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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the six months ended 30 June 2013**	2012	Percentage change
Revenue	**2,322**	3,339	-30%
Gross profit	**1,285**	2,311	-44%
Gross profit margin	**55%**	69%	
Operating profit	**1,023**	1,801	-43%
EBITDA[1]	**1,319**	2,072	-36%
Profit for the period	**703**	1,251	-44%
Profit attributable to owners of the Company	**582**	1,006	-42%
Basic earnings per share (HK cents)	**10.98**	18.79	-42%

(HK$'million)	**As at 30 June 2013**	As at 31 December 2012	Percentage change
Net assets	**20,617**	20,862	-1%
Gearing ratio[2]	**3.25%**	5.16%	-37%
Adjusted gearing ratio[3]	**0.39%**	0.95%	-59%

The board of directors has declared a 2013 interim dividend of HK2.7 cents (2012 interim: HK5.0 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.

INTERIM RESULTS

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**2,321,979**	3,339,013
Cost of sales		**(1,037,324)**	(1,027,933)
Gross profit		**1,284,655**	2,311,080
Other operating income	*4*	**217,227**	143,519
Selling and distribution expenses		**(62,305)**	(196,332)
General and administrative expenses		**(153,596)**	(199,415)
Other operating expenses		**(262,870)**	(257,918)
Operating profit		**1,023,111**	1,800,934
Finance costs	*5*	**(13,994)**	(11,702)
Change in fair value of derivative financial instruments		**(1,436)**	(11,350)
Share of loss of an associate		**(385)**	(203)
Profit before income tax	*6*	**1,007,296**	1,777,679
Income tax expense	*7*	**(304,311)**	(526,364)
Profit for the period		**702,985**	1,251,315

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**207,150**	(91,876)
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(623,658)**	(372,392)
Total comprehensive income for the period		**286,477**	787,047
Profit for the period attributable to:			
Owners of the Company		**582,346**	1,005,539
Non-controlling interests		**120,639**	245,776
Profit for the period		**702,985**	1,251,315
Total comprehensive income for the period attributable to:			
Owners of the Company		**138,415**	552,431
Non-controlling interests		**148,062**	234,616
Total comprehensive income for the period		**286,477**	787,047
		HK(Cents)	*HK(Cents)*
Earnings per share	*9*		
– Basic		**10.98**	18.79
– Diluted		**10.98**	18.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,616,989**	3,599,184
Prepaid lease payments		**60,979**	60,785
Mining rights		**10,451,371**	10,440,937
Goodwill		**2,301,107**	2,264,910
Interest in an associate		**19,301**	19,376
Financial assets measured at fair value through other comprehensive income	*10*	**676,591**	1,300,109
Deposits, prepayments and other receivables		**338,767**	346,484
Deferred tax assets		**30,826**	31,592
Total non-current assets		**17,495,931**	18,063,377
Current assets			
Inventories		**243,151**	163,282
Trade and bill receivables	*11*	**2,765,853**	3,540,491
Deposits, prepayments and other receivables		**174,154**	161,376
Amounts due from other parties		**28,365**	21,481
Derivative financial instruments		**4,089**	24,645
Pledged bank deposits		**271,447**	171,855
Time deposits with original maturity over three months		**2,889,588**	1,692,681
Cash and cash equivalents		**2,487,034**	2,981,333
Total current assets		**8,863,681**	8,757,144

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Current liabilities			
Trade and bill payables	*12*	**591,156**	717,908
Other payables and accruals		**1,391,469**	1,656,613
Dividend payables		**530,184**	–
Borrowings	*13*	**670,323**	1,075,448
Derivative financial instruments		**2,315**	241
Amounts due to other parties		**20,684**	18,690
Amounts due to non-controlling interests of subsidiaries		**23,105**	21,475
Tax payables		**322,646**	325,252
Total current liabilities		**3,551,882**	3,815,627
Net current assets		**5,311,799**	4,941,517
Total assets less current liabilities		**22,807,730**	23,004,894
Non-current liabilities			
Deferred tax liabilities		**2,190,552**	2,142,911
Total non-current liabilities		**2,190,552**	2,142,911
Net assets		**20,617,178**	20,861,983
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**530,184**	530,184
Reserves		**18,301,731**	18,693,500
Total equity attributable to owners of the Company		**18,831,915**	19,223,684
Non-controlling interests		**1,785,263**	1,638,299
Total equity		**20,617,178**	20,861,983

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 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 six months ended 30 June 2013.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2013 (the "Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

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

The Interim Financial Information was approved for issue by the board of directors on 28 August 2013.

