INTERESTS IN SUBSIDIARIES – COMPANY (CONTINUED)

Particulars of the principal subsidiaries of the Company as at 31 December 2013 were as follows:

Name	Place of incorporation and type of legal entity	Particulars of issued capital/ registered capital	Percentage of issued capital held by the Company	Place of operation and principal activities
Directly held				
Beat World Limited	Hong Kong, limited liability company	1 share of HK$1	100	Management service in Hong Kong
Clear Interest Limited ("**CIL**")	BVI, limited liability company	200 shares of US$1 each	100	Investment holding in the PRC
Star Central Limited	BVI, limited liability company	1 share of US$1	100	Investment holding in Hong Kong
Xinfa Investments Limited	BVI, limited liability company	1 share of US$1	100	Investment holding in Indonesia
Indirectly held				
Popular Sky Coal Industrial Limited	Hong Kong, limited liability company	1 share of HK$1	100	Investment holding in the PRC
Hong Kong Zhongyuan Energy Co., Limited	Hong Kong, limited liability company	1 share of HK$1	100	Investment holding in the PRC
Hong Kong Zhongzhou Energy Co., Limited	Hong Kong, limited liability company	1 share of HK$1	100	Investment holding in the PRC
Highlink Investments Limited	BVI, limited liability company	1 share of US$1	100	Investment holding in Hong Kong
Alive Investments Limited	BVI, limited liability company	1 share of US$1	100	Investment holding in Hong Kong
Dynamic Coal Company Limited	Hong Kong, limited liability company	1 share of HK$1	100	Investment holding in Hong Kong
Dynamic Energy Development (Shenzhen) Company Limited# (合動能源開發(深圳)有限公司)	PRC, wholly foreign-owned limited liability company	HK$20,000,000	100	Investment holding in the PRC
Zhong Yue Energy Development (Shenzhen) Company Limited# (中岳能源開發(深圳)有限公司)	PRC, wholly foreign-owned limited liability company	HK$400,000,000	100	Investment holding in the PRC

18. INTERESTS IN SUBSIDIARIES – COMPANY (CONTINUED)

Name	Place of incorporation and type of legal entity	Particulars of issued capital/ registered capital	Percentage of issued capital held by the Company	Place of operation and principal activities
Indirectly held (Continued)				
Henan Jinfeng Coal Industrial Group Company Limited# (“**Jinfeng**”) (河南金豐煤業集團有限公司)	PRC, limited liability company	RMB118,000,000	90	Production and sale of coal in the PRC
Shenzhen Zhongzhou Energy Company Limited# (深圳市中州能源有限公司)	PRC, limited liability company	RMB10,000,000	90	Investment holding in the PRC
Xingyun Coal Industry Company Limited# (登封市興運煤業有限責任公司)	PRC, limited liability company	RMB60,000,000	90	Production and sale of coal in the PRC
Xiangyang	PRC, limited liability company	RMB50,000,000	90	Production and sale of coal in the PRC
Denfeng Jinfeng Mining Equipment Company Limited# (登封金豐礦山設備有限公司)	PRC, limited liability company	RMB1,000,000	90	Trading of mining equipment and consumable tools in the PRC
Huirui	PRC, limited liability company	RMB125,000,000	96	Trading of purchased coal, construction materials and accessories of mining machineries in the PRC
JiuAn	PRC, sino-foreign equity joint venture	RMB272,387,000	100	Investment holding in the PRC
Beijing Kaisheng Guanhua Investment Company Limited# (“**Kaisheng**”) (北京凱盛冠華投資有限公司)	PRC, sino-foreign equity joint venture	RMB80,000,000	91	Project investment, asset management and consultation of investment in the PRC

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19. GOODWILL – GROUP

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

	2013 HK$'000	2012 HK$'000
At beginning of the year		
Gross carrying amount	**268,746**	268,746
Accumulated impairment loss	**(133,412)**	(85,985)
Net carrying amount	**135,334**	182,761
For the year		
Opening net carrying amount	**135,334**	182,761
Exchange difference	**41**	–
Acquisition of a subsidiary *(note 40)*	**3,933**	–
Impairment loss	**(70,276)**	(47,427)
Closing net carrying amount	**69,032**	135,334
At end of the year		
Gross carrying amount	**272,720**	268,746
Accumulated impairment loss	**(203,688)**	(133,412)
Net carrying amount	**69,032**	135,334

For the purpose of impairment testing, goodwill before impairment loss for the year is allocated to the following CGUs:

	Note	2013 HK$'000	2012 HK$'000
Production and sale of coal	*(a)*	**135,334**	182,761
Trading of purchased coal	*(b)*	**3,974**	–
Net carrying amount (before impairment loss of the year)		**139,308**	182,761

(a) Production and sale of coal

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

19. GOODWILL – GROUP (CONTINUED)

(a) Production and sale of coal (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.

As at 31 December 2013, the recoverable amount of the CGU was determined using fair value less costs to sell calculations, covering a detailed five-year budget plan, followed by an extrapolation of discounted cash flows by reference to the average market coal price with similar heating power in the PRC with adjustments, where necessary, to reflect the differences. In determining the value of the Group's mining assets/goodwill, the directors of the Company 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 recoverable amount of the CGU was approximately HK$1,243.0 million (2012: approximately HK$1,177.7 million). As a result, the related impairment loss of approximately HK$70.3 million (2012: approximately HK$47.4 million) was recognised in the consolidated income statement. The fair value less costs to sell calculations is classified as a level 3 measurement.

Management's key assumptions were used in the fair value less costs to sell calculation of the CGU for the year ended 31 December 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.

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

	2013	2012
Growth rate	**3.8% per annum**	4.9% per annum
Discount rate	**14.5% per annum**	18.4% per annum

Apart from the considerations described in determining the fair value less costs to sell calculation 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.

19. GOODWILL – GROUP (CONTINUED)

(b) Trading of purchased coal

Goodwill as at 31 December 2013 arose from the acquisition of Huirui represented the future economic benefits from the trading of purchased coal.

As at 31 December 2013, the recoverable amount of the CGU was determined using fair value less costs to sell calculations, covering a detailed five-year budget plan, followed by an extrapolation of discounted cash flows by reference to the average market coal price with similar heating power in the PRC with adjustments, where necessary, to reflect the differences. The fair value less costs to sell calculations is classified as a level 3 measurement.

