福山能源
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福山國際能源集團有限公司
FUSHAN INTERNATIONAL ENERGY GROUP LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- Record 2010 operating profit of HK$2,977 million (2009 (restated): HK$2,271 million) – sharp increase by HK$706 million or a year-on-year increase of 31%.
- Record 2010 net profit of HK$2,215 million (2009: HK$1,442 million) – sharp increase by HK$773 million or a year-on-year increase of 54%.
- Record 2010 net profit attributable to owners of the Company of HK$1,803 million (2009: HK$1,126 million) – sharp increase by HK$677 million or a year-on-year increase of 60%.
- 2010 gross profit margin achieved at 74% (2009 (restated): 72%).
- 2010 EBITDA[1] of HK$3,395 million (2009 (restated): HK$2,662 million) – sharp increase by HK$733 million or a year-on-year increase of 28%.
- 2010 basic earnings per share was HK33.52 cents (2009: HK23.53 cents).
- 2010 proposed final dividend is HK10 cents per ordinary share (2009: HK11 cents per ordinary share).
- Net assets of HK$19,623 million as at 31 December 2010 (31 December 2009: HK$17,330 million) – sharp increase by HK$2,293 million or a year-on-year increase of 13%.
- Gearing ratio[2] was 6% as at 31 December 2010 (31 December 2009: 5%).

Note:

1. EBITDA is defined as operating profit plus depreciation and amortisation.

2. Gearing ratio is computed from total borrowings divided by total equity.

The board of directors (the "Board") of Fushan International Energy 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 2010 with comparative figures for the year ended 31 December 2009. These final results have been reviewed by the Audit Committee of the Company.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	Notes	**2010** *HK$'000*	2009 *HK$'000* (Restated)
Continuing operations			
Revenue	3	**5,543,285**	4,260,676
Cost of sales		**(1,451,760)**	(1,173,849)
Gross profit		**4,091,525**	3,086,827
Other operating income	5	**161,855**	37,551
Selling and distribution expenses		**(381,020)**	(222,800)
General and administrative expenses		**(620,536)**	(376,252)
Other operating expenses		**(275,236)**	(254,484)
Operating profit		**2,976,588**	2,270,842
Gain on disposals of subsidiaries	6	**–**	38,264
Finance costs	7	**(39,646)**	(117,678)
Change in fair value of derivative financial instruments		**9,672**	4,370
Net transaction loss arising from acquisition of available-for-sale financial assets		**–**	(221,221)
Share of losses of associates		**(526)**	(386)
Profit before income tax	8	**2,946,088**	1,974,191
Income tax expense	9	**(529,125)**	(424,620)
Profit for the year from continuing operations		**2,416,963**	1,549,571
Discontinued operations			
Loss for the year from discontinued operations	10	**(201,896)**	(107,088)
Profit for the year		**2,215,067**	1,442,483

	Notes	**2010**	2009
		HK$'000	*HK$'000*
			(Restated)
Other comprehensive income for the year			
Fair value gain/(loss) on available-for-sale financial assets		**670,502**	(100)
Exchange differences on translation of financial statements of foreign operations		**469,529**	1,353
Total comprehensive income for the year		**3,355,098**	1,443,736
Profit for the year attributable to:			
Owners of the Company	11	**1,802,791**	1,126,274
Non-controlling interests		**412,276**	316,209
Profit for the year		**2,215,067**	1,442,483
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,883,403**	1,126,788
Non-controlling interests		**471,695**	316,948
Total comprehensive income for the year		**3,355,098**	1,443,736
		HK (Cents)	HK (Cents)
Earnings per share from continuing and discontinued operations	13		
– Basic		**33.52**	23.53
– Diluted		**33.39**	23.04
Earnings per share from continuing operations	13		
– Basic		**35.90**	24.96
– Diluted		**35.77**	24.44

