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首鋼福山資源集團有限公司  
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

<i>(HK\$'million)</i>	For the year ended 31 December		Percentage change
	2012	2011	
Revenue	5,651	7,139	-21%
Gross profit	3,586	5,029	-29%
Gross profit margin	63%	70%	
Operating profit	2,976	3,948	-25%
EBITDA <sup>1</sup>	3,504	4,443	-21%
Profit for the year	2,150	2,650	-19%
Profit attributable to owners of the Company	1,800	2,256	-20%
Basic earnings per share <i>(HK cents)</i>	33.80	41.93	-19%
<i>(HK\$'million)</i>	As at 31 December		Percentage change
	2012	2011	
Net assets	20,862	20,558	+1%
Gearing ratio <sup>2</sup>	5.16%	4.37%	+18%
Adjusted gearing ratio <sup>3</sup>	0.95%	4.37%	-78%

The board of directors has proposed a 2012 final dividend of HK10 cents (2011: HK13 cents) per ordinary share.

Notes:

1. EBITDA is defined as operating profit plus depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.
3. Adjusted gearing ratio is computed from total borrowings (exclusive of asset-backed financing) divided by total equity.

The board of directors (the “Board”) of Shougang Fushan Resources Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 with comparative figures for the year ended 31 December 2011. These final results have been reviewed by the Audit Committee of the Company.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>5,650,590</b>	7,138,643
Cost of sales		<u>(2,064,788)</u>	<u>(2,109,708)</u>
<b>Gross profit</b>		<b>3,585,802</b>	5,028,935
Other operating income	5	<b>323,570</b>	342,402
Selling and distribution expenses		<b>(270,039)</b>	(636,221)
General and administrative expenses		<b>(370,173)</b>	(605,847)
Other operating expenses		<u>(293,587)</u>	<u>(181,184)</u>
<b>Operating profit</b>		<b>2,975,573</b>	3,948,085
Finance costs	6	<b>(26,891)</b>	(21,487)
Change in fair value of derivative financial instruments		<b>24,097</b>	3,441
Share of loss of associate		<u>(730)</u>	<u>(265)</u>
<b>Profit before income tax</b>	7	<b>2,972,049</b>	3,929,774
Income tax expense	8	<b>(821,809)</b>	(1,141,146)
<b>Profit for the year from continuing operations</b>		<b>2,150,240</b>	2,788,628
<b>Discontinued operations</b>			
<b>Loss for the year from discontinued operations</b>	9	–	(139,009)
<b>Profit for the year</b>		<b>2,150,240</b>	2,649,619
<b>Other comprehensive income for the year</b>			
Fair value loss on financial assets measured at fair value through other comprehensive income		<b>(470,995)</b>	(1,229,529)
Exchange differences on translation of financial statements of foreign operations		<b>92,365</b>	559,692
Release of translation reserve upon disposal of discontinued operations		–	(18,748)
<b>Total comprehensive income for the year</b>		<b><u>1,771,610</u></b>	<b><u>1,961,034</u></b>
<b>Profit for the year attributable to:</b>			
Owners of the Company	10	<b>1,800,367</b>	2,256,023
Non-controlling interests		<b>349,873</b>	393,596
<b>Profit for the year</b>		<b><u>2,150,240</u></b>	<b><u>2,649,619</u></b>

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>1,408,971</b>	1,508,381
Non-controlling interests		<b>362,639</b>	452,653
<b>Total comprehensive income for the year</b>		<b>1,771,610</b>	1,961,034
		<i>HK (Cents)</i>	<i>HK (Cents)</i>
<b>Earnings per share from continuing and discontinued operations</b>			
	<i>12</i>		
– Basic		<b>33.80</b>	41.93
– Diluted		<b>33.78</b>	41.90
<b>Earnings per share from continuing operations</b>			
	<i>12</i>		
– Basic		<b>33.80</b>	42.74
– Diluted		<b>33.78</b>	42.70

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	<b>31 December 2012</b>	31 December 2011	1 January 2011
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i> (restated)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>3,599,184</b>	3,103,343	2,732,027
Prepaid lease payments	<b>60,785</b>	48,068	47,323
Mining rights	<b>10,440,937</b>	10,563,452	10,413,660
Goodwill	<b>2,264,910</b>	2,246,812	2,156,320
Interest in an associate	<b>19,376</b>	19,950	19,398
Financial assets measured at fair value through other comprehensive income	<b>1,300,109</b>	1,771,034	3,161,097
Deposits, prepayments and other receivables	<b>346,484</b>	465,370	443,990
Loan to a party	<b>–</b>	–	234,342
Deferred tax assets	<b>31,592</b>	17,806	16,193
<b>Total non-current assets</b>	<b>18,063,377</b>	18,235,835	19,224,350
<b>Current assets</b>			
Inventories	<b>163,282</b>	190,507	134,758
Trade and bill receivables	<b>3,540,491</b>	3,350,955	2,317,901
Deposits, prepayments and other receivables	<b>161,376</b>	98,216	123,788
Loan to a party	<b>–</b>	234,342	703,025
Amounts due from other parties	<b>21,481</b>	19,087	292,876
Derivative financial instruments	<b>24,645</b>	18	12,224
Pledged bank deposits	<b>171,855</b>	354,141	32,512
Time deposits with original maturity over three months	<b>1,692,681</b>	–	–
Cash and cash equivalents	<b>2,981,333</b>	4,517,196	2,766,063
<b>Total current assets</b>	<b>8,757,144</b>	8,764,462	6,383,147
Assets classified as held for sale	<b>–</b>	–	512,130
<b>Total current assets</b>	<b>8,757,144</b>	8,764,462	6,895,277

		<b>31 December 2012</b>	31 December 2011	1 January 2011
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)	<i>HK\$'000</i> (restated)
<b>Current liabilities</b>				
Trade and bill payables	14	717,908	1,031,431	537,808
Other payables and accruals		1,656,613	1,647,612	1,394,709
Borrowings	15	1,075,448	897,848	233,381
Derivative financial instruments		241	991	11,597
Amounts due to other parties		18,690	14,545	22,878
Amounts due to non-controlling interests of subsidiaries		21,475	18,776	256,919
Tax payables		325,252	699,537	344,369
		<u>3,815,627</u>	4,310,740	2,801,661
Liabilities classified as held for sale		–	–	515,894
<b>Total current liabilities</b>		<u>3,815,627</u>	4,310,740	3,317,555
<b>Net current assets</b>		<u>4,941,517</u>	4,453,722	3,577,722
<b>Total assets less current liabilities</b>		<u>23,004,894</u>	22,689,557	22,802,072
<b>Non-current liabilities</b>				
Borrowings		–	–	898,482
Deferred tax liabilities		2,142,911	2,131,424	2,280,368
<b>Total non-current liabilities</b>		<u>2,142,911</u>	2,131,424	3,178,850
<b>Net assets</b>		<u>20,861,983</u>	20,558,133	19,623,222
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	16	530,184	537,751	538,056
Reserves		18,693,500	18,428,828	17,611,838
<b>Total equity attributable to owners of the Company</b>		<u>19,223,684</u>	18,966,579	18,149,894
<b>Non-controlling interests</b>		<u>1,638,299</u>	1,591,554	1,473,328
<b>Total equity</b>		<u>20,861,983</u>	20,558,133	19,623,222

Notes:

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Group’s subsidiaries comprise coking coal mining, production and sales of coking coal products and side products. There were no significant changes in the Group’s operations during the year.