The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2012, except for the adoption of the following standards as of 1 January 2013:

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
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
HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle

Other than as noted below, the adoption of these new or amended HKFRSs has no material impact on the Interim Financial Information.

2.1 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. The Group's presentation of other comprehensive income in the Interim Financial Information has been modified accordingly.

2.2 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. The adoption of the amendments does not have an impact on the Interim Financial Information because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

2.3 HKFRS 10 Consolidated Financial Statements

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

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

2.4 HKFRS 12 Disclosure of Interests in Other Entities

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

2.5 HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report.

2.6 HKFRSs (Amendments) Annual Improvements 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision marker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in Note 3 to the Interim Financial Information.

3. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and 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 segment:

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

For the six months ended 30 June 2013, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The operating segment is 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:

	Coking coal mining		Total		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external parties	**2,321,979**	3,339,013	**2,321,979**	3,339,013	**2,321,979**	3,339,013
Segment operating profit	**931,245**	1,764,191	**931,245**	1,764,191	**931,245**	1,764,191
Interest income			**63,714**	70,653	**63,714**	70,653
Other operating income not allocated			**76,727**	27,463	**76,727**	27,463
General and administrative expenses not allocated			**(48,575)**	(61,373)	**(48,575)**	(61,373)
Operating profit			**1,023,111**	1,800,934	**1,023,111**	1,800,934
Finance costs			**(13,994)**	(11,702)	**(13,994)**	(11,702)
Change in fair value of derivative financial instruments			**(1,436)**	(11,350)	**(1,436)**	(11,350)
Share of loss of an associate			**(385)**	(203)	**(385)**	(203)
Profit before income tax			**1,007,296**	1,777,679	**1,007,296**	1,777,679

	Coking coal mining		Corporate		Consolidated	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**21,042,313**	20,895,453	**4,586,492**	4,549,346	**25,628,805**	25,444,799
Segment liabilities	**1,966,741**	2,338,365	**589,857**	76,321	**2,556,598**	2,414,686

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**63,714**	67,986
Other interest income	**–**	2,667
Dividend income on financial assets measured at fair value through other comprehensive income	**26,260**	27,463
Income from sales of scrapped products	**49,276**	45,387
Net foreign exchange gain *(Note 6)*	**75,727**	–
Others	**2,250**	16
	217,227	143,519

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on:		
– bank borrowings repayable within five years	**2,099**	12,097
– discounted bill receivables	**11,895**	8,545
Finance charges on finance leases	**–**	368
	13,994	21,010
Less: interest capitalised in construction in progress*	**–**	(9,308)
Total finance costs	**13,994**	11,702

* No borrowing costs were capitalised for the six months ended 30 June 2013 (Six months ended 30 June 2012: Borrowing costs were capitalised at the rates ranging from 2% to 7% per annum).

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**1,037,324**	1,027,933
Amortisation of		
– prepaid lease payments	**781**	766
– mining rights	**156,716**	140,032
Depreciation of property, plant and equipment		
– owned assets	**138,276**	129,139
– leased assets	**–**	886
Employee benefit expenses *(including directors' remuneration and retirement benefits scheme contributions)*	**335,389**	333,237
Net foreign exchange (gain)/loss *(Note 4)*	**(75,727)**	18,004
Provision for impairment on trade receivables	**3,380**	11,211
Operating lease charges in respect of land and buildings	**3,432**	3,177

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**290,071**	531,396
Deferred tax	**14,240**	(5,032)
	304,311	526,364

No provision for Hong Kong Profits Tax has been made in the Interim Financial Information as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2013 and 2012.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, 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, are subject to 25% enterprise income tax in the PRC.

The Group is also subject to a withholding tax at the rate of 5% (Six months ended 30 June 2012: 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.

8. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK2.7 cents per ordinary share (Six months ended 30 June 2012: HK5.0 cents per ordinary share)	**143,150**	265,092

Interim dividend of HK2.7 cents (Six months ended 30 June 2012: HK5.0 cents) per ordinary share declared after 30 June 2013 (Six months ended 30 June 2012: 30 June 2012) has not been recognised as a liability as at the reporting date.

