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 2013

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the year ended 31 December 2013**	2012	**Percentage change**
Revenue	**4,268**	5,651	-24%
Gross profit	**2,173**	3,586	-39%
Gross profit margin	**51%**	63%	
Operating profit	**1,830**	2,976	-39%
EBITDA[1]	**2,396**	3,504	-32%
Profit for the year	**1,299**	2,150	-40%
Profit attributable to owners of the Company	**1,115**	1,800	-38%
Basic earnings per share *(HK cents)*	**21.03**	33.80	-38%

(HK$'million)	**As at 31 December 2013**	2012	**Percentage change**
Net assets	**21,659**	20,862	+4%
Net assets per share attributable to owners of the Company *(HK$)*	**3.76**	3.63	+4%
Gearing ratio[2]	**2.68%**	5.16%	-48%
Adjusted gearing ratio[3]	**0.01%**	0.95%	-99%

The board of directors has proposed a 2013 final dividend of HK7.8 cents (2012: HK10 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 2013 with comparative figures for the year ended 31 December 2012. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Revenue	3	**4,268,232**	5,650,590
Cost of sales		**(2,095,216)**	(2,064,788)
Gross profit		**2,173,016**	3,585,802
Other operating income	5	**385,001**	323,570
Selling and distribution expenses		**(142,007)**	(270,039)
General and administrative expenses		**(319,221)**	(370,173)
Other operating expenses		**(266,894)**	(293,587)
Operating profit		**1,829,895**	2,975,573
Finance costs	6	**(24,458)**	(26,891)
Change in fair value of derivative financial instruments		**25,430**	24,097
Share of loss of an associate		**(943)**	(730)
Profit before income tax	7	**1,829,924**	2,972,049
Income tax expense	8	**(530,685)**	(821,809)
Profit for the year		**1,299,239**	2,150,240
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**307,101**	92,365
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		**(9,442)**	(470,995)
Total comprehensive income for the year		**1,596,898**	1,771,610
Profit for the year attributable to:			
Owners of the Company	9	**1,115,066**	1,800,367
Non-controlling interests		**184,173**	349,873
Profit for the year		**1,299,239**	2,150,240

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,377,033**	1,408,971
Non-controlling interests		**219,865**	362,639
Total comprehensive income for the year		**1,596,898**	1,771,610
		HK (Cents)	*HK (Cents)*
Earnings per share	*11*		
– Basic		**21.03**	33.80
– Diluted		**21.03**	33.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,609,675**	3,599,184
Prepaid lease payments		**60,681**	60,785
Mining rights		**10,410,259**	10,440,937
Goodwill		**2,319,205**	2,264,910
Interest in an associate		**18,894**	19,376
Financial assets measured at fair value through other comprehensive income		**1,290,877**	1,300,109
Deposits, prepayments and other receivables		**312,375**	346,484
Deferred tax assets		**27,586**	31,592
Total non-current assets		**18,049,552**	18,063,377
Current assets			
Inventories		**221,019**	163,282
Trade and bill receivables	*12*	**2,590,184**	3,540,491
Deposits, prepayments and other receivables		**203,485**	182,857
Derivative financial instruments		**13,661**	24,645
Pledged bank deposits		**204,790**	171,855
Time deposits with original maturity over three months		**3,450,606**	1,692,681
Cash and cash equivalents		**2,137,611**	2,981,333
Total current assets		**8,821,356**	8,757,144

	Notes	2013 HK$'000	2012 HK$'000
Current liabilities			
Trade and bill payables	*13*	**663,324**	717,908
Other payables and accruals		**1,526,846**	1,675,303
Borrowings	*14*	**580,009**	1,075,448
Derivative financial instruments		**–**	241
Amounts due to non-controlling interests of subsidiaries		**20,635**	21,475
Tax payables		**269,627**	325,252
Total current liabilities		**3,060,441**	3,815,627
Net current assets		**5,760,915**	4,941,517
Total assets less current liabilities		**23,810,467**	23,004,894
Non-current liabilities			
Deferred tax liabilities		**2,151,302**	2,142,911
Total non-current liabilities		**2,151,302**	2,142,911
Net assets		**21,659,165**	20,861,983
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**530,184**	530,184
Reserves		**19,397,199**	18,693,500
Total equity attributable to owners of the Company		**19,927,383**	19,223,684
Non-controlling interests		**1,731,782**	1,638,299
Total equity		**21,659,165**	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 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 and production and sales of coking coal 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 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 "Listing Rules").