The financial statements 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 Interpretation issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. The financial statements also include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 27 March 2013.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

### 2.1 Adoption of new or amended HKFRSs

During the year, the Group has applied for the following new or amended HKFRSs issued by the HKICPA, which relevant to and effective for the Group’s financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7 HKFRS 9	Disclosures – Transfers of Financial Assets Financial Instruments
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Other than as noted below, the adoption of these new or amended HKFRSs has no material impact on the Group’s financial statements.

#### *Amendments to HKFRS 7 – Disclosures – Transfer of Financial Assets (“HKFRS 7”)*

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity’s future cash flows.

The Group has discounted and endorsed certain of its bill receivables with recourse (Note 13) to financial institutions and creditors. As the Group retained the significant risks and rewards of ownership of the discounted and endorsed bill receivables, the transfer transactions did not meet the requirement of HKFRS 39 for de-recognition. These bill receivables remain as the Group’s financial assets with the cash received being recognised as asset-backed borrowings (Note 15) and the debts offset being recognised as trade payables (Note 14) and other payables. The financial statements for the current year include additional disclosures describing the nature of the relationship between the discounted and endorsed bill receivables and the associated financial liabilities, including restrictions on the Group’s use of the debts arising from the discounting arrangements. In accordance with the transition requirements of the amendments, the disclosures for the comparative period have not been amended.

#### *Early adoption of HKFRS 9 – Financial Instruments (“HKFRS 9”)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and 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. This aims to improve and simply the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current de-recognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

Previously, financial assets of the Group were classified as financial assets at fair value through profit or loss, available-for-sale financial assets or loans and receivables. The early adoption of HKFRS 9 has resulted in a change in accounting policy, and financial assets are classified into financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income or financial assets measured at amortised cost. The HKFRS 9 was issued in November 2009, and the Group has retrospectively applied the requirements of HKFRS 9 on 1 January 2011, which was at the beginning of the previous reporting period. Details of the changes in measurement category of financial assets as at the date of initial application are disclosed under the caption below of “Adoption of HKFRS 9 Re-designation of financial assets on 1 January 2012”. Under the transitional provisions, HKFRS 9 was applied to financial assets existing at the earliest date reported on in the financial statements (i.e. 1 January 2011), comparative figures have been restated.

The estimated effect of this change in accounting policy is summarised below:

Consolidated statement of financial position

	At 31 December 2012 <i>HK\$’000</i>	At 31 December 2011 <i>HK\$’000</i>	At 1 January 2011 <i>HK\$’000</i>
Increase in financial assets measured at fair value through other comprehensive income	<b>1,300,109</b>	1,771,034	3,161,097
Decrease in available-for-sale financial assets	<b>(1,300,109)</b>	(1,771,034)	(3,161,097)

Consolidated statement of comprehensive income

	2012 <i>HK\$’000</i>	2011 <i>HK\$’000</i>
Increase in fair value loss on financial assets measured at fair value through other comprehensive income	<b>470,995</b>	1,229,529
Decrease in fair value loss on available-for-sale financial assets	<b>(470,995)</b>	(1,229,529)
Decrease in impairment loss of available-for-sale financial assets recognised in profit or loss	<b>(1,030,122)</b>	–
Decrease in reclassification adjustment upon impairment of available-for-sale financial assets through other comprehensive income	<b>1,030,122</b>	–

Following the adoption of HKFRS 9, all available-for-sale financial assets were reclassified as financial assets measured at fair value through other comprehensive income. The Group’s basic and diluted earnings per share would have reduced by HK19.34 cents and HK19.33 cents respectively if HKFRS 9 had not been adopted.

Under HKAS 39, fair value changes on the Group's available-for-sale financial assets were recognised in other comprehensive income and accumulated in security investment reserve. The amount accumulated in security investment reserve was removed from equity and recognised in profit or loss on impairment or disposal. Under HKFRS 9, such financial assets are designated as fair value through other comprehensive income and the cumulative fair value changes previously accumulated in security investment reserve are not reclassified to profit or loss, but is reclassified directly to retained profits when such financial assets are disposed of.

Under HKAS 39 the Group's investments in unquoted equity instruments classified as available-for-sale financial assets were measured at cost. Under HKFRS 9 such investments have been designated as fair value through other comprehensive income and are measured at fair value. Any difference between cost and fair value at the date of initial application has been adjusted to security investment reserve at 1 January 2011.

*Adoption of HKFRS 9 Re-designation of financial assets on 1 January 2012*

The early adoption of HKFRS 9 has been applied retrospectively and the comparative figures have been restated. Accordingly, a third consolidated statement of financial position as at 1 January 2011 has been presented.

The tables below illustrate the classification and measurement of financial assets under HKFRS 9 and HKAS 39 on 1 January 2011, 31 December 2011 and 31 December 2012.

Consolidated statement of financial position – at 1 January 2011

Original measurement category and carrying amount in accordance with HKAS 39	New measurement category and carrying amount in accordance with HKFRS 9			
	Original carrying amount HK\$'000	Financial assets measured at amortised cost HK\$'000	Financial assets measured at fair value through other comprehensive income HK\$'000	Financial assets measured at fair value through profit or loss HK\$'000
Financial assets at fair value through profit or loss				
– Derivative financial instruments	12,224	–	–	12,224
Available-for-sale financial assets	3,161,097	–	3,161,097	–
Loans and receivables				
– Deposits and other receivables	199,888	199,888	–	–
– Loan to a party	937,367	937,367	–	–
– Trade and bill receivables	2,317,901	2,317,901	–	–
– Amounts due from other parties	292,876	292,876	–	–
– Pledged bank deposits	32,512	32,512	–	–
– Cash and cash equivalents	2,766,063	2,766,063	–	–
	<u>9,719,928</u>	<u>6,546,607</u>	<u>3,161,097</u>	<u>12,224</u>



Consolidated statement of financial position – at 31 December 2011

Original measurement category and carrying amount in accordance with HKAS 39	New measurement category and carrying amount in accordance with HKFRS 9			
	Original carrying amount <i>HK\$'000</i>	Financial assets measured at amortised cost <i>HK\$'000</i>	Financial assets measured at fair value through other comprehensive income <i>HK\$'000</i>	Financial assets measured at fair value through profit or loss <i>HK\$'000</i>
Financial assets at fair value through profit or loss				
– Derivative financial instruments	18	–	–	18
Available-for-sale financial assets	1,771,034	–	1,771,034	–
Loans and receivables				
– Deposits and other receivables	256,268	256,268	–	–
– Loan to a party	234,342	234,342	–	–
– Trade and bill receivables	3,350,955	3,350,955	–	–
– Amounts due from other parties	19,087	19,087	–	–
– Pledged bank deposits	354,141	354,141	–	–
– Cash and cash equivalents	4,517,196	4,517,196	–	–
	<u>10,503,041</u>	<u>8,731,989</u>	<u>1,771,034</u>	<u>18</u>