Consolidated Statement of Financial Position
As at 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,732,027**	2,535,879
Prepaid lease payments		**47,323**	56,273
Mining rights		**10,413,660**	10,289,882
Goodwill		**2,156,320**	2,080,050
Interests in associates		**19,398**	19,196
Available-for-sale financial assets	14	**3,161,097**	2,214,369
Deposits, prepayments and other receivables		**443,990**	323,004
Loan to a party		**234,342**	–
Amount due from a party		**–**	937,150
Deferred tax assets		**16,193**	20,191
Total non-current assets		**19,224,350**	18,475,994
Current assets			
Inventories		**134,758**	159,485
Trade and bills receivables	15	**2,317,901**	1,113,647
Deposits, prepayments and other receivables		**123,788**	196,022
Loan to a party		**703,025**	–
Amounts due from other parties		**292,876**	376,044
Financial assets at fair value through profit or loss		**–**	25,967
Derivative financial instruments		**12,224**	–
Pledged bank deposits		**32,512**	105,771
Cash and cash equivalents		**2,766,063**	2,104,478
		6,383,147	4,081,414
Assets classified as held for sale	10	**512,130**	–
Total current assets		**6,895,277**	4,081,414

	Notes	**2010** **HK$'000**	2009 HK$'000
Current liabilities			
Trade and bills payables	16	**537,808**	328,732
Other payables and accruals		**1,394,709**	1,753,024
Borrowings		**233,381**	162,420
Derivative financial instruments		**11,597**	–
Amounts due to other parties		**22,878**	27,526
Amounts due to related companies		**–**	12,008
Amounts due to non-controlling shareholders of subsidiaries		**256,919**	42,964
Tax payables		**344,369**	245,695
		2,801,661	2,572,369
Liabilities classified as held for sale	10	**515,894**	–
Total current liabilities		**3,317,555**	2,572,369
Net current assets		**3,577,722**	1,509,045
Total assets less current liabilities		**22,802,072**	19,985,039
Non-current liabilities			
Borrowings		**898,482**	643,665
Deferred tax liabilities		**2,280,368**	2,011,610
Total non-current liabilities		**3,178,850**	2,655,275
Net assets		**19,623,222**	17,329,764
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**538,056**	537,056
Reserves		**17,611,838**	15,288,138
Total equity attributable to owners of the Company		**18,149,894**	15,825,194
Non-controlling interests		**1,473,328**	1,504,570
Total equity		**19,623,222**	17,329,764

Notes:

1. GENERAL INFORMATION

Fushan International Energy 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 Group's 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, production and sales of coking coal products and side products.

On 10 December 2010, one of the Group's subsidiaries, New Honest Limited ("New Honest") entered into a conditional sale and purchase agreement with an independent third party to dispose its entire 66% equity interest in a subsidiary of the Group, namely Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin"), for a cash consideration of Renminbi ("RMB") 211,200,000 (HK$249,216,000 equivalent) (the "2010 Disposal"). In addition, the Group shall waive the shareholders' loans to Shanxi Yao Zin amounting to RMB124,900,000 (HK$147,400,000 equivalent) and the corresponding interest upon the completion of the 2010 Disposal. Shanxi Yao Zin was incorporated in the PRC and is principally engaged in production and sales of coke products in Shanxi, the PRC. As at 31 December 2010, the 2010 Disposal had not yet been completed. As operations carried out by Shanxi Yao Zin represent components of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and also represent separate major lines of businesses. The Group presented, in its financial statements, the Shanxi Yao Zin's operations as Discontinued Operations in accordance with Hong Kong Financial Reporting Standard 5 ("HKFRS 5"). Further details regarding the Discontinued Operations are set out in Note 10 to this results announcement.

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

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

The financial statements for the year ended 31 December 2010 were approved for issue by the board of directors on 29 March 2011.

2. ADOPTION OF NEW/REVISED HKFRSs

2.1 Adoption of new/revised HKFRSs

During the year, the Group has applied for the following amendments issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2010:

HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRSs (Amendments)	Improvements to HKFRSs

Other than as noted below, the adoption of these new/revised HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

(a) HKFRS 3 (Revised): Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

Changes in HKFRS 3 include the valuation of non-controlling interest, accounting for transaction costs, initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no impact to the financial statements as there has been no business combination transaction during the year.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, accordingly, such transactions are recognised within equity. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no impact on the current year.