The financial statements for the year ended 31 December 2013 were approved for issue by the board of directors on 27 March 2014.

2. ADOPTION OF HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 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 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle

The impact of the above new or revised HKFRSs on the Group's financial statements are disclosed below.

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 these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

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 has no impact on the Group's financial statements as the Group has not offset financial instruments, nor has it entered into master netting agreement or similar arrangement.

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.

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

HKFRS 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. As the new standard affect only disclosures, there is no effect on the Group's financial position and performance.

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

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance.

HKAS 19 (2011) Employee Benefits
HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs.

The Group has amended its accounting policy for short-term employee benefits, however the adoption of the revised standard has no effect on the Group's financial position or performance.

HKFRSs (Amendments) Annual Improvements 2010-2012 Cycle
The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

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

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

Amendments to HKAS 32	Presentation - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
HK (IFRIC) 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014

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 9, HKFRS 7 and HKAS 39 Hedge Accounting
The Group has early adopted HKFRS 9 (2010) and will continue to apply HKFRS 9 (2010). The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in the financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

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

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 result announcement. Revenue from the Group's principal activities recognised during the year is as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Sales of raw coking coal	**1,332,487**	2,050,244
Sales of clean coking coal	**2,935,745**	3,600,346
	4,268,232	5,650,590

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. Each of the 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 Group has identified one reportable segment as follows:

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

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, interest income, finance costs, share of result of an associate, income tax expense 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, interest in an associate 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.

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

	Coking coal mining		**Consolidated**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:				
Revenue from external parties	**4,268,232**	5,650,590	**4,268,232**	5,650,590
Segment operating profit	**1,645,103**	2,843,045	**1,645,103**	2,843,045
Interest income			**129,623**	122,731
Other operating income not allocated			**143,161**	103,066
General and administrative expenses not allocated			**(87,992)**	(93,269)
Operating profit			**1,829,895**	2,975,573
Finance costs			**(24,458)**	(26,891)
Change in fair value of derivative financial instruments			**25,430**	24,097
Share of loss of an associate			**(943)**	(730)
Profit before income tax			**1,829,924**	2,972,049

	Coking coal mining		Corporate		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**282,468**	250,809	**690**	831	**283,158**	251,640
Amortisation of mining rights	**281,051**	275,690	**–**	–	**281,051**	275,690
Amortisation of prepaid lease payments	**1,563**	1,536	**–**	–	**1,563**	1,536
Provision for impairment of trade receivables	**3,407**	18,426	**–**	–	**3,407**	18,426

	Coking coal mining		Corporate		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**20,093,380**	20,895,453	**5,426,510**	4,549,346	**25,519,890**	25,444,799
Interest in an associate	**–**	–	**18,894**	19,376	**18,894**	19,376
Deferred tax assets	**–**	–	**27,586**	31,592	**27,586**	31,592
Financial assets measured at fair value through other comprehensive income	**–**	–	**1,290,877**	1,300,109	**1,290,877**	1,300,109
Derivative financial instruments	**–**	–	**13,661**	24,645	**13,661**	24,645
Group assets					**26,870,908**	26,820,521
Segment liabilities	**2,138,427**	2,338,365	**72,378**	76,321	**2,210,805**	2,414,686
Deferred tax liabilities	**–**	–	**2,151,302**	2,142,911	**2,151,302**	2,142,911
Tax payables	**–**	–	**269,627**	325,252	**269,627**	325,252
Borrowings	**580,009**	878,288	**–**	197,160	**580,009**	1,075,448
Derivative financial instruments	**–**	–	**–**	241	**–**	241
Group liabilities					**5,211,743**	5,958,538

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	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**4,268,232**	5,650,590	**16,730,479**	16,730,393
Hong Kong	**–**	–	**610**	1,283
	4,268,232	5,650,590	**16,731,089**	16,731,676

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.

The Group has three customers with transactions exceeded 10% of the Group's revenues. During the year, HK$841,478,000 or 20% (2012: HK$1,223,631,000 or 22%), HK$680,904,000 or 16% (2012: HK$1,150,455,000 or 20%) and HK$527,229,000 or 12%, (2012: HK$837,584,000 or 15%) of the Group's revenue is generated from these three customers under coking coal mining segment.