Consolidated statement of financial position – at 31 December 2012

Original measurement category and carrying amount in accordance with HKAS 39	New measurement category and carrying amount in accordance with HKFRS 9			
	Original carrying amount <i>HK\$'000</i>	Financial assets measured at amortised cost <i>HK\$'000</i>	Financial assets measured at fair value through other comprehensive income <i>HK\$'000</i>	Financial assets measured at fair value through profit or loss <i>HK\$'000</i>
Financial assets at fair value through profit or loss				
– Derivative financial instruments	24,645	–	–	24,645
Available-for-sale financial assets	1,300,109	–	1,300,109	–
Loans and receivables				
– Deposits and other receivables	280,597	280,597	–	–
– Trade and bill receivables	3,540,491	3,540,491	–	–
– Amounts due from other parties	21,481	21,481	–	–
– Pledged bank deposits	171,855	171,855	–	–
– Time deposits with original maturity over three months	1,692,681	1,692,681	–	–
– Cash and cash equivalents	2,981,333	2,981,333	–	–
	<u>10,013,192</u>	<u>8,688,438</u>	<u>1,300,109</u>	<u>24,645</u>

## 2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended 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 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income <sup>1</sup>
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint ventures <sup>2</sup>
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

### *Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

These amendments 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. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

### *Amendments to HKAS 32 Presentation – 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.

### *Amendments to HKFRS 7 Financial Instruments: Disclosures – 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.

### *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 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 implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

### *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 13 Fair Value Measurements*

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 can be adopted early and is applied prospectively.

### *HKFRSs (Amendments) Annual Improvements 2009–2011 Cycle*

The improvements made amendments to five standards in which four standards are relevant to the Group.

- (i) **HKAS 1 Presentation of Financial Statements**  
The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.
- (ii) **HKAS 16 Property, Plant and Equipment**  
The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.
- (iii) **HKAS 32 Financial Instruments: Presentation**  
The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.
- (iv) **HKAS 34 Interim Financial Reporting**  
The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors anticipate that more disclosures would be made but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

### 3. REVENUE

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Continuing operations</b>		
Sales of raw coking coal	2,050,244	2,917,656
Sales of clean coking coal	<u>3,600,346</u>	<u>4,220,987</u>
	5,650,590	7,138,643
<b>Discontinued operations</b>		
Sales of coke ( <i>Note 9</i> )	<u>–</u>	<u>205,054</u>
	<u><u>5,650,590</u></u>	<u><u>7,343,697</u></u>

### 4. SEGMENT INFORMATION

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

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

Coke production: Production of coke in the PRC (Discontinued operations)

Each of these operating segments is managed separately as each of the product lines requires different resources as well as operating approaches. All inter-segment transfers are carried out at arm's length prices.

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

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

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

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The Group's segment operating profit reconciles to the Group's profit before income tax as follows:

	Continuing operations				Discontinued operations (Note 9)		Consolidated	
	Coking coal mining		Total		Coke production			
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue:								
Sales to external parties	<b>5,650,590</b>	7,138,643	<b>5,650,590</b>	7,138,643	-	205,054	<b>5,650,590</b>	7,343,697
Segment operating profit/(loss)	<b>2,843,045</b>	4,101,582	<b>2,843,045</b>	4,101,582	-	(263,327)	<b>2,843,045</b>	3,838,255
Share-based compensation			-	(177,098)	-	-	-	(177,098)
Interest income			<b>122,731</b>	77,122	-	-	<b>122,731</b>	77,122
Other operating income not allocated			<b>103,066</b>	66,625	-	-	<b>103,066</b>	66,625
General and administrative expenses not allocated			<b>(93,269)</b>	(120,146)	-	-	<b>(93,269)</b>	(120,146)
Operating profit/(loss)			<b>2,975,573</b>	3,948,085	-	(263,327)	<b>2,975,573</b>	3,684,758
Gain on disposal of discontinued operations			-	-	-	142,251	-	142,251
Finance costs			<b>(26,891)</b>	(21,487)	-	(17,874)	<b>(26,891)</b>	(39,361)
Change in fair value of derivative financial instruments			<b>24,097</b>	3,441	-	-	<b>24,097</b>	3,441
Share of loss of associate			<b>(730)</b>	(265)	-	-	<b>(730)</b>	(265)
Profit/(Loss) before income tax			<b>2,972,049</b>	3,929,774	-	(138,950)	<b>2,972,049</b>	3,790,824

	Continuing operations						Discontinued operations (Note 9)		Consolidated	
	Coking coal mining		Corporate		Total		Coke production			
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Depreciation	<b>250,809</b>	206,954	<b>831</b>	857	<b>251,640</b>	207,811	-	48,949	<b>251,640</b>	256,760
Amortisation of mining rights	<b>275,690</b>	285,778	-	-	<b>275,690</b>	285,778	-	-	<b>275,690</b>	285,778
Amortisation of prepaid lease payments	<b>1,536</b>	1,236	-	-	<b>1,536</b>	1,236	-	248	<b>1,536</b>	1,484
Write-down of inventories to net realisable value	-	-	-	-	-	-	-	102,636	-	102,636
Provision for impairment of trade receivables	<b>18,426</b>	-	-	-	<b>18,426</b>	-	-	-	<b>18,426</b>	-

	Continuing operations					
	Coking coal mining		Corporate		Consolidated	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>Segment assets</b>	<b>20,895,453</b>	22,028,353	<b>4,549,346</b>	3,163,136	<b>25,444,799</b>	25,191,489
Interest in an associate			<b>19,376</b>	19,950	<b>19,376</b>	19,950
Deferred tax assets			<b>31,592</b>	17,806	<b>31,592</b>	17,806
Financial assets measured at fair value through other comprehensive income			<b>1,300,109</b>	1,771,034	<b>1,300,109</b>	1,771,034
Derivative financial instruments			<b>24,645</b>	18	<b>24,645</b>	18
<b>Group assets</b>					<b>26,820,521</b>	27,000,297
<b>Segment liabilities</b>	<b>2,338,365</b>	2,620,256	<b>76,321</b>	92,108	<b>2,414,686</b>	2,712,364
Deferred tax liabilities			<b>2,142,911</b>	2,131,424	<b>2,142,911</b>	2,131,424
Tax payables			<b>325,252</b>	699,537	<b>325,252</b>	699,537
Borrowings	<b>878,288</b>	–	<b>197,160</b>	897,848	<b>1,075,448</b>	897,848
Derivative financial instruments			<b>241</b>	991	<b>241</b>	991
<b>Group liabilities</b>					<b>5,958,538</b>	6,442,164

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

	Revenue from external customers		Non-current assets	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
	<b>Principal markets</b>			
PRC	<b>5,650,590</b>	7,343,697	<b>16,730,393</b>	16,444,900
Hong Kong	–	–	<b>1,283</b>	2,095
	<b>5,650,590</b>	7,343,697	<b>16,731,676</b>	16,446,995

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

During the year, HK\$1,223,631,000 or 22% (2011: HK\$2,169,358,000 or 30%) of the Group's revenue is generated from a single customer under coking coal mining segment. At 31 December 2012, 2.3% (2011: 0.3%) of the Group's trade and bill receivables was due from this customer.