Management's key assumptions were used in the value in use calculation of the CGU for the year ended 31 December 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 trading of purchased coal industry.

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

	2013
Growth rate	3.8% per annum
Discount rate	14.5% per annum

Apart from the considerations described in determining the fair value less costs to sell calculation 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.

20. MINING RIGHTS – GROUP

	2013 HK$'000	2012 HK$'000
At 1 January		
Gross carrying amount	**737,546**	732,685
Accumulated amortisation	**(90,893)**	(86,092)
Net carrying amount	**646,653**	646,593
Net carrying amount at 1 January	**646,653**	646,593
Amortisation	**(18,198)**	(4,188)
Exchange difference	**18,918**	4,248
Net carrying amount at 31 December	**647,373**	646,653
At 31 December		
Gross carrying amount	**759,416**	737,546
Accumulated amortisation	**(112,043)**	(90,893)
Net carrying amount	**647,373**	646,653

As at 31 December 2013, the remaining useful lives of mining rights held by the Group ranged from 0.2 to 9.0 years (2012: 1.0 to 10.0 years). The mining right with remaining useful lives less than 1 year as at 31 December 2013 have been renewed to 2.8 years in 2014.

21. OTHER INTANGIBLE ASSETS – GROUP

	Computer software licence	
	2013	2012
	HK$'000	HK$'000
At 1 January		
Gross carrying amount	**1,755**	1,744
Accumulated amortisation	**(1,462)**	(877)
Net carrying amount	**293**	867
Net carrying amount at 1 January	**293**	867
Amortisation	**(293)**	(574)
Net carrying amount at 31 December	**–**	293
At 31 December		
Gross carrying amount	**1,755**	1,755
Accumulated amortisation	**(1,755)**	(1,462)
Net carrying amount	**–**	293

22. INTERESTS IN ASSOCIATES – GROUP

	2013	2012
	HK$'000	HK$'000
Share of net assets	**98,636**	129,514
Goodwill	**27,180**	–
	125,816	129,514

22. INTERESTS IN ASSOCIATES – GROUP (CONTINUED)

Particulars of the associates of the Group as at 31 December 2013 were as follows:

Name	Place of incorporation and type of legal entity	Particulars of registered capital	Percentage of issued capital held by the Group	Place of operation and 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 in the PRC
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%	Development of computer software and provision of information technology services in the PRC

\# *For identification purpose only*

Note:

(a) Pursuant to the partnership agreements entered in May 2012 and June 2012, the general partner of the Partnership is 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 Kaisheng, 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 possess 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 target 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 approximately HK$22.8 million (equivalent to RMB18.0 million), which is included as part of the cost of acquisition. The liabilities are recognised as other payables under current liabilities and non-current liabilities of approximately HK$11.5 million (equivalent to RMB9.0 million) and HK$11.5 million (equivalent to RMB9.0 million) as at 31 December 2013, 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 (equivalent to approximately RMB21.2 million) at the acquisition date, which forms part of the cost of investment. As at 31 December 2013, the carrying amount of the goodwill is approximately HK$27.2 million (equivalent to approximately RMB21.2 million). In the opinion of the directors of the Company, 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.

22. INTERESTS IN ASSOCIATES – GROUP (CONTINUED)

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

The summarised financial information of material associates is set out below:

	2013 HK$'000	2012 HK$'000
As at 31 December		
Current assets	129,858	131,779
Current liabilities	(40,157)	(787)
Included in the above amounts are:		
Cash and cash equivalents	1,211	63
Year ended 31 December		
Revenue	–	–
(Loss)/Profit from continuing operations	(44,548)	6,488
Total comprehensive income	(44,548)	6,488
Included in the above amounts are:		
Interest income	2	10

The summarised financial information of immaterial associates is set out below:

	2013 HK$'000	2012 HK$'000
Year ended 31 December		
(Loss)/Profit from continuing operations	(7,512)	1,911
Total comprehensive income	(7,512)	1,911

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

Amount due to an associate is unsecured, interest-free and repayable after twelve months from the reporting date.

23. INTEREST IN A JOINT VENTURE – GROUP

	2013 HK$'000	2012 HK$'000
Share of net assets	**6,067**	6,340

Particulars of the joint venture of the Group as at 31 December 2013 were as follows:

Name	Place of incorporation and type of legal entity	Particulars of registered capital	Percentage of issued capital held by the Group	Place of operation and 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 in the PRC

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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 the investment has been classified as interest in a joint venture as at the reporting date.

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). Prior to the date of disposal, the Group shared a net loss of HK$2.0 million. As at the disposal date, the Group's share of the joint venture's total assets and total liabilities amounted to HK$98.0 million and HK$14.3 million respectively. Upon disposal, there is release of exchange fluctuation reserve amounted to HK$6.7 million. Accordingly, a gain of approximately HK$16.6 million was recognised during the year ended 31 December 2012. The outstanding consideration of approximately HK$63.3 million (equivalent to approximately RMB49.4 million) has been included in other receivables as at 31 December 2013 (2012: approximately HK$95.2 million (equivalent to approximately RMB76.5 million)). The balance is unsecured, interest-free and repayable on demand.

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.

23. INTEREST IN A JOINT VENTURE – GROUP (CONTINUED)

The summarised financial information of material joint venture is set out below:

	2013 **HK$'000**	2012 HK$'000
As at 31 December		
Non-current assets	**6**	8
Current assets	**6,061**	6,332
Current liabilities	**–**	–
Included in the above amounts are:		
Cash and cash equivalents	**6,061**	6,332
Year ended 31 December		
Revenue	**–**	–
Loss from continuing operations	**891**	12
Total comprehensive income	**891**	12
Included in the above amounts are:		
Depreciation	**5**	1
Interest income	**229**	19
Income tax expense	**7**	–

The summarised financial information of immaterial joint ventures is set out below:

	2012 HK$'000
Year ended 31 December	
Loss from continuing operations	13,255
Total comprehensive income	13,255

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

24. DEPOSITS PAID FOR POTENTIAL INVESTMENTS – GROUP

As at 31 December 2012, the Group paid deposits amounted to approximately HK$68.4 million (equivalent to RMB55.0 million) to Zhongtou in relation to the acquisition of a property investment business. Details regarding the acquisition of property business were as follows:

24. DEPOSITS PAID FOR POTENTIAL INVESTMENTS – GROUP (CONTINUED)

On 31 December 2012, the Group entered into a conditional agreement with an independent third party of the Group, i.e. Zhongtou, regarding the acquisition of 60% equity interest 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) (the "**60% Acquisition**"). 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 held several properties in the PRC. Approximately HK$10.0 million (equivalent to RMB8.0 million) of the total consideration was conditional to pay 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 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**"). Once 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 and Tairun.