(b) HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

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

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

HKFRS 9	Financial Instruments[3]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[1&2]

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 January 2013

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. REVENUE

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

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Sales of raw coking coal	**2,900,273**	2,967,059
Sales of clean coking coal	**2,643,012**	1,293,617
	5,543,285	4,260,676
Discontinued operations		
Sales of coke *(Note 10)*	**232,228**	209,455
	5,775,513	4,470,131

4. SEGMENT INFORMATION

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

Coking coal mining:	Mining and exploration of coal resources and production of raw and clean coking coal in the PRC
Coke production:	Production of coke in the PRC (Discontinued Operations during the year)

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

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

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

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

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

	Continuing operations				Discontinued operations *(Note 10)*			
	Coking coal mining		Total		Coke production		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue:								
Sales to external results	**5,543,285**	4,260,676	**5,543,285**	4,260,676	**232,228**	209,455	**5,775,513**	4,470,131
Segment operating profit/(loss)	**3,245,094**	2,437,053	**3,245,094**	2,437,053	**(193,488)**	(96,323)	**3,051,606**	2,340,730
Share-based compensation			**(287,205)**	(110,304)	**–**	–	**(287,205)**	(110,304)
Interest income			**42,048**	9,858	**–**	–	**42,048**	9,858
Other operating income not allocated			**70**	–	**–**	–	**70**	–
General and administrative expenses not allocated			**(23,419)**	(65,765)	**–**	–	**(23,419)**	(65,765)
Operating profit/(loss)			**2,976,588**	2,270,842	**(193,488)**	(96,323)	**2,783,100**	2,174,519
Gain on disposals of subsidiaries			**–**	38,264	**–**	–	**–**	38,264
Finance costs			**(39,646)**	(117,678)	**(8,408)**	(7,535)	**(48,054)**	(125,213)
Change in fair value of derivative financial instruments			**9,672**	4,370	**–**	–	**9,672**	4,370
Net transaction loss arising from acquisition of available-for-sale financial assets			**–**	(221,221)	**–**	–	**–**	(221,221)
Share of losses of associates			**(526)**	(386)	**–**	–	**(526)**	(386)
Profit/(Loss) before income tax			**2,946,088**	1,974,191	**(201,896)**	(103,858)	**2,744,192**	1,870,333

	Continuing operations						Discontinued operations *(Note 10)*			
	Coking coal mining		**Corporate**		**Total**		**Coke production**		**Consolidated**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Depreciation	**149,665**	128,620	**755**	503	**150,420**	129,123	**46,684**	43,288	**197,104**	172,411
Amortisation of mining rights	**266,871**	260,581	**–**	–	**266,871**	260,581	**–**	–	**266,871**	260,581
Amortisation of prepaid lease payments	**1,179**	1,164	**–**	107	**1,179**	1,271	**237**	234	**1,416**	1,505
Write-down of inventories to net realisable value	**–**	–	**–**	–	**–**	–	**15,666**	9,987	**15,666**	9,987
Provision for impairment of trade and other receivables	**117,318**	32,142	**–**	–	**117,318**	32,142	**–**	4,153	**117,318**	36,295

	Continuing operations						Discontinued operations *(Note 10)*			
	Coking coal mining		Corporate		Total		Coke production		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**20,663,873**	17,759,118	**1,734,712**	2,025,964	**22,398,585**	19,785,082	**512,130**	492,603	**22,910,715**	20,277,685
Interests in associates			**19,398**	19,196	**19,398**	19,196	**–**	–	**19,398**	19,196
Deferred tax assets			**16,193**	20,191	**16,193**	20,191	**–**	–	**16,193**	20,191
Available-for-sale financial assets			**3,161,097**	2,214,369	**3,161,097**	2,214,369	**–**	–	**3,161,097**	2,214,369
Financial assets at fair value through profit or loss			**–**	25,967	**–**	25,967	**–**	–	**–**	25,967
Derivative financial instruments			**12,224**	–	**12,224**	–	**–**	–	**12,224**	–
Group assets					**25,607,497**	22,064,805	**512,130**	492,603	**26,119,627**	22,557,408
Segment liabilities	**2,200,148**	1,873,943	**12,166**	12,392	**2,212,314**	1,886,335	**479,210**	277,919	**2,691,524**	2,164,254
Deferred tax liabilities			**2,280,368**	2,011,610	**2,280,368**	2,011,610	**–**	–	**2,280,368**	2,011,610
Tax payables			**344,369**	243,267	**344,369**	243,267	**989**	2,428	**345,358**	245,695
Borrowings			**1,131,863**	785,238	**1,131,863**	785,238	**35,695**	20,847	**1,167,558**	806,085
Derivative financial instruments			**11,597**	–	**11,597**	–	**–**	–	**11,597**	–
Group liabilities					**5,980,511**	4,926,450	**515,894**	301,194	**6,496,405**	5,227,644

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**5,775,513**	4,470,131	**15,809,775**	15,300,945
Hong Kong	**–**	–	**2,943**	3,339
	5,775,513	4,470,131	**15,812,718**	15,304,284

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

During the year, HK$1,914,151,000 or 35% (2009: HK$633,588,000 or 15%) of the Group's revenue is generated from a single customer under coking coal mining segment. At 31 December 2010, 13% (2009: 20%) of the Group's trade and bills receivables was due from this customer.