## 5. OTHER OPERATING INCOME

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations</b>		
Bank interest income	119,879	58,833
Other interest income	2,852	18,289
Dividend income on financial assets measured at fair value through other comprehensive income	53,986	53,000
Income from sales of scrapped products	84,799	77,757
Net foreign exchange gain (Note 7)	59,323	133,040
Others	2,731	1,483
	<u>323,570</u>	<u>342,402</u>

## 6. FINANCE COSTS

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations</b>		
Interest charged on:		
– borrowings repayable within five years	15,893	44,245
– discounted bill receivables	24,664	8,973
Finance charges on finance leases	737	637
	<u>41,294</u>	53,855
Less: interest capitalised in construction in progress *	(14,403)	(32,368)
Total finance costs	<u>26,891</u>	<u>21,487</u>

\* Borrowing costs were capitalised at the rates ranging from 2% to 7% (2011: 2% to 6%) per annum for the year ended 31 December 2012.

## 7. PROFIT BEFORE INCOME TAX

	2012 HK\$'000	2011 HK\$'000
<b>Continuing operations</b>		
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	1,530	1,530
– other services	429	1,350
Cost of inventories recognised as expenses	2,064,788	2,109,708
Amortisation of:		
– prepaid lease payments	1,536	1,236
– mining rights	275,690	285,778
Depreciation of property, plant and equipment		
– owned assets	249,863	206,068
– leased assets	1,777	1,743
Employee benefit expenses (including directors' remuneration, share-based compensation and retirement benefits scheme contributions)	665,798	807,643
Net foreign exchange gain (Note 5)	(59,323)	(133,040)
Operating lease charges in respect of land and buildings	6,376	9,902
Provision for impairment on trade receivables (Note 13)	18,426	–
Loss on disposals of property, plant and equipment	15,042	4,389
	<u>665,798</u>	<u>807,643</u>

## 8. INCOME TAX EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax – PRC income tax		
– Current year	838,513	1,183,930
– Under/(Over) provision in respect of prior years	2,621	(4,774)
Deferred tax		
– Current year	(19,325)	(38,010)
	<u>821,809</u>	<u>1,141,146</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit arising in Hong Kong in 2012 and 2011.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, enterprise income tax rate for the Group's certain major subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), all established in the PRC, is subject to 25% enterprise income tax in the PRC since the calendar year of 2011.

The Group is also subject to withholding tax at the rate of 5% (2011: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Continuing operations</b>		
Profit before income tax	<u>2,972,049</u>	<u>3,929,774</u>
Tax calculated at the rates applicable to the tax jurisdiction concerned	717,822	980,366
Tax effect of non-deductible expenses	35,096	51,558
Tax effect of non-taxable income	(21,661)	(26,537)
Tax effect of unused tax losses not recognised	11,820	17,503
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	76,111	123,030
Under/(Over) provision in respect of prior years	2,621	(4,774)
Income tax expense	<u>821,809</u>	<u>1,141,146</u>



## 9. DISCONTINUED OPERATIONS

On 31 December 2011, New Honest Limited (“New Honest”), one of the Group’s wholly-owned subsidiaries, disposed of its entire 66% equity interest in a subsidiary of the Group, namely, Shanxi Yao Zin Coal and Coking Company Limited (“Shanxi Yao Zin”) (the “Disposal”) for a cash consideration of RMB211,200,000 (HK\$259,776,000 equivalent) to an independent third party (the “Purchaser”). As at 31 December 2011, the Group received cash consideration of RMB50,000,000 (HK\$61,500,000 equivalent). Based on the credit history of the Purchaser, including the default in payments and current economic conditions, the recoverability on the remaining balance of RMB161,200,000 (HK\$198,276,000 equivalent) from the Purchaser was uncertain and might be remote. The directors regarded the fair value of the consideration of the Disposal as RMB50,000,000 (HK\$61,500,000 equivalent) as at 31 December 2011. In addition, as stipulated in the conditional sale and purchase agreement, the Group waived the shareholders’ loans and the corresponding interest to Shanxi Yao Zin amounting to RMB142,015,000 (HK\$174,679,000 equivalent). Loss for the year from the discontinued operations in 2011 is illustrated as follows:

	<i>HK\$’000</i>
<b>Loss for the year from discontinued operations</b>	
Revenue ( <i>Note 3</i> )	205,054
Expenses	<u>(486,255)</u>
Loss before income tax	(281,201)
Income tax expense	<u>(59)</u>
	(281,260)
Gain on disposal of discontinued operations	<u>142,251</u>
Loss for the year	<u><u>(139,009)</u></u>
<b>Loss for the year from discontinued operations attributable to:</b>	
Owners of the Company ( <i>Note 12</i> )	(43,381)
Non-controlling interests	<u>(95,628)</u>
Loss for the year	<u><u>(139,009)</u></u>
<b>Cash flows from discontinued operations</b>	
Operating cash inflows	34,693
Investing cash outflows	(46,643)
Financing cash inflows	<u>11,771</u>
Total cash outflows	<u><u>(179)</u></u>

Net liabilities of Shanxi Yao Zin at the date of the Disposal on 31 December 2011 were as follows:

	<i>HK\$'000</i>
Net liabilities disposed of:	
Property, plant and equipment	385,057
Goodwill	3,182
Prepaid lease payments	9,828
Inventories	97,870
Trade and bill receivables	6,895
Deposits, prepayments and other receivables	113,069
Cash and cash equivalents	94
Borrowings	(74,108)
Trade and bill payables	(505,144)
Other payables and accruals	(269,309)
Amounts due to fellow subsidiaries	(174,679)
Amounts due to related parties	(14,329)
Amounts due to non-controlling interests of subsidiaries	(42,706)
Tax payables	(1,026)
	<hr/>
	(465,306)
Non-controlling interests	228,624
Translation reserves	(18,748)
Liabilities due to fellow subsidiaries waived by the Group	174,679
Gain on the Disposal	142,251
	<hr/>
Total consideration	61,500
	<hr/> <hr/>
Satisfied by:	
Cash consideration	61,500
	<hr/> <hr/>
An analysis of net inflow of cash and cash equivalents in respect of the Disposal is as follows:	
Cash consideration	61,500
Less: Cash and cash equivalents disposed	(94)
	<hr/>
Net inflow of cash and cash equivalents in respect of the Disposal	61,406
	<hr/> <hr/>

The Disposal contributed a gain of RMB117,953,000 (HK\$142,251,000 equivalent) to the Group in 2011, which represented the proceeds of the Disposal less the carrying amount of the subsidiary's net liabilities and attributable goodwill. No tax charge or credit arose from the Disposal.

#### **10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

Of the consolidated profit for the year attributable to the owners of the Company of HK\$1,800,367,000 (2011: HK\$2,256,023,000), a profit of HK\$1,369,752,000 (2011: HK\$990,932,000) has been dealt with in the financial statements of the Company.