After the negotiations between the Group and the Zhongtou, both parties entered into the termination agreement on 11 November 2013 (the "**Termination Agreement**") to terminate the agreement in relation to the 60% Acquisition. Pursuant to the Termination Agreement, the deposits paid of approximately HK$69.6 million (equivalent to RMB55.0 million) in relation to the abovementioned acquisition will be returned to the Group on or before 31 December 2013.

On 14 November 2013, the Group entered into a settlement agreement (the "**Settlement Agreement**") with Zhongtou and Retop International Investment Limited, the holder of the convertible bonds of the Company. Pursuant to the Settlement Agreement, deposits paid of approximately HK$69.6 million (equivalent to RMB55.0 million) and other receivables of approximately HK$130.4 million (equivalent to approximately RMB103.1 million) (note 28) were settled with the convertible bonds of HK$200 million (note 34). As at 31 December 2013, no deposits paid for potential investments were made by the Group.

\# *For identification purpose only*

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2013 HK$'000	2012 HK$'000
Non-current		
Unlisted equity securities in Indonesia *(note a)*	**26,566**	–
Current		
Structured deposit in the PRC *(note b)*	**–**	24,888

Note:

(a) The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the directors of the Company are of the opinion that the fair value cannot be reliably measured.

(b) As at 31 December 2012, the amount represented short-term deposits with banks, which carry variable returns based on the return of portfolios of investments as invested by the banks. The deposit was matured on 14 January 2013 and this amount with interest of HK$0.08 million was received on the same date.

26. INVENTORIES – GROUP

	2013 HK$'000	2012 HK$'000
Coal	**1,780**	1,987
Spare parts and consumables	**11,999**	12,335
	13,779	14,322

27. ACCOUNTS AND BILLS RECEIVABLES – GROUP

	2013 HK$'000	2012 HK$'000
Accounts receivable	**297,024**	265,912
Bills receivable	**1,192**	255,725
	298,216	521,637

The Group's sales are billed to customers according to the terms of the relevant agreement. Normally credit periods ranging from 60 to 180 days (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:

	2013 HK$'000	2012 HK$'000
0 – 90 days	**47,585**	40,376
91 – 180 days	**42,259**	25,140
181 – 365 days	**88,384**	123,237
Over 365 days	**131,094**	89,103
	309,322	277,856
Less: Provision for impairment	**(12,298)**	(11,944)
	297,024	265,912

As at 31 December 2013, accounts receivable of approximately HK$179.2 million (2012: approximately HK$236.4 million) were pledged to secure bank loans of the Group (note 33).

27. ACCOUNTS AND BILLS RECEIVABLES – GROUP (CONTINUED)

Ageing analysis of the Group's accounts receivable that were not impaired, based on due date is as follows:

	2013 HK$'000	2012 HK$'000
Neither past due nor impaired	87,306	65,516
Past due for less than 3 months	65,881	28,102
Past due for more than 3 months but less than 6 months	25,041	95,135
Past due for more than 6 months but less than 1 year	51,608	74,424
Past due for more than 1 year	67,188	2,735
	297,024	265,912

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

	2013 HK$'000	2012 HK$'000
At 1 January	11,944	11,866
Exchange difference	354	78
At 31 December	12,298	11,944

At each reporting date, the Group reviews accounts receivable for evidence of impairment on an individual and collective bases. As at 31 December 2013, the Group determined accounts receivable of approximately HK$12.3 million as individually impaired (2012: approximately HK$11.9 million). No impairment loss was recognised during the year (2012: Nil).

Accounts receivable that were neither past due nor impaired related to customers for whom there was no recent history of default.

Accounts receivable that were past due but not impaired related to customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of accounts receivable past due but not impaired.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP

As at 31 December 2013, prepayments, deposits and other receivables are mainly comprised of the following items:

(i) The deposits paid to third parties for the purchase of coal amounted to approximately HK$49.5 million (equivalent to approximately RMB38.6 million) (2012: approximately 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.

(ii) 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$8.6 million (equivalent to approximately RMB6.7 million) (2012: approximately HK$72.7 million (equivalent to approximately RMB58.4 million)). As at 31 December 2013, the amount is unsecured and interest free (2012: interest bearing at prevailing bank interest rate). In the opinion of the Company's directors, the amount is expected to be repayable within one year;

(iii) In September 2012, the Group disposed of its entire interest in a joint venture, 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 outstanding consideration of approximately HK$63.3 million (equivalent to approximately RMB49.4 million) has been included in other receivables as at 31 December 2013 (2012: approximately HK$95.2 million (equivalent to approximately RMB76.5 million)). The balance is unsecured and interest-free. In the opinion of the Company's directors, the amount is expected to be repayable within one year; and

(iv) As set out in the Company's announcement dated 31 December 2012, the Group has made certain deposits to Zhongtou to 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$70.3 million (equivalent to RMB56.5 million) as at 31 December 2012 was included in other receivables. Pursuant to the Settlement Agreement, over-paid deposits of approximately HK$130.4 million (equivalent to approximately RMB103.1 million) and deposits paid for potential investments of approximately HK$69.6 million (equivalent to RMB55.0 million) (note 24) were settled with the convertible bonds of HK$200 million (note 34). As at 31 December 2013, no deposits or over-paid deposits paid for potential investments were made by the Group. The balance was unsecured, interest-free and repayable on demand.