5. OTHER OPERATING INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**129,623**	119,879
Other interest income	**–**	2,852
Dividend income on financial assets measured at fair value through other comprehensive income	**50,496**	53,986
Income from sales of scrapped products	**78,214**	84,799
Net foreign exchange gain	**121,852**	59,323
Others	**4,816**	2,731
	385,001	323,570

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest charged on:		
– borrowings repayable within five years	**2,540**	15,893
– discounted bill receivables	**21,918**	24,664
Finance charges on finance leases	**–**	737
	24,458	41,294
Less: interest capitalised in construction in progress *	**–**	(14,403)
Total finance costs	**24,458**	26,891

* No borrowing costs were capitalised for the year ended 31 December 2013 (2012: Borrowing costs were capitalised at the rates ranging from 2% to 7% per annum).

7. PROFIT BEFORE INCOME TAX

	2013	2012
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Auditor's remuneration		
– audit services	**1,530**	1,530
– other services	**496**	429
Cost of inventories recognised as expenses	**2,095,216**	2,064,788
Amortisation of:		
– prepaid lease payments	**1,563**	1,536
– mining rights	**281,051**	275,690
Depreciation of property, plant and equipment		
– owned assets	**283,158**	249,863
– leased assets	**–**	1,777
Employee benefit expenses (including directors' remuneration and retirement benefits scheme contributions)	**774,631**	665,798
Operating lease charges in respect of land and buildings	**6,929**	6,376
Provision for impairment on trade receivables *(Note 12)*	**3,407**	18,426
Loss on disposals of property, plant and equipment	**941**	15,042

8. INCOME TAX EXPENSE

	2013	2012
	HK$'000	*HK$'000*
Current tax – PRC income tax		
– Current year	**558,879**	838,513
– Under provision in respect of prior years	**10,185**	2,621
Deferred tax		
– Current year	**(38,379)**	(19,325)
	530,685	821,809

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 2013 and 2012.

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.

The Group is also subject to withholding tax at the rate of 5% (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.

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

	2013	2012
	HK$'000	*HK$'000*
Profit before income tax	**1,829,924**	2,972,049
Tax calculated at the rates applicable to the tax jurisdiction concerned	**427,999**	717,822
Tax effect of non-deductible expenses	**32,156**	35,096
Tax effect of non-taxable income	**(21,679)**	(21,661)
Tax effect of unused tax losses not recognised	**2,416**	11,820
Utilisation of tax loss not recognised	**(2,305)**	–
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	**81,913**	76,111
Under provision in respect of prior years	**10,185**	2,621
Income tax expense	**530,685**	821,809

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK$1,115,066,000 (2012: HK$1,800,367,000), a profit of HK$506,071,000 (2012: HK$1,369,752,000) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	2013	2012
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2012 final dividend of HK10 cents (2011: HK13 cents) per ordinary share	**530,184**	689,239
2013 interim dividend of HK2.7 cents (2012: HK5 cents) per ordinary share	**143,150**	265,092
	673,334	954,331

On 27 March 2013, the board of directors proposed a final dividend of HK10 cents per ordinary share to the owners of the Company in respect of the year ended 31 December 2012. This final dividend was approved by shareholders at the annual general meeting held on 18 June 2013 and total dividend of HK$530,184,000 was paid on 9 July 2013. This final dividend proposed after 31 December 2012 had not been recognised as a liability as at 31 December 2012.

On 27 March 2014, the board of directors proposed a final dividend of HK7.8 cents per ordinary share totalling HK$413,543,000 to the owners of the Company in respect of the year ended 31 December 2013. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2013 has not been recognised as a liability as at 31 December 2013.

11. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share	**1,115,066**	1,800,367
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,301,837**	5,326,522
Effect of dilutive potential ordinary shares – share options	**1,030**	2,526
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,302,867**	5,329,048

Basic earnings and diluted earnings per share are HK21.03 cents (2012: HK33.80 cents) and HK21.03 cents (2012: HK33.78 cents) respectively, based on the profit for the year attributable to owners of the Company of HK$1,115,066,000 (2012: HK$1,800,367,000) and weighted average number of ordinary shares as set out above for both basic and diluted earnings per share.