## 11. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Dividends recognised as distributions during the year:		
2011 final dividend of HK13 cents (2010: HK10 cents) per ordinary share	689,239	538,056
2012 interim dividend of HK5 cents (2011: HK6 cents) per ordinary share	<u>265,092</u>	<u>322,834</u>
	<u><u>954,331</u></u>	<u><u>860,890</u></u>

On 22 March 2012, the board of directors proposed a final dividend of HK13 cents per ordinary share to the owners of the Company in respect of the year ended 31 December 2011. This final dividend was approved by shareholders at the annual general meeting held on 25 May 2012 and total dividend of HK\$689,239,000 was paid on 19 June 2012. This final dividend proposed after 31 December 2011 had not been recognised as a liability as at 31 December 2011.

On 27 March 2013, the board of directors proposed a final dividend of HK10 cents per ordinary share totaling HK\$530,184,000 to the owners of the Company in respect of the year ended 31 December 2012. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2012 has not been recognised as a liability as at 31 December 2012.

## 12. EARNINGS PER SHARE

### From continuing and discontinued operations

The calculations of basic and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company are based on the following data:

	2012 HK\$'000	2011 HK\$'000
Profit used to determine basic and diluted earnings per share from continuing and discontinued operations	<u>1,800,367</u>	<u>2,256,023</u>
	<i>'000 shares</i>	<i>'000 shares</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,326,522	5,380,488
Effect of dilutive potential ordinary shares – share options	<u>2,526</u>	<u>3,935</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>5,329,048</u></u>	<u><u>5,384,423</u></u>

### From continuing operations

The calculations of basic and diluted earnings per share from continuing operations attributable to owners of the Company are based on the following data:

	2012 HK\$'000	2011 HK\$'000
Profit for the year attributable to owners of the Company	1,800,367	2,256,023
Add: Loss for the year attributable to owners of the Company from discontinued operations ( <i>Note 9</i> )	<u>–</u>	<u>43,381</u>
Profit used to determine basic and diluted earnings per share from continuing operations	<u><u>1,800,367</u></u>	<u><u>2,299,404</u></u>

Basic earnings and diluted earnings per share for the continuing operations are HK33.80 cents (2011: HK42.74 cents) and HK33.78 cents (2011: HK42.70 cents) respectively, based on the profit for the year attributable to owners of the Company from the continuing operations of HK\$1,800,367,000 (2011: HK\$2,299,404,000) and weighted average number of ordinary shares as set out above for both basic and diluted earnings per share.

#### **From discontinued operations**

Basic loss and diluted loss per share for the discontinued operations for the year ended 31 December 2011 were HK0.81 cents and HK0.81 cents respectively, based on the loss for the year attributable to owners of the Company from the discontinued operations of HK\$43,381,000 for the year ended 31 December 2011 and weighted average number of ordinary shares as set out above for both basic and diluted losses per share.

### **13. TRADE AND BILL RECEIVABLES**

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	<b>1,094,307</b>	802,861
<i>Less:</i> Provision for impairment losses	<b>(185,983)</b>	(166,058)
	<b>908,324</b>	636,803
Bill receivables	<b>2,632,167</b>	2,714,152
	<b>3,540,491</b>	3,350,955

Trade receivables generally have credit terms ranging from 60 to 90 days (2011: 60 to 90 days) and no interest is charged.

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

As at 31 December 2012, bill receivables included an amount of RMB333,955,000 (HK\$414,104,000 equivalent) (2011: RMB398,200,000 (HK\$489,786,000 equivalent)) which was pledged for bill payables of RMB292,417,000 (HK\$362,598,000 equivalent) (2011: RMB355,673,000 (HK\$437,478,000 equivalent)) (Note 14).

As at 31 December 2012, the Group discounted and endorsed certain of its bill receivables with full recourse to financial institutions and creditors. In the event of default by the debtors, the Group is obliged to pay the financial institutions and creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its discounted and endorsed bill receivables.

The discounting and endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted and endorsed bill receivables. At 31 December 2012, bill receivables of RMB848,744,000 (HK\$1,052,443,000 equivalent) (2011: nil) continue to be recognised in the Group's financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing (Note 15), trade payables (Note 14) and other payables until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. At 31 December 2012, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB708,296,000 (HK\$878,288,000 equivalent), RMB18,509,000 (HK\$22,950,000 equivalent) and RMB121,939,000 (HK\$151,205,000 equivalents) respectively (2011: nil).

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

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

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case impairment loss is written off against trade and bill receivables directly. As at 31 December 2012, ageing analysis of net trade and bill receivables, based on the invoice dates, is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 90 days	2,591,068	1,555,026
91 – 180 days	944,869	1,787,034
181 – 365 days	4,554	8,895
	<u>3,540,491</u>	<u>3,350,955</u>

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
At 1 January	166,058	159,308
Exchange retranslation	1,499	6,750
Impairment loss recognised ( <i>Note 7</i> )	18,426	–
	<u>185,983</u>	<u>166,058</u>

As at 31 December 2012, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Neither past due nor impaired	3,532,605	3,319,875
1 – 90 days past due	5,820	22,185
91 – 180 days past due	2,066	6,137
181 – 365 days past due	–	2,758
	<u>7,886</u>	<u>31,080</u>
	<u>3,540,491</u>	<u>3,350,955</u>

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

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

#### 14. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2011: 30 to 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2012 is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 90 days	396,084	519,028
91 – 180 days	282,908	471,479
181 – 365 days	13,387	14,706
Over 365 days	25,529	26,218
	<u>717,908</u>	<u>1,031,431</u>

As at 31 December 2012, bill payables of RMB431,010,000 (HK\$534,453,000 equivalent) (2011: RMB643,592,000 (HK\$791,619,000 equivalent)) were secured by the pledged bank deposits of RMB138,593,000 (HK\$171,855,000 equivalent) (2011: RMB287,919,000 (HK\$354,141,000 equivalent)) and bill receivables of RMB333,955,000 (HK\$414,104,000 equivalent) (2011: RMB398,200,000 (HK\$489,786,000 equivalent)) (Note 13).

As at 31 December 2012, included in trade payables of RMB18,509,000 (HK\$22,950,000 equivalent) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 13).

#### 15. BORROWINGS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Current</b>		
Bank borrowings – secured	193,100	891,916
Other borrowings	2,232	2,214
Finance lease payables	1,828	3,718
Asset-backed financing ( <i>Note</i> )	878,288	–
	<u>1,075,448</u>	<u>897,848</u>

*Note:*

Asset-backed financing represents the financing obtained in invoice discounting transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 13).

## 16. SHARE CAPITAL

	Number of shares		Amount	
	2012 '000 shares	2011 '000 shares	2012 HK\$'000	2011 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each At 31 December	<u>10,000,000</u>	<u>10,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each At 1 January	5,377,507	5,380,563	537,751	538,056
Share repurchased	<u>(75,670)</u>	<u>(3,056)</u>	<u>(7,567)</u>	<u>(305)</u>
At 31 December	<u>5,301,837</u>	<u>5,377,507</u>	<u>530,184</u>	<u>537,751</u>

During the year ended 31 December 2012, the Company repurchased 75,670,000 ordinary shares of the Company on The Stock Exchange for a consideration of HK\$197,535,000. These 75,670,000 repurchased ordinary shares were cancelled during the year.