As at 31 December 2012, balance of prepayments, deposits and other receivables also included amount due from third parties amounted to approximately HK$22.4 million (equivalent to RMB18.0 million). The amount due were unsecured and repayable on demand, interest bearing ranging from 4.46% to 11.2% per annum. These amounts were fully settled during the year.

29. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS – GROUP

(a) Pledged bank deposits

The Group's bills payable amounting to approximately HK$278.0 million (equivalent to approximately RMB217.0 million) (2012: approximately HK$554.7 million (equivalent to approximately RMB445.7 million)) (note 30) are secured by the pledge of the Group's time deposit of approximately HK$124.3 million (equivalent to RMB97.0 million) as at 31 December 2013 (2012: approximately HK$318.8 million (equivalent to RMB256.2 million)).

The Group's bank loans amounting to approximately HK$25.6 million (equivalent to RMB20.0 million) (2012: Nil) were secured by the pledge of the Group's time deposits of approximately HK$25.6 million (equivalent to RMB20.0 million) (2012: Nil) as at 31 December 2013.

The effective interest rates of the pledged bank deposits are at 2.80% (2012: 2.80%) per annum.

(b) Cash and cash equivalents

As at 31 December 2013, included in cash and cash equivalents of the Group is approximately HK$545.4 million (2012: approximately HK$398.0 million) of bank balances denominated in RMB placed with the banks in the PRC. RMB is not a freely convertible currency; however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business in the PRC.

30. ACCOUNTS AND BILLS PAYABLES – GROUP

	2013 HK$'000	2012 HK$'000
Accounts payable	23,422	15,113
Bills payable	278,043	554,651
	301,465	569,764

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

	2013 HK$'000	2012 HK$'000
0 – 90 days	10,005	12,745
91 – 180 days	5,000	1,237
181 – 365 days	5,825	337
Over 365 days	2,592	794
	23,422	15,113

As at 31 December 2013, the Group's bills payable of approximately HK$278.0 million (2012: approximately HK$554.7 million) were secured by the pledge of time deposits (note 29(a)). As at 31 December 2013, bills payables of approximately HK$153.8 million (2012: approximately HK$242.7 million) were guaranteed by independent third parties.

31. OTHER PAYABLES AND ACCRUALS – GROUP

As at 31 December 2013, included in other payables and accruals are amount due to independent third parties amounted to approximately HK$99.2 million (equivalent to RMB77.4 million) (2012: Nil). The amount due is unsecured, interest-free and repayable on demand.

32. PROVISION FOR RECLAMATION OBLIGATIONS – GROUP

	2013 **HK$'000**	2012 HK$'000
At 1 January	**74,021**	68,027
Provision made during the year	**10,236**	7,551
Provision used during the year	**(1,328)**	(2,063)
Exchange difference	**2,320**	506
At 31 December	**85,249**	74,021

Provision for land restoration, environmental restoration and safety costs pursuant to the relevant PRC regulations and current mining activities are determined by management based on their best estimates. However, in so far as the effect of land and the environment from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The amounts provided in relation to restoration and safety costs are reviewed regularly based upon the facts and circumstances available at the time and the provisions are updated accordingly.

33. BANK LOANS – GROUP

	2013 **HK$'000**	2012 HK$'000
Bank loans repayable within one year and classified as current liabilities	**461,112**	709,308
Analysed as follows:		
Secured	**204,852**	609,756
Unsecured	**256,260**	99,552
	461,112	709,308

As at 31 December 2013, bank loans of approximately HK$204.9 million (2012: approximately HK$609.8 million) were secured by certain accounts receivable (note 27) and pledged time deposit (note 29(a)) (2012: secured by certain accounts receivable (note 27) and equity interests in certain subsidiaries of the Company).

As at 31 December 2013, bank loans of approximately HK$435.5 million (2012: approximately HK$709.3 million) were guaranteed by independent third parties.

As at 31 December 2013, all bank loans bear interest at fixed rates ranging from 5.59% to 9.99% (2012: 5.44% to 8.53%) per annum.

34. CONVERTIBLE BONDS – GROUP AND COMPANY

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$1,200,000,000. CB4 is 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$200,000,000 (the "**First Tranche of CB4**") mainly for the purpose of settlement of the 2% coupon convertible bonds with principal amount of US$25,000,000 (equivalent to approximately HK$194,500,000) issued by the Company on 10 December 2007. Partial of the First Tranche of CB4 with principal amount of HK$80,000,000 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$100,000,000 (the "**Second Tranche of CB4**").

On 7 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100,000,000 (the "**Third Tranche of CB4**"). On 11 January 2011, the Company issued zero coupon bonds in the principal amount of HK$100,000,000 (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$420,000,000 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 (a former director of the Company), Mr. Li 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$360,000,000 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$360,000,000.

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$360,000,000. 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$120,000,000, HK$100,000,000, HK$100,000,000 and HK$40,000,000 respectively were converted by the Subscriber on 21 March 2011.

34. CONVERTIBLE BONDS – GROUP AND COMPANY (CONTINUED)

The remaining portion of the Fourth Tranche of CB4 with principal amount of HK$40,000,000 and HK$20,000,000 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$200,000,000 (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 36(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.

The Company has early redeemed the Fifth Tranche of CB4 by settling with deposits paid for potential investments (note 24) and the other receivables (note 28) at HK$200,000,000 on 14 November 2013. A gain on redemption of convertible bonds of approximately HK$129,000 which represented the difference between the redemption price allocated to liability components amounted to approximately HK$190,993,000 and the total carrying amounts of the liability components of convertible bonds amounted to approximately HK$191,122,000 has been credited to the consolidated statement of comprehensive income for the year ended 31 December 2013. Upon the early redemption of the convertible bonds, the difference of approximately HK$15,343,000 between the carrying amounts of equity components included in equity component of convertible bonds of approximately HK$24,351,000 and the redemption price allocated to equity components amounted to approximately HK$9,008,000 was released to accumulated losses/retained profits.

The Fifth Tranche of CB4 was valued at the redemption date by an independent professional valuer. The fair value of the liability component of the Fifth Tranche of CB4 was calculated using discounted rate method.