12. TRADE AND BILL RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**990,454**	1,094,307
Less: Provision for impairment losses	**(193,917)**	(185,983)
	796,537	908,324
Bill receivables	**1,793,647**	2,632,167
	2,590,184	3,540,491

Trade receivables generally have credit terms ranging from 60 to 90 days (2012: 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 2013, bill receivables included an amount of RMB150,289,000 (HK$190,867,000 equivalent) (2012: RMB333,955,000 (HK$414,104,000 equivalent)) which was pledged for bill payables of RMB150,262,000 (HK$190,833,000 equivalent) (2012: RMB292,417,000 (HK$362,598,000 equivalent)) (Note 13).

As at 31 December 2013, 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. As at 31 December 2013, bill receivables of RMB588,960,000 (HK$747,979,000 equivalent) (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 14), trade payables (Note 13) and other payables until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. As at 31 December 2013, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB454,900,000 (HK$577,723,000 equivalent) (2012: RMB708,296,000 (HK$878,288,000 equivalent)), RMB90,060,000 (HK$114,376,000 equivalent) (2012: RMB18,509,000 (HK$22,950,000 equivalent)) and RMB44,000,000 (HK$55,880,000 equivalents) (2012: RMB121,939,000 (HK$151,205,000 equivalents)) respectively.

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 assessed for impairment review purpose. 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 2013, ageing analysis of net trade and bill receivables, based on the invoice dates, is as follows:

	2013 *HK$'000*	2012 *HK$'000*
1 to 3 months	**1,333,259**	2,591,068
4 to 6 months	**1,235,654**	944,869
7 to 12 months	**21,271**	4,554
	2,590,184	3,540,491

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

	2013 *HK$'000*	2012 *HK$'000*
At 1 January	**185,983**	166,058
Exchange retranslation	**4,527**	1,499
Impairment loss recognised *(Note 7)*	**3,407**	18,426
At 31 December	**193,917**	185,983

As at 31 December 2013, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2013 *HK$'000*	2012 *HK$'000*
Current	**2,461,165**	3,532,605
Less than 3 months past due	**120,132**	5,820
4 to 6 months past due	**8,887**	2,066
	129,019	7,886
	2,590,184	3,540,491

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.

13. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2012: 30 to 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2013 is as follows:

	2013	2012
	HK$'000	*HK$'000*
1 to 3 months	**391,918**	396,084
4 to 6 months	**238,219**	282,908
7 to 12 months	**12,599**	13,387
Over 1 year	**20,588**	25,529
	663,324	717,908

As at 31 December 2013, bill payables of RMB302,484,000 (HK$384,155,000 equivalent) (2012: RMB431,010,000 (HK$534,453,000 equivalent)) were secured by the pledged bank deposits of RMB161,252,000 (HK$204,790,000 equivalent) (2012: RMB138,593,000 (HK$171,855,000 equivalent)) and bill receivables of RMB150,289,000 (HK$190,867,000 equivalent) (2012: RMB333,955,000 (HK$414,104,000 equivalent)) (Note 12).

As at 31 December 2013, included in trade payables of RMB90,060,000 (HK$114,376,000 equivalent) (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 are included in bill receivables (Note 12).

14. BORROWINGS

	2013	2012
	HK$'000	*HK$'000*
Bank borrowings – secured	**–**	193,100
Other borrowings	**2,286**	2,232
Finance lease payables	**–**	1,828
Asset-backed financing *(Note)*	**577,723**	878,288
Total borrowings	**580,009**	1,075,448

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 12).

15. SHARE CAPITAL

	Number of shares		Amount	
	2013	2012	**2013**	2012
	'000 shares	*'000 shares*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At 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
Share repurchased	**–**	(75,670)	**–**	(7,567)
At 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 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.

16. COMMITMENTS

(a) Operating lease commitments

As at 31 December 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:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**5,268**	6,441
In the second to fifth years	**14,053**	16,117
After the fifth year	**42,053**	43,918
	61,374	66,476

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 3 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

	2013	2012
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**217,164**	194,803
– Exploration and design fees for a potential mining project	**9,500**	9,275
	226,664	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 will be charged in the consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 31 December 2013, management expects that one (31 December 2012: two) further payment(s) of RMB198,000,000 (HK$251,460,000 equivalent) (31 December 2012: RMB198,000,000 (HK$245,520,000 equivalent) each) are payable in 2014 (31 December 2012: 2013 to 2014).

17. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with current year's presentation.

FINAL DIVIDEND

The Board recommends a final dividend of HK7.8 cents per ordinary share for the year ended 31 December 2013 (2012: HK10 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 11 June 2014. The proposed final dividend together with the interim dividend of HK2.7 cents per ordinary share (2012: HK5 cents per ordinary share) will make a total dividend of HK10.5 cents per ordinary share for the year ended 31 December 2013 (2012: HK15 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 6 June 2014 (the "AGM"), the final dividend is expected to be paid on or about Wednesday, 25 June 2014. 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 (the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014), not later than 4:30 p.m. on Wednesday, 11 June 2014 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 June 2014 to Friday, 6 June 2014 (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 (the address will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 31 March 2014), not later than 4:30 p.m. on Tuesday, 3 June 2014 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 2013 (the "year under review") together with that of the same period of 2012 is summarised as follows:

	Unit	**For the year ended 31 December 2013**	2012	**Change Quantity/ Amount**	**Percentage**
Production volume:					
Raw coking coal	Mt	**6.13**	6.10	**+0.03**	**+1%**
Clean coking coal	Mt	**2.67**	2.48	**+0.19**	**+8%**
Sales volume:					
Raw coking coal	Mt	**1.96**	2.33	**-0.37**	**-16%**
Clean coking coal	Mt	**2.53**	2.41	**+0.12**	**+5%**
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**632**	838	**-206**	**-25%**
Clean coking coal	RMB/tonne	**1,076**	1,423	**-347**	**-24%**

For the year ended 31 December 2013, the Group produced approximately 6.13 million tonnes ("Mt") (2012: approximately 6.10 Mt) of raw coking coal, representing a year-on-year increase of 1% and also produced approximately 2.67 Mt (2012: approximately 2.48 Mt) of clean coking coal, representing a year-on-year increase of 8%. Operation of our three premium operating coking coal mines continued running smoothly throughout the year under review.

Notwithstanding the influence of the economic slowdown in the Mainland China and the cheap imported clean coal, the sales volume of clean coking coal of the Group increased by 5% during the year under review. 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 8% and 5% respectively. Sales volume of raw coking coal dropped by 16% during the year under review.

For the year ended 31 December 2013, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 25% to Renminbi ("RMB") 632/tonne when compared with that of the same period of 2012 (2012: RMB838/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 24% to RMB1,076/tonne when compared with that of the same period of 2012 (2012: RMB1,423/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. 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 year under review. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 53% and 47% of the total raw coking coal sales volume respectively for the year ended 31 December 2013. They accounted for 65% and 35% of the total raw coking coal sales volume respectively for the year ended 31 December 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 year ended 31 December 2013. In terms of its sales volume, ex-factory prices and C&F prices of clean coking coal accounted for 93% and 7% of the total clean coking coal sales volume respectively for the year ended 31 December 2013. They accounted for 79% and 21% of the total clean coking coal sales volume respectively for the year ended 31 December 2012.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 4,268 million, representing a decrease of approximately HK$1,383 million or 24% as compared with that of approximately HK$5,651 million for the same period of 2012. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 25% and 24% respectively for the year under review. In terms of turnover, sales of raw and clean coking coal accounted for 31% and 69% of the Group's turnover respectively for the year ended 31 December 2013. They accounted for 36% and 64% respectively for the year ended 31 December 2012.

For the year ended 31 December 2013, the total turnover to the top five customers accounted for 59% of the Group's turnover. Of which, the total turnover to the largest customer accounted for 20% of the Group's turnover.

For the year ended 31 December 2013, gross profit margin was 51% while 63% for the same period in 2012. Decrease in gross profit margin was mainly due to the drop in average realised selling prices as explained above.

For the year ended 31 December 2013, the Group recorded net profit of approximately HK$1,299 million, representing a decrease of approximately HK$851 million or 40% as compared with that of approximately HK$2,150 million for the same period of 2012. For the year ended 31 December 2013, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$1,115 million, representing a decrease of approximately HK$685 million or 38% as compared with that of approximately HK$1,800 million for the same period of 2012. The significant drop in net profit and profit attributable to the Owners in 2013 were mainly attributable to the decrease in turnover as explained above.