5. OTHER OPERATING INCOME

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Bank interest income on escrow accounts	**–**	135
Other bank interest income	**26,904**	9,723
Other interest income	**15,144**	–
Gain on disposals of property, plant and equipment	**636**	–
Gain on sales of scrapped products	**56,080**	23,269
Gain on trading of coal	**5,689**	1,539
Net foreign exchange gain	**56,841**	–
Profit on disposal of available-for-sale financial assets	**410**	–
Others	**151**	2,885
	161,855	37,551

6. GAIN ON DISPOSALS OF SUBSIDIARIES

(a) Disposal of Risheng

On 15 January 2009 ("Completion Date"), one of the Group's subsidiaries, Jinshan Energy Group Limited ("Jinshan") completed the disposals of its 70% equity interest in Taiyuan Xishan Risheng Coal and Coking Co., Limited ("Risheng") to a subsidiary of the non-controlling shareholder of Risheng (the "Risheng Disposal") for a cash consideration of RMB110,000,000 (HK$124,971,000 equivalent), representing the aggregate consideration for the 70% equity interest of Risheng and the assumption of Risheng Loans of HK$102,519,000 (as defined in the Company's announcement dated 23 April 2008 (the "2008 Announcement")). Risheng is engaged in the production and sales of coke products in Shanxi, the PRC. Since then, Risheng ceased to be a subsidiary of the Group.

Furthermore, on 19 April 2008, Jinshan agreed to assume the Risheng Loans (as defined and described in the 2008 Announcement) in Risheng's books due to various creditors and Mr. Wong Lik Ping ("Mr. Wong"), one of the substantial shareholders of the Company, agreed to assume the liabilities amounting to RMB35,000,000 (HK$39,763,000 equivalent) owed by Jinshan to two creditors for nil consideration upon the completion of the Risheng Disposal. Thus Risheng Disposal contributed a gain of RMB26,049,000 (HK$29,594,000 equivalent) to the Group. Net liabilities of the Risheng Disposal at the Completion Date were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	164,503
Deposits and other receivables	6
Bank and cash balances	115
Amounts due to non-controlling interests	(2,272)
Other payables	(169,057)
	(6,705)
Non-controlling interests	(437)
Liabilities due to two creditors by Jinshan assumed by Mr. Wong	39,763
Gain on disposal of Risheng	29,594
Total consideration	62,215
Satisfied by:	
Cash consideration	124,971
Less: liabilities assumed by Jinshan	(102,519)
	22,452
Liabilities due to two creditors by Jinshan assumed by Mr. Wong	39,763
	62,215
An analysis of net inflow of cash and cash equivalents in respect of the Risheng Disposal is as follows:	
Cash consideration	124,971
Bank and cash balances disposed	(115)
Net inflow of cash and cash equivalents	124,856

(b) Disposal of Jumbo Hall

On 31 December 2009, the Group completed the disposal of the entire issued share capital of Jumbo Hall International Limited ("Jumbo Hall") at a cash consideration of HK$15,500,000, resulting in a gain of HK$8,670,000 to the Group. The sole asset of Jumbo Hall was a property which was used by the Company as its registered office in Hong Kong. Details of the disposal were set out in the Company's announcement dated 7 October 2009. Net assets of Jumbo Hall at the date of disposal on 31 December 2009 were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	2,691
Prepaid lease payments	4,066
Deposits and other receivables	75
Other payables	(2)
	6,830
Gain on disposal of Jumbo Hall	8,670
Total consideration	15,500
Satisfied by:	
Cash consideration	15,500

7. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest charged on:		
– borrowings repayable within five years	**51,630**	110,320
– early redemption of bills receivables	**14,611**	24,062
Finance charges on finance leases	**517**	418
	66,758	134,800
Less: interest capitalised in CIP *	**(27,112)**	(17,122)
Total finance costs	**39,646**	117,678

* Borrowing costs were capitalised at the rates ranging from 2% to 5% (2009: 4% to 8%) per annum for the year ended 31 December 2010.