Interim dividend for the six months ended 30 June 2013 is expected to be paid on or about 10 October 2013 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 13 September 2013. As at 30 June 2013, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2012: 5,301,837,842).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	**582,346**	1,005,539
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,301,837**	5,351,476
Effect of dilutive potential ordinary shares – share options	**2,188**	2,744
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,304,025**	5,354,220

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Equity securities, at fair value		
– listed in Australia	**547,315**	1,101,185
– listed in Hong Kong	**120,456**	190,244
	667,771	1,291,429
Unlisted equity interest	**8,820**	8,680
	676,591	1,300,109

11. TRADE AND BILL RECEIVABLES

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Trade receivables	**870,936**	1,094,307
Less: provision for impairment losses	**(192,390)**	(185,983)
	678,546	908,324
Bill receivables	**2,087,307**	2,632,167
	2,765,853	3,540,491

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
0-90 days	**1,345,384**	2,591,068
91-180 days	**1,419,320**	944,869
181-365 days	**1,149**	4,554
	2,765,853	3,540,491

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2012: 60 to 90 days) and no interest has been charged during the period.

As at 30 June 2013, bill receivables included an amount of RMB112,517,000 (HK$141,771,000 equivalent) (31 December 2012: RMB333,955,000 (HK$414,104,000 equivalent)) which was pledged for bill payables of RMB67,003,000 (HK$84,424,000 equivalent) (31 December 2012: RMB292,417,000 (HK$362,598,000 equivalent)) (Note 12).

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 30 June 2013, bill receivables of RMB575,309,000 (HK$724,889,000 equivalent) (31 December 2012: RMB848,744,000 (HK$1,052,443,000 equivalent)) continue to be recognised in the Group's financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing (Note 13), trade payables (Note 12) and other payables until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. At 30 June 2013, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB468,790,000 (HK$590,675,000 equivalent) (31 December 2012: RMB708,296,000 (HK$878,288,000 equivalent)), RMB39,435,000 (HK$49,688,000 equivalent) (31 December 2012: RMB18,509,000 (HK$22,950,000 equivalent)) and RMB67,084,000 (HK$84,526,000 equivalent) (31 December 2012: RMB121,939,000 (HK$151,205,000 equivalents)) respectively.

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

12. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 180 days (Six months ended 30 June 2012: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2013 is as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0-90 days	**220,782**	396,084
91-180 days	**264,636**	282,908
181-365 days	**83,126**	13,387
Over 365 days	**22,612**	25,529
	591,156	717,908

As at 30 June 2013, bill payables of RMB278,452,000 (HK$350,850,000 equivalent) (31 December 2012: RMB431,010,000 (HK$534,453,000 equivalent)) were secured by all (31 December 2012: All) pledged bank deposits of the Group and bill receivables of RMB112,517,000 (HK$141,771,000 equivalent) (31 December 2012: RMB333,955,000 (HK$414,104,000 equivalent)) (Note 11).

As at 30 June 2013, included in trade payables of RMB39,435,000 (HK$49,688,000 equivalent) (31 December 2012: 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 have been included in bill receivables (Note 11).

13. BORROWINGS

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Current		
Bank borrowings – secured	**77,380**	193,100
Other borrowings	**2,268**	2,232
Finance lease payables	**–**	1,828
Asset-backed financing *(Note 11)*	**590,675**	878,288
Total borrowings	**670,323**	1,075,448

14. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
	'000 shares	*'000 shares*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised:				
Ordinary shares of HK$0.10 each				
At 30 June/31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**5,301,837**	5,377,507	**530,184**	537,751
Shares repurchased	**–**	(75,670)	**–**	(7,567)
At 30 June/31 December	**5,301,837**	5,301,837	**530,184**	530,184

During the year ended 31 December 2012, the Company repurchased 75,670,000 ordinary shares of the Company on the Stock Exchange for a total consideration of HK$197,535,000. These 75,670,000 repurchased ordinary shares were cancelled in that year. The issued share capital of the Company was reduced by the par value of the total repurchased ordinary shares.