During the year under review, basic earnings per share was HK21.03 cents (2012: HK33.80 cents), representing a year-on-year decrease of 38%.

Cost of Sales

During the year under review, cost of sales was approximately HK$2,095 million, representing a slight increase of approximately HK$30 million or 1%, as compared with that of approximately HK$2,065 million for the same period of 2012. Included in cost of sales, amortisation of mining rights was approximately HK$281 million for the year ended 31 December 2013, representing an increase of approximately HK$5 million or 2%, as compared with that of approximately HK$276 million for the same period of 2012. The slight increase in amortisation of mining rights and cost of sales was mainly due to the appreciation of RMB by approximately 2% during the year under review.

The unit production costs are summarised as follows:

	Unit	For the year ended 31 December 2013	2012	Change Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**260**	260	–	–
Less: One-off relocation compensation expense	RMB/tonne	–	(7)		
	RMB/tonne	**260**	253	**+7**	**+3%**
of which, depreciation and amortisation	RMB/tonne	**(62)**	(61)	**+1**	**+2%**
Processing cost for clean coking coal	RMB/tonne	**53**	54	**-1**	**-2%**
of which, depreciation	RMB/tonne	**(11)**	(11)	–	–

As a result of the tight cost control, the increase in unit production cost (exclusion of one-off production cost) of raw coking coal by 3% was in line with the inflation rate (consumer price index) of approximately 3% in the Mainland China.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$2,173 million for the year ended 31 December 2013, representing a decrease of approximately HK$1,413 million or 39% as compared with that of approximately HK$3,586 million for the same period of 2012. During the year under review, gross profit margin was 51% compared with 63% for the same period of 2012. The drop in gross profit margin was mainly due to the drop in average realised selling prices for the year ended 31 December 2013 when compared with that in the same period of 2012 as explained above.

Other Operating Income

During the year under review, other operating income was approximately HK$385 million, representing an increase of approximately HK$61 million or 19% as compared with approximately HK$324 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$63 million during the year under review. As a result of the appreciation of RMB by approximately 2% as at 31 December 2013 compared with that as at 31 December 2012 (As at 31 December 2012: approximately 1%), exchange gain arose from re-translation of the Group's current assets denominated in RMB to HK$ as at 31 December 2013.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$142 million, representing a significant decrease of approximately HK$128 million or 47% as compared with that of approximately HK$270 million for the same period of 2012. The decrease was mainly as a result of the substantial decrease in transportation costs arising from the reduction of sales volume of clean coking coal at C&F prices by approximately 63% from approximately 500,000 tonnes for the year ended 31 December 2012 to approximately 183,000 tonnes for the year ended 31 December 2013.

General and Administrative Expenses
During the year under review, administrative expenses were approximately HK$319 million, representing a significant decrease of approximately HK$51 million or 14% as compared with approximately HK$370 million for the same period of 2012. The decrease was resulted from (i) the effective cost control; (ii) the decrease in environmental greening costs by HK$13 million; and (iii) the decrease in directors' remuneration by approximately HK$9 million during the year under review.

Other Operating Expenses
During the year under review, other operating expenses were approximately HK$267 million, which mainly represented the committed 2013 annual payment of charitable donation of approximately HK$249 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 2012.

Finance Costs
During the year under review, actual finance costs were approximately HK$24 million, representing a significant decrease of approximately HK$17 million or 41% as compared with that of approximately HK$41 million for the same period of 2012. During the year under review, no borrowing costs (2012: approximately HK$14 million) were capitalised in the construction in progress. The decrease in actual finance costs was due to the repayment of the remaining bank borrowings of approximately HK$193 million during the year ended 31 December 2013. The average annual interest rate charges on the bank borrowings were approximately 3% for the year ended 31 December 2013 (2012: approximately 4%). During the year 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$17 million.

Income Tax Expense
During the year under review, income tax expense was approximately HK$531 million (2012: approximately HK$822 million), of which approximately HK$82 million (2012: approximately HK$76 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 relevant 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 the drop in profits during the year under review.