During the year ended 31 December 2011, the Company repurchased 3,056,000 ordinary shares of the Company on The Stock Exchange for a total consideration of HK\$7,904,000. Out of the 3,056,000 repurchased ordinary shares, 2,216,000 repurchased ordinary shares were cancelled during the year ended 31 December 2011 and the remaining 840,000 repurchased ordinary shares were cancelled subsequent to 31 December 2011.

The issued share capital of the Company has been reduced by the par value of the total repurchased ordinary shares.

## 17. COMMITMENTS

### (a) Operating lease commitments

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	2012 HK\$000	2011 HK\$000
Within one year	7,252	5,444
In the second to fifth years	19,360	14,564
After fifth years	<u>58,315</u>	<u>61,483</u>
	<u>84,927</u>	<u>81,491</u>

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 1 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) **Capital commitments**

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Contracted but not provided for:		
– Acquisition of property, plant and equipment	194,803	376,364
– Exploration and design fees for a potential mining project	9,275	9,200
	<u>204,078</u>	<u>385,564</u>

(c) **Other commitments**

In accordance with notices issued by the Liulin County Government of Shanxi Province, certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the improvement of educational infrastructure and facilities in the Liulin County including construction of modern schools and provision of educational facilities from 2012 to 2014 (31 December 2011: 2012 to 2014). Such subsidies will be charged in the consolidated statement of comprehensive income in the corresponding years accordingly. As at 31 December 2012, management expects that two (31 December 2011: three) further payments of RMB198,000,000 (HK\$245,520,000 equivalent) (31 December 2011: RMB198,000,000 (HK\$243,540,000 equivalent)) each are payable in 2013 to 2014 (31 December 2011: 2012 to 2014).

**18. EVENT AFTER THE REPORTING DATE**

On 18 February 2013, Mount Gibson Iron Limited (“Mount Gibson”), which is accounted for as a financial assets measured at fair value through other comprehensive income of the Group and its shares are listed in Australia, declared a fully franked interim dividend of AUD2 cents per ordinary share to its shareholders for the period ended 31 December 2012. As at 31 December 2012, the Group held 163,866,874 ordinary shares of Mount Gibson and is entitled to the dividend of AUD3,277,337 from Mount Gibson. Such dividend will be received on 15 April 2013. Accordingly, the Group will recognise such dividend income of AUD3,277,337 (HK\$26,390,000 equivalent) in the consolidated statement of comprehensive income in the first half of 2013.

**FINAL DIVIDEND**

The Board recommends a final dividend of HK10 cents per ordinary share for the year ended 31 December 2012 (2011: HK13 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 24 June 2013. The proposed final dividend together with the interim dividend of HK5 cents per ordinary share (2011: HK6 cents per ordinary share) will make a total dividend of HK15 cents per ordinary share for the year ended 31 December 2012 (2011: HK19 cents per ordinary share).

Subject to shareholders’ approval of the proposed final dividend at the Company’s annual general meeting to be held on Tuesday, 18 June 2013 (the “AGM”), the final dividend is expected to be paid on or about Tuesday, 9 July 2013. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 24 June 2013 for registration.



## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 June 2013 to Tuesday, 18 June 2013 (both days inclusive) to determine the entitlement to attend and vote at the AGM. During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 14 June 2013 for registration.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the year ended 31 December 2012 together with that of the same period of 2011 is summarised as follows:

		For the year ended 31 December		Change	
	Unit	2012	2011	Quantity/ Amount	Percentage
<i>Production volume:</i>					
Raw coking coal	Mt	<b>6.10</b>	6.36	<b>-0.26</b>	<b>-4%</b>
Clean coking coal	Mt	<b>2.48</b>	2.31	<b>+0.17</b>	<b>+7%</b>
<i>Sales volume:</i>					
Raw coking coal	Mt	<b>2.33</b>	2.77	<b>-0.44</b>	<b>-16%</b>
Clean coking coal	Mt	<b>2.41</b>	2.26	<b>+0.15</b>	<b>+7%</b>
<i>Average realised selling price (inclusive of VAT):</i>					
Raw coking coal	RMB/tonne	<b>838</b>	1,021	<b>-183</b>	<b>-18%</b>
Clean coking coal	RMB/tonne	<b>1,423</b>	1,812	<b>-389</b>	<b>-21%</b>

For the year ended 31 December 2012, the Group produced approximately 6.10 million tonnes ("Mt") (2011: approximately 6.36 million tonnes) of raw coking coal, representing a year-on-year decrease of 4% and also produced approximately 2.48 million tonnes (2011: approximately 2.31 million tonnes) of clean coking coal, representing a year-on-year increase of 7%. The decrease in raw coking coal production volume by 4% was due to the temporary reduction in demand of coking coal during the year under review. Operation of our three premium operating coking coal mines continued running smoothly throughout the year under review.

For the year ended 31 December 2012, we continued to make effort to expand our clean coking coal business. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal and hence both production and sales volume of clean coking coal increased by 7% while sales volume of raw coking coal dropped by 16% for the year ended 31 December 2012.

For the year ended 31 December 2012, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal decreased by 18% to Renminbi ("RMB") 838/tonne when compared with that of the same period of 2011 (2011: RMB1,021/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal decreased by 21% to RMB1,423/tonne when compared with that of the same period of 2011 (2011: RMB1,812/tonne). The decrease in average realised selling prices of raw and clean coking coal was in line with the drop of market prices. In addition, the decrease in average realised selling price of clean coking coal was also due to the increase in proportion of sales volume of clean coking coal at ex-factory prices for the year ended 31 December 2012. In terms of sales volume, ex-factory prices and C&F prices of clean coking coal accounted for 79% and 21% respectively for the year ended 31 December 2012 compared against 38% and 62% respectively for the year ended 31 December 2011.

## **FINANCIAL REVIEW**

For the year ended 31 December 2012, the Group recorded a turnover of approximately Hong Kong Dollars ("HK\$") 5,651 million, representing a decrease of approximately HK\$1,488 million or 21% as compared with that of approximately HK\$7,139 million for the same period of 2011. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 18% and 21% respectively for the year. In terms of turnover, sales of raw and clean coking coal accounted for 36% and 64% of the Group's turnover, respectively for the year ended 31 December 2012 compared against 41% and 59%, respectively for the year ended 31 December 2011.

For the year ended 31 December 2012, total turnover to the top five customers accounted for 67% of the Group's turnover. Of which, the turnover to the largest customer accounted for 22% of the Group's turnover.

For the year ended 31 December 2012, gross profit margin was 63% while 70% for the same period in 2011. Decrease in gross profit margin was mainly due to the drop in realised selling prices as explained above.

For the year ended 31 December 2012, the Group recorded net profit of approximately HK\$2,150 million, representing a decrease of approximately HK\$500 million or 19% as compared with that of approximately HK\$2,650 million for the same period of 2011. For the year ended 31 December 2012, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK\$1,800 million, representing a decrease of approximately HK\$456 million or 20% as compared with that of approximately HK\$2,256 million for the same period of 2011. The decrease in net profit and profit attributable to the Owners in 2012 were mainly attributable to the decrease in turnover as explained above, although the effect on the decrease in turnover was partially offset by below two events.