15. COMMITMENTS

(a) Operating lease commitments

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**5,876**	6,441
In the second to fifth years	**15,131**	16,117
After the fifth years	**43,174**	43,918
	64,181	66,476

The Group leases a number of land and buildings and other assets under operating lease arrangements. The leases run for an initial period of 1 to 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

Capital commitments of the Group at 30 June 2013 are as follows:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for :		
– Acquisition of property, plant and equipment	**206,448**	194,803
– Exploration and design fees for a potential mining project	**9,425**	9,275
	215,873	204,078

(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 2012: 2012 to 2014). Such subsidies are charged in consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 30 June 2013, management expects that one (31 December 2012: two) further payment of RMB198,000,000 (HK$249,480,000 equivalent) (31 December 2012: RMB198,000,000 (HK$245,520,000 equivalent)) is payable in 2014 (31 December 2012: 2013 to 2014).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.7 cents per ordinary share for the six months ended 30 June 2013 (2012: HK5 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 13 September 2013. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, 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, 13 September 2013 for registration. The interim dividend is expected to be paid on or about Thursday, 10 October 2013.

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 six months ended 30 June 2013 (the "period under review") together with that of the same period of 2012 is summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2013**	2012	Quantity/ Amount	%	2012 FY	%
Production volume:							
Raw coking coal	Mt	**3.39**	3.04	+0.35	+12%	6.10	
Clean coking coal	Mt	**1.28**	1.23	+0.05	+4%	2.48	
Sales volume:							
Raw coking coal	Mt	**1.32**	1.12	+0.20	+18%	2.33	
Clean coking coal	Mt	**1.12**	1.18	-0.06	-5%	2.41	
Average realised selling price (inclusive of VAT):							
Raw coking coal	RMB/tonne	**661**	1,064	-403	-38%	838	-21%
Clean coking coal	RMB/tonne	**1,158**	1,687	-529	-31%	1,423	-19%

For the six months ended 30 June 2013, the Group produced approximately 3.39 million tonnes ("Mt") (Six months ended 30 June 2012: approximately 3.04 Mt) of raw coking coal, representing a year-on-year increase of 12% and also produced approximately 1.28 Mt (Six months ended 30 June 2012: approximately 1.23 Mt) of clean coking coal, representing a year-on-year increase of 4%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Notwithstanding the influence of the economic slowdown in the Mainland China and the cheap imported coal, the sales volume of raw coking coal of the Group increased by 18% and the sales volume of clean coking coal just dropped by 5% during the period under review.

The significant decline in average realised selling prices of our coal products were in line with the slump in market coal prices. For the six months ended 30 June 2013, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal decreased by 38% to Renminbi ("RMB") 661/tonne when compared with that of the same period of 2012 (Six months ended 30 June 2012 : RMB1,064/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal decreased by 31% to RMB1,158/tonne when compared with that of the same period of 2012 (Six months ended 30 June 2012 : RMB1,687/tonne). Except for the slump in market coal prices, the decline in average realised selling price of raw coking coal was also due to the increase in proportion to sell No.9 raw coking coal which its selling price is lower than that of No.4 raw coking coal during the period under review. In terms of sales volume, sales of No.4 and No.9 raw coking coal accounted for 61% and 39% of the total sales volume respectively for the six months ended 30 June 2013 compared against 88% and 12% of the total sales volume respectively for the six months ended 30 June 2012. In addition, the decline 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 period under review. In terms of sales volume, sales of ex-factory prices and C&F prices of clean coking coal accounted for 96% and 4% of the total sales volume respectively for the six months ended 30 June 2013 compared against 60% and 40% of the total sales volume respectively for the six months ended 30 June 2012.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 2,322 million, representing a decrease of approximately HK$1,017 million or 30% as compared with that of approximately HK$3,339 million for the same period of 2012. The reduction in turnover was mainly attributable to the decline in average realised selling prices of raw and clean coking coal by 38% and 31% respectively during the period under review. In terms of turnover, sales of raw and clean coking coal accounted for 40% and 60% of the Group's turnover respectively for the six months ended 30 June 2013 compared against 37% and 63% respectively for the same period of 2012.

For the six months ended 30 June 2013, total turnover to the top five customers accounted for 53% of the Group's turnover. Of which, the turnover to the largest customer accounted for 19% of the Group's turnover.

For the six months ended 30 June 2013, gross profit margin was 55% while 69% for the same period in 2012. Decrease in gross profit margin was mainly due to the decline in average realised selling prices as explained above.

For the six months ended 30 June 2013, the Group recorded net profit of approximately HK$703 million, representing a significant decrease of approximately HK$548 million or 44% as compared with that of approximately HK$1,251 million for the same period of 2012. For the six months ended 30 June 2013, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$582 million, representing a significant decrease of approximately HK$424 million or 42% as compared with that of approximately HK$1,006 million for the same period of 2012. The significant drop in net profit and profit attributable to the Owners for the six months ended 30 June 2013 were mainly attributable to the decrease in turnover as explained above.