Owner's Attributable Profit
By reasons of the foregoing, the profit attributable to the Owners during the year under review was approximately HK$1,115 million, representing a decrease of approximately HK$685 million or 38% as compared with that of approximately HK$1,800 million for the same period of 2012.

Material Investments and Acquisitions
During the year ended 31 December 2013, the Group had no material investments and acquisitions.

Material Disposals
During the year ended 31 December 2013, 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 2013, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$205 million and bill receivables of approximately HK$191 million were used for securing bills facilities of approximately HK$384 million.

Contingent Liabilities
As at 31 December 2013, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio
As at 31 December 2013, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 3%. Exclusion of the effect on early redemption of bill receivables amounting to approximately HK$578 million, the Group's gearing ratio would be almost zero.

Exposure to Fluctuations in Exchange Rates
As at 31 December 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 31 December 2013, RMB was appreciated by approximately 2% while AUD was depreciated by approximately 14%, when compared to that as at 31 December 2012. As the aggregate carrying amount of assets denominated in AUD represented approximately 4% of the Group's total asset values as at 31 December 2013, the fall in exchange rate of AUD did not have any material effect on the Group's financial position and performance.

Liquidity and Financial Resources
As at 31 December 2013, the Group's current ratio (current assets divided by current liabilities) was approximately 2.9 times and the Group's cash and bank deposits amounted to approximately HK$5,793 million, of which approximately HK$205 million was deposited to secure bills facilities of approximately HK$193 million.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$1,794 million (of which approximately HK$748 million represented discounted and endorsed bill receivables and approximately HK$191 million was used for securing bills facilities of approximately HK$191 million) as at 31 December 2013 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bill receivables of approximately HK$855 million, the Group's free cash resources would have approximately HK$6,443 million as at 31 December 2013.

Capital Structure

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 31 December 2013, the amount of capital was approximately HK$22,239 million.

During the year under review, there was no change in the issued capital of the Company. As at 31 December 2013, the issued capital of the Company was approximately HK$530 million, represented approximately 5,302 million shares in number.

As at 31 December 2013, all borrowings of the Group are denominated in RMB. Of which, the borrowings of approximately HK$578 million are asset-backed financing. The remaining balance of the borrowings of approximately HK$2 million is interest-free and is repayable on demand.

EMPLOYEES

As at 31 December 2013, the Group had 28 Hong Kong employees and 6,700 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes 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 or exercised.

FUTURE PROSPECTS

Looking into year 2014, both US and Japanese economy show signs of recovery, European economy shows clear signals to start to get recovery as well. Global economy is looking for momentum. China government anticipates GDP growth rate at 7.5%, however focuses more on employment. Under the situation of slowing growth, key factors to underpin economic growth change significantly, bottom range of commodity and resources cycle, capital expenditure increased significantly in the industry thus created overcapacity over past years, this will lead to a challenge 2014.

Steel dynamics comes from domestic demand. Investment, urbanisation infrastructure and public housing are important impetus for steel industry. According to 2014 central government budget, RMB457.6 billion will be invested in affordable housing and railway construction in mid and west of China. In order to improve people's quality of life, under government's new urbanisation plan, new construction of public housing will increase by 1 million to 7 million units, among them the work of renovating shantytowns will be 4.7 million units. Meanwhile infrastructure construction is aiming to speed up. Fixed asset investment in railway for 2014 will reach RMB630 billion, 6,600 km newly built railway line will start to come into force. These will drive up the domestic demand, increase industrial growth and stimulate steel demand. Meanwhile, environmental protection and elimination out-of-date productivity will discipline Chinese steel industry, inevitably increase steel industry's profitability.

We believe that coking coal as the upstream resource to steel will benefit as well. In near and medium term, domestic and international coking coal supply is sufficient, coking coal price will face with challenge. In long term, structural shortfall of coking coal supply makes coking coal still attractive.

Looking into the future, the Group will leverage on our financial strength, abundant experience in operation, management and sales to prudently and actively source for suitable assets to upgrade resources and reserves, expand production capacity and strengthen the Company's leading position and influence in the industry, for future business development and create greater 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 2013 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

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 year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2013. Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2013 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
Shougang Fushan Resources Group Limited
Li Shaofeng
Chairman

Hong Kong, 27 March 2014

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. Xiang Xu Jia (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), Mr. Chan Chung Chun (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).