The initial recognition of CB4 in the consolidated statement of financial position was calculated as follows:

	CB4 HK$'000
Proceeds of issue	700,000
Equity component	(90,100)
Liability component	609,900

34. CONVERTIBLE BONDS – GROUP AND COMPANY (CONTINUED)

Movement of liability component for the years ended 31 December 2013 and 2012 is as follows:

	2013	2012
	HK$'000	HK$'000
At 1 January	**184,050**	176,253
Interest expense	**7,072**	7,797
Early redemption during the year	**(191,122)**	–
At 31 December	**–**	184,050

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rates of approximately 4.42% (2012: 4.42%) to the liability components of the Fifth Tranche (2012: the Fifth Tranche) of CB4 for the year ended 31 December 2013.

35. DEFERRED TAX – GROUP

As at 31 December 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$490.0 million (equivalent to approximately RMB382.4 million) (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$2.5 million (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.

35. DEFERRED TAX – GROUP (CONTINUED)

Movement in deferred tax liabilities during the year is as follows:

	Mining funds	Amortisation allowance on mining rights in excess of related amortisation	Total
	HK$'000	HK$'000	HK$'000
	(Note)		
At 1 January 2012	7,395	14,974	22,369
(Credited)/Charged to profit or loss *(note 9)*	(7,371)	4,150	(3,221)
Exchange difference	(24)	140	116
At 31 December 2012 and 1 January 2013	–	19,264	19,264
Charged to profit or loss *(note 9)*	–	3,244	3,244
Exchange difference	–	618	618
At 31 December 2013	**–**	**23,126**	**23,126**

Note: Pursuant to changes in certain regulations of the PRC government in 2009, the Group was 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 was 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 the year ended 31 December 2012.

As at 31 December 2013, deferred tax liabilities amounted to approximately HK22.7 million (2012: approximately HK$49.6 million) in respect of the aggregate amount of temporary differences of approximately HK$226.8 million (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.

36. SHARE CAPITAL

	Notes	**2013 Number of shares**	**2013 HK$'000**	2012 Number of shares	2012 HK$'000
Authorised:					
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 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, ordinary shares of HK$0.1 each		**712,673,692**	**71,267**	712,673,692	71,267

(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 was 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 was 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 had been credited to contributed surplus.

The ordinary shares issued in above have the same rights as the other shares in issue.

37. 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 (the "**Old 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 until 19 October 2014.

Under the Scheme, the board of directors of the Company 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.

The offer of a grant of share options may be accepted within 10 business days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The option period of an option may not end later than 10 years after the date of adoption of the Scheme.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company at its absolute discretion but in any event shall not be less than the highest of (i) the official closing price of the shares as stated in daily quotations sheet of the Stock Exchange on the offer date, (ii) the average of the official closing price of the shares as stated in daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

37. SHARE OPTION SCHEME (CONTINUED)

(a) Movements of the share options and their exercise price

2013

Name or category of participant	At 1 January 2013	Granted during the year	Exercised during the year (note (i))	Forfeited during the year	At 31 December 2013	Date of grant of share options (note (ii))	Exercise period of share options	Exercise price of share options (note (iii))
Directors								
Mr. Wu	608,175	–	–	–	**608,175**	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
Mr. Li	127,500	–	–	–	**127,500**	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
Other employees								
Mr. Xu	608,175	–	–	(608,175)	**-**	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
	1,343,850	–	–	(608,175)	**735,675**			
Weighted average exercise price	HK$5.9950	–	–	HK$5.9950	HK$5.9950			

2012

Name or category of participant	At 1 January 2012	Granted during the year	Exercised during the year (note (i))	Forfeited during the year	Adjusted upon Capital Reorganisation (note(iv))	At 31 December 2012	Date of grant of share options (note (ii))	Exercise period of share options	Exercise price of share options (notes (iii) and (iv))
Directors									
Mr. Wu	6,081,750	–	–	–	(5,473,575)	608,175	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
Mr. Li	1,275,000	–	–	–	(1,147,500)	127,500	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
Other employees									
Mr. Xu	6,081,750	–	–	–	(5,473,575)	608,175	3 January 2008	3 January 2008 to 20 October 2014	HK$5.9950
	13,438,500	–	–	–	(12,094,650)	1,343,850			
Weighted average exercise price	HK$0.5995	–	–	–	–	HK$5.9950			

37. SHARE OPTION SCHEME (CONTINUED)

(a) Movements of the share options and their exercise price (Continued)

Notes:

(i) No share options were exercised during the year ended 31 December 2012 and 2013.

(ii) All share options granted vest on the date of grant.

(iii) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(iv) The number of share options granted to the directors and an employee had been reduced by 12,094,650 according to the adjustment terms of the Scheme upon the approval of the Capital Reorganisation. The initial exercise price of the share options was at HK$0.5995 per share. Upon approval of the Capital Reorganisation, the exercise price of the share option was adjusted to HK$5.9950.

(v) The options outstanding as at 31 December 2013 had a weighted average remaining contractual life of 0.8 years (2012: 1.8 years).

(b) Financial effect of the share options

No share options were granted during the years ended 31 December 2012 and 2013. As at 31 December 2013, the Company had 735,675 (2012: 1,343,850) share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 735,675 (2012: 1,343,850) additional ordinary shares of the Company and additional share capital of approximately HK$0.1 million (2012: approximately HK$0.1 million) and share premium of approximately HK$4.3 million (2012: approximately HK$7.9 million), before the netting-off of the related shares issue expenses and the amount that would be transferred from share option reserve to share premium.

38. RESERVES

(a) Group

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

Share premium account of the Group includes the premium arising from issue of shares of the Company at a premium.

Capital redemption reserve arose from the purchase of the Company's share for cancellation and represents a transfer from the Company's retained profits equivalent to the nominal value of the shares purchased for cancellation.

Contributed surplus of the Group arose as a result of (i) the Group reorganisation in 1997 and represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the nominal value of the aggregate share capital of the subsidiaries then acquired; (ii) the Group reorganisation in 2007 and represents the reduction of capital of HK$64.1 million pursuant to a special resolution passed on 1 November 2007; and (iii) the Group reorganisation in 2012 and represents the reduction of capital of HK$641.4 million pursuant to the Special Resolution.

38. RESERVES (CONTINUED)

(a) Group (Continued)

The capital reserve arose from the capitalisation of retained profits of a PRC subsidiary.