8. PROFIT BEFORE INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Profit before income tax is arrived at after charging/(crediting):		
Auditors' remuneration		
– audit services	**1,450**	1,425
– other services	**850**	250
Cost of inventories recognised as expenses	**1,451,760**	1,173,849
Amortisation of:		
– prepaid lease payments	**1,179**	1,271
– mining rights	**266,871**	260,581
Depreciation of property, plant and equipment		
– owned assets	**148,758**	127,481
– leased assets	**1,662**	1,642
Employee benefit expenses (including directors' remuneration, share based compensation and retirement benefits scheme contributions)	**745,714**	411,156
Net foreign exchange (gain)/loss	**(56,841)**	2,577
Operating lease charges in respect of land and buildings	**14,626**	21,247
Provision for impairment on trade receivables *(Note 15)*	**117,318**	27,612
Provision for impairment on other receivables	**–**	4,530
(Gain)/Loss on disposals of property, plant and equipment	**(636)**	6,991

9. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax – PRC income tax		
– Current year	**531,420**	561,931
– Under-provision in respect of prior year	**1,098**	505
Deferred tax		
– Current year	**(3,393)**	(137,816)
	529,125	424,620

No provision for Hong Kong profits tax has been made in this results announcement as the Group had no assessable profit arising in Hong Kong in 2009 and 2010.

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, were entitled to 50% relief on the income tax in the PRC for three years ended 31 December 2010. Thus, the enterprise income tax rate for the calendar years from 2008 to 2010 is 12.5%. From the calendar year of 2011 onwards, the enterprise income tax rate for these Group's major PRC subsidiaries shall become 25% without any exemption.

The Group is also subject to a withholding tax at the rate of 5% (2009: 10%) 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:

	2010	2009
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Profit before income tax	**2,946,088**	1,974,191
Tax calculated at the rates applicable to the tax jurisdiction concerned	**761,329**	538,764
Tax effect of tax exemption granted	**(419,616)**	(335,173)
Tax effect of non-deductible expenses	**70,776**	69,002
Tax effect of non-taxable income	**(12,573)**	(9,743)
Tax effect of unused tax losses not recognised	**18,779**	14,989
Effect of withholding tax at 5% (2009: 10%) on distributable profits of the Group's major PRC subsidiaries	**109,332**	146,276
Under-provision in respect of prior year	**1,098**	505
Income tax expense	**529,125**	424,620

10. DISCONTINUED OPERATIONS/ASSETS/(LIABILITIES) IN DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in Note 1, on 10 December 2010, New Honest entered into a conditional sale and purchase agreement to dispose of its entire 66% equity interest in Shanxi Yao Zin ("Disposal Group") which is engaged in production and sales of coke products in Shanxi, the PRC. As at 31 December 2010, the 2010 Disposal had not yet been completed. Loss for the year from the discontinued operations is as follows:

	2010	2009
	HK$'000	*HK$'000*
Loss for the year from discontinued operations		
Revenue *(Note 3)*	**232,228**	209,455
Expenses	**(434,124)**	(313,313)
Loss before income tax	**(201,896)**	(103,858)
Income tax expense	**–**	(3,230)
Loss for the year	**(201,896)**	(107,088)
Loss for the year from discontinued operations attributable to:		
Owners of the Company *(Note 13)*	**(128,529)**	(68,101)
Non-controlling interests	**(73,367)**	(38,987)
Loss for the year	**(201,896)**	(107,088)
Cash flows from discontinued operations		
Operating cash flows	**(6,151)**	43,861
Investing cash flows	**(6,698)**	(7,584)
Financing cash flows	**8,833**	(37,083)
Total cash flows	**(4,016)**	(806)

To better present the financial information as a result of the 2010 Disposal and in accordance with HKFRS 5, assets and liabilities which can be directly allocated to coke products business at the reporting date are shown separately as assets and liabilities in Disposal Group classified as held for sale in the consolidated statement of financial position, are as follows:

	2010
	HK$'000
Property, plant and equipment	379,107
Goodwill	3,183
Prepaid lease payments	9,671
Inventories	31,380
Trade and bills receivables	6,025
Deposits, prepayments and other receivables	82,604
Cash and cash equivalents	160
Total assets classified as held for sale	512,130
Borrowings	35,695
Trade and bills payables	294,281
Other payables and accruals	132,787
Amounts due to related companies	13,038
Amounts due to non-controlling shareholders of subsidiaries	39,104
Tax payables	989
Total liabilities classified as held for sale	515,894

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK$1,802,791,000 (2009: HK$1,126,274,000), a profit of HK$1,052,511,000 (2009: HK$1,760,681,000) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Interim dividend of HK5 cents (2009: HK10 cents) per ordinary share	**269,028**	499,596
Proposed final dividend of HK10 cents (2009: HK11 cents) per ordinary share	**538,056**	591,862
	807,084	1,091,458

On 29 March 2011, the board of directors proposed a final dividend of HK10 cents per ordinary share totaling HK$538,056,000 to the owners of the Company. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2010 has not been recognised as a liability as at the reporting date.

13. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2010	2009
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share from continuing and discontinued operations	**1,802,791**	1,126,274
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,379,043**	4,786,034
Effect of dilutive potential ordinary shares:		
– Share options	**19,904**	101,932
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,398,947**	4,887,966

From continuing operations

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

	2010	2009
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**1,802,791**	1,126,274
Add: Loss for the year attributable to owners of the Company from discontinued operations *(Note 10)*	**128,529**	68,101
Profit used to determine basic and diluted earnings per share from continuing operations	**1,931,320**	1,194,375

The weighted average number of ordinary shares used is the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss and diluted loss per share for the discontinued operations are HK2.39 cents per share (2009: HK1.42 cents per share) and HK2.38 cents per share (2009: HK1.39 cents per share) respectively, based on the loss for the year attributable to owners of the Company from the discontinued operations of HK$128,529,000 (2009: HK$68,101,000) and the weighted average number of ordinary shares as detailed above for both basic and diluted losses per share.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	HK$'000	*HK$'000*
Equity securities, at fair value		
– listed in Australia *(Note (a))*	**2,684,397**	1,761,422
– listed in Hong Kong *(Note (b))*	**468,440**	444,540
	3,152,837	2,205,962
Unlisted security fund investment, at cost	**–**	454
Unlisted equity interest, at cost *(Note (c))*	**8,260**	7,953
	3,161,097	2,214,369

Notes:

(a) This represents an investment in a company listed on the Australian Securities Exchange Limited (the "Australian Securities Exchange"), Mount Gibson Iron Limited ("Mount Gibson"). In September 2009, the Group entered an agreement with Sky Choice International Limited ("Sky Choice"), a wholly-owned subsidiary of Shougang Concord International Enterprises Company Limited ("Shougang International") such that the Group, through one of its subsidiaries purchased from Sky Choice, 154,166,874 ordinary shares of Mount Gibson, accounting for approximately 14.34% of the issued share capital of Mount Gibson as at the date of completion, at a consideration of HK$1,604,389,000. The transaction was completed on 1 December 2009 and the consideration was satisfied in full by allotment and issuance of 213,918,497 new shares of the Company at HK$7.5 per share. Mount Gibson was incorporated under the laws of Australia and is engaged in mining of hematite iron ore deposits in Western Australia. Detailed information about the operations of Mount Gibson is set out in the Company's announcement dated 22 September 2009.

On the completion date at 1 December 2009, the fair value of the investment in Mount Gibson was HK$1,661,142,000 which represented the market value with reference to its closing price as at that day in the Australian Securities Exchange. As the fair value of the share considerations was HK$1,604,389,000, a transaction gain of HK$54,393,000 (net of transaction cost of HK$2,360,000) was recognised in profit or loss for the year ended 31 December 2009.

As at 31 December 2010, the Group directly held 14.8% interest in Mount Gibson and the fair value of the investment in Mount Gibson was HK$2,684,397,000 (2009: HK$1,761,422,000) which represented the market value with reference to its closing price as at that day in the Australian Securities Exchange. A fair value gain of HK$845,889,000 (2009: HK$100,280,000) was recognised in the security investment reserve during the year ended 31 December 2010.