During the period under review, basic earnings per share was HK10.98 cents (Six months ended 30 June 2012: HK18.79 cents), representing a year-on-year decrease of 42%.

Cost of Sales

During the period under review, cost of sales was approximately HK$1,037 million, representing an increase of approximately HK$9 million or 1%, as compared with that of approximately HK$1,028 million for the same period of 2012.

The unit production costs are summarised as follow:

		Six months ended 30 June		Change		2012	Change
	Unit	**2013**	2012	Amount	%	FY	%
Production cost of raw coking coal	RMB/tonne	**248**	270	-22	-8%	260	-5%
of which, depreciation and amortisation	*RMB/tonne*	***60***	*56*	*+4*	*+7%*	*61*	*-2%*
Processing cost for clean coking coal	RMB/tonne	**50**	53	-3	-6%	54	-7%
of which, depreciation	*RMB/tonne*	***11***	*11*	*–*	*–*	*11*	*–*

The decrease in unit production cost of raw coking coal by 8% was resulted from the increase in production volume of raw coking coal by 12% to reduce the fixed costs per tonne during the period under review; and the decrease in other costs such as (a) the decrease in mine resources compensation fee which is charged at 1% of the realised selling price of raw coking coal by approximately HK$10 million for the six months ended 30 June 2013 ; (b) the decrease of levies of city constructional tax and educational surcharge which is charged at 5% of the VAT by approximately HK$14 million for the six months ended 30 June 2013; and (c) the significant decrease in the usage of ancillary material by approximately HK$45 million for the six months ended 30 June 2013.

Included in cost of sales, amortisation of mining rights was approximately HK$157 million for the six months ended 30 June 2013, representing an increase of approximately HK$17 million or 12%, as compared with that of approximately HK$140 million for the same period of 2012. The increase in amortisation of mining rights was mainly due to the increase in production volume of raw coking coal by 12% and the effect on the appreciation of RMB by approximately 2% during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the period ended 30 June 2013 was approximately HK$1,285 million, representing a significant decrease of approximately HK$1,026 million or 44% as compared with that of approximately HK$2,311 million for the same period of 2012. During the period under review, gross profit margin was 55% compared with 69% for the same period of 2012. The drop in gross profit margin was mainly due to the decrease in average realised selling prices for the six months ended 30 June 2013 when compared with that in the same period of 2012 as explained above, even though the unit production cost of raw coking coal decreased as explained above.

Other Operating Income

During the period under review, other operating income was approximately HK$217 million, representing a significant increase of approximately HK$73 million or 51% as compared with approximately HK$144 million of the same period in 2012. The increase in other operating income was mainly attributable to the substantial increase in net exchange gain of approximately HK$76 million during the period under review which was mainly arising from re-translation of the Group's current assets denominated in RMB as at 30 June 2013 as a result of the appreciation of RMB by approximately 2% as at 30 June 2013 compared with that as at 31 December 2012 (As at 30 June 2012: depreciation by approximately 1%). It was recorded net exchange loss for the same period of the last year.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$62 million, representing a significant decrease of approximately HK$134 million or 68% as compared with that of approximately HK$196 million for the same period of 2012. 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 89% from approximately 0.47 million tonnes for the six months ended 30 June 2012 to approximately 0.05 million tonnes for the six months ended 30 June 2013.

General and Administrative Expenses

During the period under review, administrative expenses were approximately HK$154 million, representing a significant decrease of approximately HK$45 million or 23% as compared with approximately HK$199 million for the same period of 2012. The decrease was resulted from (a) the effective cost control; and (b) the decrease in directors' remuneration by approximately HK$9 million during the period under review.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$263 million, of which mainly represented the committed annual payment of charitable donation amounting to approximately HK$248 million for the year of 2013 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 2012.

Finance Costs

During the period under review, actual finance costs were approximately HK$14 million, representing a significant decrease of approximately HK$7 million or 33% as compared with that of approximately HK$21 million for the same period of 2012. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2012: approximately HK$9.31 million was capitalised). The decrease in actual finance costs was due to the decrease in bank borrowings by approximately HK$116 million from approximately HK$193 million as at 31 December 2012 to approximately HK$77 million as at 30 June 2013. The average annual interest rate charges on the bank borrowings were approximately 3% for the six months ended 30 June 2013 (Six months ended 30 June 2012: approximately 5%). During the period under review, the Group adopted short term financing such as early redemption of bill receivables instead of long-term bank borrowings. As a result, the actual finance costs were decreased by approximately HK$7 million during the period under review.