In accordance with the relevant PRC regulations, the Group's PRC subsidiaries are required, at the discretion of their directors, to appropriate a certain percentage of their profit after tax, if any, to the statutory reserve fund for the future development and capital expenditure on staff welfare facilities purposes.

Pursuant to regulations in the PRC, certain subsidiaries of the Group were required to make a transfer of production maintenance fee to other reserve based on RMB8.5 per ton (2012: RMB8.5 per ton) of raw coal mined less the depreciation expenses of the underground coal mining equipment. According to the China Accounting Standards Explanatory Notice No. 3 and other relevant regulations issued by the Ministry of Finance in June 2009, effective for the financial periods beginning on or after 1 January 2009, instead of making an appropriation of funds from retained earnings to reserve, production maintenance fee and other expense of similar nature are required to be charged to cost of production and credited to reserve. Accordingly, the related funds are appropriated from retained profits.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	235,334	50	7,641	3,847	24,351	(148,552)	122,671
Capital Reorganisation *(note 36(a))*	–	–	641,407	–	–	–	641,407
Transfer from contributed surplus to accumulated losses	–	–	(158,018)	–	–	158,018	–
Loss for the year	–	–	–	–	–	(9,466)	(9,466)
At 31 December 2012 and 1 January 2013	235,334	50	491,030	3,847	24,351	–	754,612
Early redemption of convertible bonds	–	–	–	–	(9,008)	–	(9,008)
Transfer upon redemption of convertible bonds	–	–	–	–	(15,343)	15,343	–
Transfer from contributed surplus to accumulated losses	–	–	(5,354)	–	–	5,354	–
Lapse of share option	–	–	–	(1,741)	–	1,741	–
Loss for the year	–	–	–	–	–	(22,438)	(22,438)
At 31 December 2013	**235,334**	**50**	**485,676**	**2,106**	**–**	**–**	**723,166**

38. RESERVES (CONTINUED)

(b) Company (Continued)

The contributed surplus of the Company arose as a result of the reorganisations referred to in note 38(a) and represents (i) the excess of the fair value of the shares of the subsidiaries then acquired, over the nominal value of the Company's shares issued in exchange thereof; (ii) the reduction of capital pursuant to a special resolution passed on 1 November 2007; and (iii) the reduction of capital pursuant to a special resolution passed on 10 October 2012. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus is also available for distribution to the owners of the Company. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Details of share premium account and capital redemption reserve of the Company are set out in note 38(a) above.

Pursuant to the Special Resolution, the directors of the Company be and are hereby authorised to use the amount standing to the credit of the contributed surplus in any manner as may be permitted by the Bermuda Companies Act 1981 and the bye-laws of the Company including, without limitation, eliminating or setting off the accumulated losses of the Company from time to time without further authorisation from the shareholders. During the year, contributed surplus of approximately HK$5.4 million (2012: approximately HK$158.0 million) was set off with the accumulated losses.

39. NON-CONTROLLING INTEREST

Jinfeng, a 90% owned subsidiary of the Company, has material non-controlling interest (NCI). The NCI of all other subsidiaries that are not 100% owned by the group are considered to be immaterial.

Summarised financial information in relation to Jinfeng and its subsidiaries, before intra-group eliminations, is presented below:

	2013 HK$'000	2012 HK$'000
For the year ended 31 December		
Revenue	**322,897**	188,702
Loss for the year	**(240,834)**	(330,852)
Loss allocated to NCI	**(24,083)**	(33,085)
For the year ended 31 December		
Cash flows from operating activities	**11,271**	237,884
Cash flows from investing activities	**22,938**	(385,992)
Cash flows from financing activities	**(128,713)**	76,500
Net cash outflows	**(94,504)**	(71,608)
As at 31 December		
Current assets	**1,007,218**	1,503,099
Non-current assets	**1,304,267**	1,239,340
Current liabilities	**(1,910,897)**	(2,162,649)
Non-current liabilities	**(73,097)**	(19,265)
Net assets	**327,491**	560,525

40. ACQUISITION OF A SUBSIDIARY

On 16 December 2013, the Group has conditionally agreed to inject approximately HK$152.1 million to Huirui (the "**Capital Injection**"), a company incorporated in PRC which principally engages in trading of purchased coal, construction materials and accessories of mining machineries. Upon the completion of the Capital Injection on 16 December 2013, the registered capital of Huirui would increase from RMB5.0 million to RMB125.0 million and would be owned as to 96% by the Group and as to 4% by the non-controlling interest. The acquisition was made with the aims to develop the trading of purchased coal business through Huirui. As at the acquisition date, the Group has control over Huirui through nominating members to the board of directors of Huirui.

40. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Details of net assets acquired and goodwill are as follows:

	HK$'000
Total consideration	152,148
Fair value of net assets acquired	(148,215)
Goodwill	3,933

Assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Acquirees' carrying amount** HK$'000
Property, plant and equipment	113	113
Inventories	1,121	1,121
Prepayments, deposits and other receivables	80,085	228,503
Amount due from a director	–	2,012
Amount due from an equity owner	–	1,268
Amount due from non-controlling interest	1,268	–
Amount due from a fellow subsidiary	150,430	–
Cash and cash equivalents	48	48
Other payables and accruals	(78,649)	(230,797)
Provision for tax	(25)	(25)
Net assets	154,391	2,243
Less: Non-controlling interest	(6,176)	
Net assets acquired	148,215	
Total consideration satisfied by:		
Deposits		152,148
Net cash inflow arising on acquisition:		
Cash consideration paid		–
Cash and cash equivalents acquired		48
		48

The goodwill of approximately HK$3,933,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of the acquired business with the existing operations of the Group.

40. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value and the gross amount of receivables amounted to approximately HK$231,783,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition, the subsidiaries contributed nil and profit of approximately HK$0.7 million to the Group's turnover and loss for the year ended 31 December 2013 respectively.

Had the combination taken place as at 1 January 2013, the turnover and the loss of the Group for the year ended 31 December 2013 would have been approximately HK$332.6 million and HK$350.3 million respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013 nor are they intended to be a projection of future results.