(b) This represents an investment in a company listed on the Stock Exchange, APAC Resources Limited ("APAC"). In September 2009, the Group entered another agreement with Shougang Holding (Hong Kong) Limited ("Shougang Holding") such that the Group, through one of its subsidiaries, purchased from Shougang Holding the entire issued share capital of Benefit Rich Limited ("Benefit Rich") which solely held 956,000,000 shares of APAC (accounting for approximately 16.80% of the issued share capital of APAC as at the date of completion). The transaction was also completed on 1 December 2009 and the consideration was satisfied in full by allotment and issuance of 109,089,993 new shares of the Company at HK$7.5 per share.

On the completion date at 1 December 2009, the fair value of the investment in APAC was HK$544,920,000 which represented the market value with reference to its closing price as at that day in the Stock Exchange. As the fair value of the share considerations was HK$818,175,000, a transaction loss of HK$275,614,000 (net of transaction cost of HK$2,359,000) was recognised in profit or loss for the year ended 31 December 2009.

As at 31 December 2010, the Group directly held 13.83% interest in APAC and the fair value of the investment in APAC was HK$468,440,000 (2009: HK$444,540,000) which represented the market value with reference to its closing price as at that day in the Stock Exchange. A fair value gain of HK$23,900,000 (2009: loss of HK$100,380,000) was recognised in the security investment reserve during the year ended 31 December 2010.

(c) This represents a 7% (2009: 7%) equity investment in an unlisted company incorporated in the PRC. The investee company has not yet commenced its business as at 31 December 2010 and will be engaged in transportation business in the PRC. The unlisted equity interest with a carrying amount of HK$8,260,000 (2009: HK$7,953,000) is measured at cost less impairment losses as there are no quoted market prices in active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group plans to hold this equity interest for the foreseeable future. In the opinion of directors, no impairment is considered necessary.

15. TRADE AND BILLS RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**903,640**	557,439
Less: Provision for impairment	**(159,308)**	(44,859)
	744,332	512,580
Bills receivables	**1,573,569**	601,067
	2,317,901	1,113,647

Trade receivables generally have credit terms ranging from 60 to 90 days (2009: 60 days to 90 days) and no interest is charged.

The carrying amount of trade and bills 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 2010, included in bills receivables is an amount of RMB297,000,000 (HK$350,460,000 equivalent) (2009: Nil) which was pledged for bills payables of RMB287,000,000 (HK$338,660,000 equivalent) (2009: Nil) (Note 16).

As at 31 December 2009, included in bills receivables is an amount of RMB10,500,000 (HK$11,929,000 equivalent) which represented the advance drawn from banks discounted with recourse.

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

Impairment losses in respect of trade and bills 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 bills receivables directly. As at 31 December 2010, ageing analysis of net trade and bills receivables, based on the invoice dates, is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**1,455,413**	832,505
91 – 180 days	**695,300**	122,023
181 – 365 days	**80,027**	91,086
Over 365 days	**87,161**	68,033
	2,317,901	1,113,647

Up to the date of this results announcement, HK$84,781,000 had received for the trade receivables over 365 days.

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

	2010	2009
	HK$'000	*HK$'000*
Balance at the beginning of the year	**44,859**	13,089
Exchange retranslation	**4,709**	5
Classified as held for sale	**(4,313)**	–
Amounts written off as uncollectible	**(3,265)**	–
Impairment loss recognised *(Note 8)*	**117,318**	31,765
	159,308	44,859

As at 31 December 2010, ageing analysis of trade and bills receivables that are not impaired is as follows:

	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,128,082**	929,983
1 – 90 days past due	**22,629**	30,397
91 – 180 days past due	**58,318**	43,367
181 – 365 days past due	**54,493**	60,323
Over 365 days past due	**54,379**	49,577
	189,819	183,664
	2,317,901	1,113,647

Trade and bills 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 bills 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 additional 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.

16. TRADE AND BILLS PAYABLES

The Group was granted by its suppliers the credit period ranging between 30 and 180 days (2009: 30 and 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bills payables as at 31 December 2010 is as follows:

	2010	2009
	HK$'000	*HK$'000*
0 – 90 days	**400,176**	214,758
91 – 180 days	**108,427**	26,805
181 – 365 days	**11,140**	25,435
Over 365 days	**18,065**	61,734
	537,808	328,732

As at 31 December 2010, bills payables of RMB314,540,000 (HK$371,157,000 equivalent) (2009: RMB90,300,000 (HK$102,590,000 equivalent)) were secured by the pledged bank deposits of RMB27,552,000 (HK$32,512,000 equivalent) (2009: RMB93,100,000 (HK$105,771,000 equivalent)) and bills receivables of RMB297,000,000 (HK$350,460,000 equivalent) (Note 15).