Income Tax Expense

During the period under review, income tax expense was approximately HK$304 million (Six months ended 30 June 2012: approximately HK$526 million), of which approximately HK$55 million (Six months ended 30 June 2012: approximately HK$61 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 enterprise income tax rate for the Group's major PRC Subsidiaries is 25%. The substantial decrease in income tax expense was in line with profits during the period under review.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the period under review was approximately HK$582 million, representing a decrease of approximately HK$424 million or 42% as compared with that of approximately HK$1,006 million for the same period of 2012.

Material Investments and Acquisitions

During the period under review, the Group had no material investments and acquisitions.

Material Disposals

During the period under review, the Group had no material disposals.

Safety Production and Environmental Protection

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

Charges on Assets

As at 30 June 2013, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

(i) bank deposits of approximately HK$271 million and bill receivables of approximately HK$142 million were used for securing bills facilities of approximately HK$351 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$") 10 million of bank loan for the Company.

Contingent Liabilities

As at 30 June 2013, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2013, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 3.25%. Exclusion the effect on early redemption of bill receivables amounting to approximately HK$591 million, the Group's gearing ratio would be approximately 0.39%. The actual total borrowings (exclusive of the discounted bill receivables amounting to approximately HK$591 million) amounted to approximately HK$79 million as at 30 June 2013.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2013, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2013, RMB was appreciated by approximately 2% while AUD was depreciated by approximately 11% when compared to that as at 31 December 2012. As the aggregate amount of assets denominated in AUD represented approximately 3% of the Group's total asset values as at 30 June 2013, the drop in exchange rate of AUD did not have any material effect on the Group's financial position.

Liquidity and Financial Resources

As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was approximately 2.5 times and the Group's cash and bank deposits amounted to approximately HK$5,648 million, of which approximately HK$271 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$2,087 million (of which approximately HK$725 million was for discounted and endorsed bill receivables and approximately HK$142 million was used for securing bills facilities of approximately HK$84 million) as at 30 June 2013 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$1,220 million, the Group's free cash resources would have approximately HK$6,597 million as at 30 June 2013.

Capital Structure

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 30 June 2013, the amount of capital was approximately HK$21,288 million.

During the period under review, there is no change of the issued capital of the Company. As at 30 June 2013, the issued capital of the Company was approximately HK$530 million, represented approximately 5,302 million shares in number.

As at 30 June 2013, the total borrowings of approximately HK$670 million denominated in US$ and RMB. The USD borrowing of approximately HK$77.40 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable in September 2013. The RMB borrowings of approximately HK$591 million are asset-backed financing. The remaining balances of RMB borrowings are interest free and are repayable within 1 year from 30 June 2013.

EMPLOYEES

As at 30 June 2013, the Group had 29 Hong Kong employees and 6,494 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 PRC. The Group has a share option scheme. During the period under review, no share option was granted or exercised.

FUTURE PROSPECTS

Looking ahead the second half of the year, as the global economy is still weak, countries still rely on implementation of policies for quantitative easing to increase their liquidity. Under the weak economic environment, China's economy will be challenging. Annual gross domestic product growth target is at 7.5% and consumer price index is controlled at 3.5% in the Mainland China for the year. The Mainland China will strengthen constructions such as the subway, light rail and other large-scale capacity of public transport facilities and infrastructure, and strengthening works for the city bridges. National railway fixed assets investment is estimated to be reached RMB650 billion in 2013 compared with RMB630.98 billion in 2012, increased by 3% year-on-year. Of which RMB520 billion will be capital construction investment for more than 5,200 km of new lines in operation. For the first half of 2013, national railway fixed assets investment increased by 21% year-on-year. These projects will drive up the demand for steel, we believed that coking coal as the upstream resource to steel will benefit eventually.

As we have strong financial strength and an excellent professional team, these lay a solid foundation for the Group's future business development. At the same time, we are also actively and prudently searching in the domestic and overseas countries to find suitable acquisitions, which will increase our reserves on resource, further expand our production capacity and strengthen the Group's leading position and influence in the coking coal industry. We are confident of our future development and believe they will create greater investment value for our shareholders.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2013.

APPRECIATION

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 28 August 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).