41. DISPOSAL OF SUBSIDIARIES

As mentioned in note 10, on 2 March 2012, the Group disposed of its entire equity interest in Popular Sky Group, at a total consideration of HK$71.2 million. Popular Sky Group were engaged in the CBM related business during the year ended 31 December 2012.

	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 Group 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 year ended 31 December 2012.

42. OPERATING LEASE COMMITMENTS

As at 31 December 2013, total future minimum lease payments under non-cancellable operating leases in respect of land and buildings and office equipment payable by the Group are as follows:

	2013	2012
	HK$'000	HK$'000
Within one year	**2,063**	763
In the second to fifth years inclusive	**727**	95
More than five years	**26**	–
	2,816	858

The Group leases certain properties under operating leases. The leases run for an initial period of one to ten years, without option to renew the lease term at the expiry date. None of the lease includes contingent rentals.

The Company did not have any significant lease commitments as at 31 December 2013 (2012: Nil).

43. CAPITAL COMMITMENTS

As at 31 December 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$29.1 million (2012: approximately HK$13.1 million).

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, amounted to approximately HK$12.4 million. There was no such capital expenditure commitment as at 31 December 2013.

Save as disclosed above, the Company did not have any significant capital commitments as at 31 December 2013 (2012: Nil).

44. RELATED PARTY TRANSACTIONS – GROUP

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year and in the prior year:

(a) Compensation of key management personnel

	2013 HK$'000	2012 HK$'000
Total remuneration of key management during the year	**8,480**	9,419

(b) Purchase of coal

As at 31 December 2013, included in prepayments, deposits and other receivables were deposits amounted to approximately HK$4.9 million (equivalent to approximately RMB3.9 million) (2012: approximately HK$43.6 million (equivalent to RMB35.0 million)) arising from the purchase of coal paid to a supplier, in which a director of a major subsidiary of the Group is a director of this supplier. On 25 August 2012, this director ceased to be the director of the major subsidiary of the Group. Yet, the 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.

(c) Sales of coal

During the period from 1 January 2012 to 24 August 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 became a director of the holding company of this company on 11 July 2010. 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. No such transaction was made during the year ended 31 December 2013.

(d) Sales of consumable tools

During the year ended 31 December 2012, the Group sold consumable tools of approximately HK$0.8 million (equivalent to approximately RMB0.7 million) to a company, in which a director of a major subsidiary of the Group is a director of the holding company of this company. On 25 August 2012, this director ceased to be the director of the major subsidiary of the Group. Yet, the newly appointed director of the major subsidiary of the Group has been the director of the holding company of this customer since August 2010. The sales were conducted in the Group's normal course of business. No such transaction was made during the year ended 31 December 2013. As at 31 December 2013, included in prepayments, deposits and other receivables are other receivables amounted to approximately HK$0.04 million (equivalent to approximately RMB0.03 million) (2012: approximately HK$0.04 million (equivalent to approximately RMB0.03 million)) arising form sales of consumable tools to this Company.

44. RELATED PARTY TRANSACTIONS – GROUP (CONTINUED)

(e) Selling and distribution expenses

During the period from 1 January 2012 to 24 August 2012, the Group paid distribution expenses of approximately HK$0.4 million (equivalent to approximately RMB0.3 million) to a company, of which one of its directors was also a director of the Group's major subsidiary from 11 July 2010. On 25 August 2012, this director ceased to be the director of the major subsidiary of the Group.

(f) 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 on 31 March 2010. On 7 December 2011, this director resigned as a director of the Company while he was still a director of certain subsidiaries of the Group during that year. As at 31 December 2012, included in prepayments, deposits and other receivables are deposits amounted to 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) was included in the capital commitments of the Group as at 31 December 2012. The transaction was cancelled in November 2013. The balance was settled with other payables during the year ended 31 December 2013.

For identification purpose only

(g) Disposal of a subsidiary

During the year ended 31 December 2012, the Group disposed of the Popular Sky Group to a related party, Dragon Rich, for a total consideration of HK$71.2 million as described in notes 10 and 41.

45. NOTES TO THE STATEMENT OF CASH FLOWS – GROUP

Major non-cash transactions

During the year ended 31 December 2013, convertible bonds of HK$200.0 million was settled with deposits paid for potential investments of approximately HK$69.6 million and other receivables of approximately HK$130.4 million; other receivables of approximately HK$223.8 million were settled with other payables.

During the year ended 31 December 2012, deposits paid as at 31 December 2011 of approximately HK$75.3 million (equivalent to approximately RMB60.5 million) was reallocated from deposits paid for potential investments to other receivables upon finalisation of the consideration regarding the acquisition of the property investment business.

46. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks which results from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors of the Company meets periodically to analyse and formulate strategies to manage the Group's exposure to market risks, including changes in interest rates and currency exchange rates. Generally, the Group introduces conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities.

Carrying amounts of the financial assets presented in statement of financial position are net of impairment losses, if any. The Group minimises its exposure to the credit risk by rigorously selecting the counterparties, performing ongoing credit evaluation on the financial conditions of its debtors and tightly monitoring the ageing of the receivables. Follow-up actions are taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk on pledged bank deposits and cash and cash equivalents is also limited because the Group's pledged bank deposits and cash and cash equivalents are all deposited with major banks located in Hong Kong and the PRC.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group has a certain concentration of credit risk as 84.0% (2012: 93.1%) of the Group's accounts receivable was due from a major customer of the Group. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from accounts receivables is set out in note 27.

At each reporting date, the Group reviews deposits and other receivables for evidence of impairment on an individual and collective base. As at 31 December 2013, the Group determined deposits and other receivables of approximately HK$11.9 million as individually impaired (2012: approximately HK$3.7 million). Base on this assessment, impairment loss of approximately HK$11.9 million was recognised during the year (2012: Nil).

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The interest rates and terms of repayment of the Group's bank loans and convertible bonds are disclosed in notes 33 and 34 respectively. The Group's exposures to fair value interest rate risk and cash flow interest rate risk on financial liabilities are minimal. The directors of the Company consider the Group's exposures to cash flow interest rate risk on bank balances as follows:

Sensitivity analysis

The following table illustrates the sensitivity of the Group's loss after tax and accumulated losses/ retained profits and the Company's loss after tax and accumulated losses to a possible change in interest rates of +/- 0.5% (2012: +/- 0.5%), with effect from the beginning of the year. The calculations are based on the Group's bank balances held at the reporting date. All other variables are held constant.