For the year ended 31 December 2012, no non-cash share-based compensation expense was incurred as this expense had been fully recognised since August 2011. The Group incurred a non-cash share-based compensation expense of approximately HK\$177 million in last year. In addition, as a result of the completion of the disposal of discontinued operations (coke plant) in December 2011, no loss from the discontinued operations was recorded for the year ended 31 December 2012. The Group recorded loss of approximately HK\$139 million from the discontinued operations in last year.

During the year under review, basic earnings per share was HK33.80 cents (2011: HK41.93 cents), representing a year-on-year decrease of 19%.

## Cost of Sales

During the year under review, cost of sales was approximately HK\$2,065 million, representing a decrease of approximately HK\$45 million or 2%, as compared with that of approximately HK\$2,110 million for the same period of 2011. The change was due to the following reasons:

- (i) The decrease in production costs was resulted from the decrease in production of raw coking coal by 4% from 6.36 million tonnes for the year ended 31 December 2011 to 6.10 million tonnes for the year ended 31 December 2012; after offset by the effect on (a) the increase in unit production cost of raw coking coal by 1% as explained in below (ii); (b) the increase in sales volume of clean coking coal by 7% from 2.26 million tonnes for the year ended 31 December 2011 to 2.41 million tonnes for the year ended 31 December 2012; and (c) the appreciation of RMB for the year ended 31 December 2012 by approximately 2%.
- (ii) The unit production costs are summarised as follows:

	Unit	For the year ended		Change	
		31 December 2012	2011	Amount	Percentage
Production cost of raw coking coal	RMB/tonne	260	258	+2	+1%
<i>Less:</i>					
One-off relocation compensation expenses	RMB/tonne	(7)	(13)		
One-off reversal of capitalised environmental restoration fund in prior years	RMB/tonne	–	(9)		
		253	236	+17	+7%
<i>of which, depreciation and amortisation</i>	RMB/tonne	(61)	(57)	+4	+7%
Processing cost for clean coking coal	RMB/tonne	54	54	–	–
<i>of which, depreciation</i>	RMB/tonne	(11)	(11)	–	–

The increase in unit production cost (exclusion of one-off production costs) of raw coking coal by 7% was resulted from the decrease in production volume of raw coking coal by 4% during the year under review; the increase in uncontrollable costs such as (a) the increase in water resource related levies by approximately HK\$17 million for the year ended 31 December 2012; (b) the increase in power charge by approximately HK\$25 million for the year ended 31 December 2012 as a result of the hikes in national power tariffs and the increase in usage of basic charge volume by substation; and the increase in other costs such as (c) the increase in usage maintenance fund by approximately HK\$16 million for the year ended 31 December 2012.

Included in cost of sales, amortisation of mining rights was approximately HK\$276 million for the year ended 31 December 2012, representing a decrease of approximately HK\$10 million or 3%, as compared with that of approximately HK\$286 million for the same period of 2011. The decrease in amortisation of mining rights was mainly due to the decrease in production volume of raw coking coal by 4%, although the effect was partially offset by the appreciation of RMB by approximately 2% during the year under review.

### **Gross Profit and Gross Profit Margin**

As a result of the reasons above, gross profit for the year ended 31 December 2012 was approximately HK\$3,586 million, representing a decrease of approximately HK\$1,443 million or 29% as compared with that of approximately HK\$5,029 million for the same period of 2011. During the year under review, gross profit margin was 63% whereas 70% for the same period of 2011. The drop in gross profit margin was mainly due to the decrease in average realised selling prices for the year ended 31 December 2012 when compared with that in the same period of 2011 as explained above.

### **Other Operating Income**

During the year under review, other operating income was approximately HK\$324 million, representing a decrease of approximately HK\$18 million or 5% as compared with approximately HK\$342 million of the same period in 2011. Although (i) bank interest income was substantially increased by approximately HK\$61 million from approximately HK\$59 million for the same period of 2011 to approximately HK\$120 million for the year ended 31 December 2012 as a result of the effective cash management; and (ii) the increase of income from sales of scrapped products generated from the process of clean coking coal by approximately HK\$7 million to approximately HK\$85 million which was increased with the production volume of clean coking coal for the year ended 31 December 2012, the effect was fully offset by the substantial decrease in net exchange gain of approximately HK\$74 million during the year under review arising from re-translation of the Group's current assets denominated in RMB as at 31 December 2012. The reduction was the result of the appreciation of RMB by approximately 1% as at 31 December 2012 compared with that as at 31 December 2011 (2011: approximately 4%). As a result, the other operating income decreased by approximately HK\$18 million.

### **Selling and Distribution Expenses**

During the year under review, selling and distribution expenses were approximately HK\$270 million, representing a significant decrease of approximately HK\$366 million or 58% as compared with that of approximately HK\$636 million for the same period of 2011. The decrease was mainly as a result of the substantial decrease in transportation costs arising from the decrease in sales volume of clean coking coal at C&F prices by approximately 64% from 1.39 million tonnes for the year ended 31 December 2011 to 0.50 million tonnes for the year ended 31 December 2012.

### **General and Administrative Expenses**

During the year under review, administrative expenses were approximately HK\$370 million, representing a significant decrease of approximately HK\$236 million or 39% as compared with approximately HK\$606 million for the same period of 2011. The decrease was resulted from (i) the reduction of the non-cash share-based compensation expense by approximately HK\$177 million during the year under review as this expense had been fully recognised since August 2011; (ii) the decrease in directors' remuneration by approximately HK\$13 million during the year under review; (iii) the reduction in road maintenance fee by approximately HK\$9 million during the year under review, which was payment on demand by the relevant authority; and (iv) the effective cost control during the year under review.

### **Other Operating Expenses**

During the year under review, other operating expenses were approximately HK\$294 million, which mainly represented the committed annual payment of charitable donation for the year of 2012 of approximately HK\$244 million paid by the Group to the Liulin Provincial Government, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2011.

### **Finance Costs**

During the year under review, actual finance costs were approximately HK\$41 million, representing a decrease of approximately HK\$13 million or 24% as compared with that of approximately HK\$54 million for the same period of 2011. During the year under review, approximately HK\$14 million (2011: approximately HK\$32 million) of borrowing costs were capitalised in the construction in progress. The decrease in actual finance costs was due to the decrease in bank borrowings by approximately HK\$699 million from approximately HK\$892 million as at 31 December 2011 to approximately HK\$193 million as at 31 December 2012. The average annual interest rate charges on the bank borrowings were approximately 4% for the year ended 31 December 2012 and 2011. During the year under review, the Group adopted short term financing such as discounted bill receivables instead of long term bank borrowings. As a result, the actual finance costs were decreased by approximately HK\$13 million during the year under review.

### **Income Tax Expense**

During the year under review, income tax expense was approximately HK\$822 million (2011: approximately HK\$1,141 million), of which approximately HK\$76 million (2011: approximately HK\$123 million) represented the provision of withholding tax of 5% on the dividend declared from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC Subsidiaries") in accordance with the tax regulations in the PRC. The substantial decrease in income tax expense was decrease in line with profits during the year under review. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%.