	Group			Company	
	Loss after tax HK$'000	Accumulated losses HK$'000	Retained profits HK$'000	Loss after tax HK$'000	Accumulated losses HK$'000
31 December 2013					
+0.5%	**(2,057)**	**(2,057)**	**N/A**	**(12)**	**(12)**
–0.5%	**2,057**	**2,057**	**N/A**	**12**	**12**
31 December 2012					
+0.5%	(2,439)	N/A	2,439	(14)	(14)
–0.5%	2,439	N/A	(2,439)	14	14

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents the management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting date.

The sensitivity analysis included in the financial statements of the year ended 31 December 2012 has been prepared on the same basis.

The Group manages interest rate risk by monitoring its interest rate profile regularly. The Group adopts a policy of ensuring that most of its borrowings are on a fixed rate basis. The policies to manage interest rate risk have been followed by the Group since prior year and are considered to be effective.

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Foreign currency risk

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The directors of the Company therefore are of the opinion that the Group's and Company's sensitivity to the changes in foreign currencies are low and the Group and Company do not hedge their foreign currency risk.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of its financial obligations, and also in respect of its cash flow management.

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required. As at 31 December 2013, the Group and the Company had net current liabilities of approximately HK$161,718,000 and HK$1,731,000 respectively. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and from the measures adopted by the directors of the Company as detailed in note 3.1 to the financial statements to meet its debt obligations.

The liquidity policies have been followed by the Group since prior years and are considered as effective in managing liquidity risks.

The table below summarises the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted payments:

	Group At 31 December 2013					
	Within 6 months or on demand HK$'000	6 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Discount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Accounts and bills payables	301,465	–	–	301,465	–	301,465
Other payables and accruals	548,649	–	11,532	560,181	–	560,181
Amount due to an associate	–	–	38,439	38,439	–	38,439
Bank loans	368,617	105,192	–	473,809	(12,697)	461,112
Total	1,218,731	105,192	49,971	1,373,894	(12,697)	1,361,197

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

	Group At 31 December 2012					
	Within 6 months or on demand HK$'000	6 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Discount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Accounts and bills payables	569,764	–	–	569,764	–	569,764
Other payables and accruals	306,857	–	–	306,857	–	306,857
Bank loans	626,888	101,592	–	728,480	(19,172)	709,308
Convertible bonds	4,037	4,148	191,815	200,000	(15,950)	184,050
Total	1,507,546	105,740	191,815	1,805,101	(35,122)	1,769,979

	Company At 31 December 2013					
	Within 6 months or on demand HK$'000	**6 – 12 months HK$'000**	**Over 1 year HK$'000**	**Total undiscounted amount HK$'000**	**Discount HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities						
Other payables and accruals	**5,237**	**–**	**–**	**5,237**	**–**	**5,237**

	Company At 31 December 2012					
	Within 6 months or on demand HK$'000	6 – 12 months HK$'000	Over 1 year HK$'000	Total undiscounted amount HK$'000	Discount HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Other payables and accruals	6,362	–	–	6,362	–	6,362
Convertible bonds	4,037	4,148	191,815	200,000	(15,950)	184,050
Total	10,399	4,148	191,815	206,362	(15,950)	190,412

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Business risk

The Group's primary businesses are the production and sales of coal in the PRC. The Group's financial results are influenced by the changes in prices of coal, as well as by the Group's ability to maintain or renew all requisite certificates, permits and business licences from relevant regulatory authorities in the PRC which is required for the Group to operate in the production and sales of coal in the PRC.

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's and Company's financial assets and liabilities recognised as at 31 December 2012 and 2013 may also be categorised as follows. See notes 3.16 and 3.22 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Financial assets				
Non-current				
Available-for-sale financial assets	**26,566**	–	**–**	–
Loans and receivables				
– Deposits paid for potential investments	**–**	68,442	**–**	–
Current				
Available-for-sale financial assets	**–**	24,888	**–**	–
Loans and receivables				
– Accounts and bills receivables	**298,216**	521,637	**–**	–
– Deposits and other receivables	**201,020**	422,474	**–**	–
– Pledged bank deposits	**124,286**	318,815	**–**	–
– Cash and cash equivalents	**580,835**	633,273	**3,215**	3,733
	1,230,923	1,989,529	**3,215**	3,733
Financial liabilities				
Financial liabilities measured at amortised cost				
Current				
– Accounts and bills payables	**301,465**	569,764	**–**	–
– Other payables and accruals	**548,649**	306,857	**5,237**	6,362
– Bank loans	**461,112**	709,308	**–**	–
Non-current				
– Other payables	**11,532**	–	**–**	–
– Amount due to an associate	**38,439**	–	**–**	–
– Convertible bonds	**–**	184,050	**–**	184,050
	1,361,197	1,769,979	**5,237**	190,412

47. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY (CONTINUED)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include deposits paid for potential investments, available-for-sale financial assets (non-current), accounts and bills receivables, deposits and other receivables, pledged bank deposits, cash and cash equivalents, accounts and bills payables, other payables and accruals, amount due to an associate, bank loans and convertible bonds.

Due to their short term nature, the carrying value of deposits paid for potential investments, accounts and bills receivables, deposits and other receivables, pledged bank deposits, cash and cash equivalents, accounts and bills payables, other payables and accruals, amount due to an associate and bank loans approximates fair value.

The available-for-sale financial assets (non-current) are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the directors of the Company are of the opinion that the fair value cannot be reliably measured.

The fair value of convertible bonds for disclosure purposes has been determined using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the borrowers or the Company.

(b) Financial instruments measured at fair value

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

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

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

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

	2012 – Group			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Available-for-sale financial assets (current) – Structured deposit in the PRC	–	24,888	–	24,888

There were no transfers between levels during the year.

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

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

(b) To support the Group's stability and growth; and

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. Management regards total equity of approximately HK$1,165.2 million (2012: approximately HK$1,482.1 million) as capital, for capital management purpose.