### **Owner's Attributable Profit**

By reasons of the foregoing, profit attributable to the Owners during the year under review was approximately HK\$1,800 million, representing a decrease of approximately HK\$456 million or 20% as compared with that of approximately HK\$2,256 million for the same period of 2011.

### **Material Investments and Acquisitions**

During the year ended 31 December 2012, the Group had no material investments and acquisitions.

### **Material Disposals**

During the year ended 31 December 2012, the Group had no material disposals.

### **Safety Production and Environmental Protection**

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

### **Charges on Assets**

As at 31 December 2012, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

- (i) bank deposits of approximately HK\$172 million and bill receivables of approximately HK\$414 million were used for securing bills facilities of approximately HK\$535 million; and
- (ii) the pledged of shares by certain subsidiaries of the Company namely Jade Green Investments Holding Limited, Thechoice Finance Limited, Worldman Industrial Limited, Gumpert Industries Limited, Thechoice Finance (HK) Limited, Worldman Industrial (HK) Limited and Gumpert Industries (HK) Limited that were used for securing United States Dollars ("US\$") 25 million of bank loan for the Company.

### **Contingent Liabilities**

As at 31 December 2012, there were no guarantees given to any banks or financial institutions by the Group.

### **Gearing Ratio**

As at 31 December 2012, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 5%. Exclusion the effect on discounted bill receivables amounting to approximately HK\$878 million, the Group's gearing ratio would be approximately 1%. The total borrowings (exclusive of the discounted bill receivables amounting to approximately HK\$878 million) amounted to approximately HK\$197 million as at 31 December 2012.

### **Exposure to Fluctuations in Exchange Rates**

As at 31 December 2012, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2012, RMB was appreciated by approximately 1% while AUD was appreciated by approximately 2% respectively when compared to that as at 31 December 2011.

### **Liquidity and Financial Resources**

As at 31 December 2012, the Group's current ratio (current assets divided by current liabilities) was approximately 2.3 times and the Group's cash and bank deposits amounted to approximately HK\$4,846 million, of which approximately HK\$172 million was deposited to secure bills facilities of the same amount.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK\$2,632 million (of which approximately HK\$1,052 million was for discounted and endorsed bill receivables and approximately HK\$414 million was used for securing bills facilities of approximately HK\$363 million) as at 31 December 2012 that were readily convertible into cash, but would be subject to finance cost when conversion before the maturity. Taking into account for the free bill receivables of approximately HK\$1,166 million, the Group's free cash resources would have approximately HK\$5,840 million as at 31 December 2012.

### **Capital Structure**

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 31 December 2012, the amount of capital was approximately HK\$21,937 million.

During the year under review, the Company repurchased a total of 75,670,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$198 million. The share repurchases were made with a view to enhance shareholders' interests. All repurchased shares were cancelled during the year under review.

Save for disclosed above, there was no change in the issued capital of the Company during the year under review. As at 31 December 2012, the issued capital of the Company was approximately HK\$530 million, represented approximately 5,302 million shares in number.

As at 31 December 2012, the total borrowings of approximately HK\$1,075 million denominated in US\$ and RMB. The US\$ borrowing of approximately HK\$193 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable by 3 installments from March 2013 to September 2013. The RMB borrowings of approximately HK\$878 million are asset-backed financing. The remaining balances of RMB borrowings of approximately HK\$4 million are subject to fixed interest rates or interest free and are repayable within 1 year from 31 December 2012.

## **EMPLOYEES**

As at 31 December 2012, the Group had 29 Hong Kong employees and 6,562 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides a mandatory and voluntary provident fund scheme for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group has a share option scheme. During the year under review, no share option was granted, exercised, cancelled or lapsed.

## **FUTURE PROSPECTS**

Global economy was still weak in 2012, developed countries such as Europe, USA and Japan all suffered from debt crisis as a result of the slow recovery, the central banks of these countries all initiated quantitative easing (QE) in the third quarter of 2012. The growth in developing countries such as India and China also slowed down. Thus, 2013 will be a year full of challenges. Although USA was able to escape from the "fiscal cliff", she still needs to accept budget-cut of US\$85 billion eventually. Accordingly, the US government will have to cut down headcount, slow down spending on infrastructure, cutting benefits and reducing domestic consumption. In an environment where there are still many uncertainties in these foreign countries, export is affected and the development of China's economy will be relied on domestic consumption.

In the fourth quarter of 2012, National Development and Reform Commission approved investment projects amounting up to RMB7 trillion, mainly in large infrastructure projects such as railway, highway and airports. At the same time, spending on fixed asset investments on railways increased to RMB650 billion in 2013. In addition, urbanisation is another critical driving force that will drive up fixed asset investments. Urbanisation rate had surpassed 51% and 6 million units of social housing have been completed in 2012. The target is to be completed another 4.6 million units in 2013. To support the growth of urbanisation, investment in infrastructure will continue to be a backbone to support the growth of fixed asset investments. It is expected that RMB40 trillion will be spent in the next decade to drive up the growth of urbanisation. These investments will drive up the demand for steel and this will be a good factor for the steel sector. As the policy on cutting down on carbon emission and protection on scarcely resources has been implemented and Mongolia, the largest importer of coking coal to China in the past two years, had started to suspend import to China in January 2013, all of these factors will have a support to the coking coal prices.

We will seize the opportunity to continue to develop strategic cooperation with our major steel producers to expand our coal business. In addition, we shall take full advantage of our solid financial strength and competent staff team to look for quality merger and acquisition projects both domestically and internationally to expand our production capacity and resource reserve in order to maximize the return for our shareholders.

#### **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

During the year, the Company repurchased a total of 75,670,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$196,982,940 (expenses excluded). The share repurchases were made with a view to enhance shareholders' interests. Details of the share repurchases are as follows:

<b>Month of share repurchases</b>	<b>Total number of the ordinary shares repurchased</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate consideration</b> (expenses excluded) <i>HK\$</i>
January 2012	110,000	2.73	2.64	291,300
April 2012	46,716,000	2.71	2.53	124,590,340
May 2012	28,844,000	2.60	2.39	72,101,300
	<u>75,670,000</u>			<u>196,982,940</u>

All of the above repurchased shares were cancelled during the year.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.



## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES AND CORPORATE GOVERNANCE CODE**

The Code on Corporate Governance Practices (the “Former Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange was revised to, and renamed as, Corporate Governance Code (the “Revised Code”) from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 31 December 2012, except for the following deviation:

- Under the second part of code provision A.6.7 of the Revised Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Two Independent Non-executive Directors of the Company did not attend the annual general meeting of the Company held on 25 May 2012 (the “2012 AGM”) due to their other business engagements. The Company considers that the Non-executive Directors and the Independent Non-executive Director in attendance at the 2012 AGM were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company.

Details of the Company’s compliance with the provisions of the Former Code and the Revised Code during the year will be set out in the Corporate Governance Report in the Company’s 2012 annual report.

### **APPRECIATION**

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

By order of the Board  
**Li Shaofeng**  
Chairman

Hong Kong, 27 March 2013

*As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Chen Zhouping (Vice-chairman and Managing Director), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Chan Chung Chun (Independent Non-executive Director).*