17. SHARE CAPITAL

	Number of shares		Company	
	2010	2009	**2010**	2009
	'000	*'000*	*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	**5,370,563**	4,564,555	**537,056**	456,456
Placing of shares *(Note (a))*	**–**	400,000	**–**	40,000
Issue of shares consideration *(Note (b))*	**–**	323,008	**–**	32,300
Issue of new shares upon conversion of share options	**10,000**	83,000	**1,000**	8,300
At 31 December	**5,380,563**	5,370,563	**538,056**	537,056

Notes:

(a) The Company and the placing agent entered into a placing agreement on 21 July 2009 pursuant to which the placing agent conditionally agreed to procure the placees for a maximum of 400,000,000 new ordinary shares, at a price of HK$4.38 per share. On 28 July 2009, 400,000,000 placing shares were issued under the general mandate granted to the directors at the Company's annual general meeting held on 2 June 2009. Details of the transactions are set out in the Company's announcement dated 21 July 2009. Net proceeds of approximately HK$1,719,027,000 from the placing shares were received.

(b) On 1 December 2009, the Company issued 323,008,490 ordinary shares of HK$0.10 each at the fair value of HK$7.50 per share to settle the consideration for the acquisitions of 154,166,874 shares in Mount Gibson and the acquisition of the entire issued share capital of Benefit Rich. Details of these acquisitions have been set out in Note 14(a) and (b) to this results announcement.

18. COMMITMENTS

(a) Operating lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**7,493**	10,684
In the second to fifth years	**24,564**	25,520
After five years	**144,064**	131,302
	176,121	167,506

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

(b) Capital commitments

	2010	2009
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**405,190**	357,541
– Exploration and design fees for a potential mining project	**8,826**	8,498
	414,016	366,039

(c) **Other commitments**

In accordance with a notice issued by the Liulin County Government of Shanxi Province (Liufa [2008] No.31), certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the construction of modern schools in Liulin County and provision of educational facilities from 2009 to 2011. Such subsidies are recognised in profit or loss in the corresponding year accordingly. Management expects that one further payment (2009: two payments) of RMB110,000,000 (HK$129,800,000 equivalent) are payable in 2011 (2009: payable in 2010 and 2011).

19. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2010, the Group has no outstanding financial guarantee contracts. As at 31 December 2009, Xingwu executed guarantees with respect to the bank loans and other loans, denominated in RMB282,000,000 (HK$320,380,000 equivalent), granted to two independent third parties. Under the above guarantees, Xingwu were liable to pay the banks and lenders if the banks and lenders were unable to recover the loans from these third parties. At 31 December 2009, no provision for the Group's obligation under the guarantee contracts had been made. These guarantees were released during 2010.

FINAL DIVIDEND

The Board recommends a final dividend of HK10 cents per ordinary share for the year ended 31 December 2010 (2009: HK11 cents per ordinary share). The proposed final dividend together with the interim dividend of HK5 cents per ordinary share (2009: HK10 cents per ordinary share) will make a total dividend of HK15 cents per ordinary share for the year ended 31 December 2010 (2009: HK21 cents per ordinary share).

Subject to shareholders' approval at the Company's annual general meeting to be held on Thursday, 19 May 2011, the final dividend will be payable to shareholders whose names appear on the register of members of the Company on Thursday, 19 May 2011 and is expected to be paid on or about Monday, 13 June 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 May 2011 to Thursday, 19 May 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 17 May 2011 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

The coking coal sector in China experienced substantial fluctuations in 2010 amid various difficulties. The Chinese government tightened economic measures and stretched to achieve the targets of energy saving and emission reduction, which posed severe challenges to coking coal producers. Nevertheless, the tight supply of coking coal in China in the past few years was due to structural shortages and policies launched to consolidate coal resources in some major mining provinces also resulted in a shortage of coal supply. During the first quarter of 2010, the prices of international coking coal increased significantly, this drove up the prices of China's domestic coking coal until the second quarter. Although coking coal prices came down in the second quarter of 2010, the prices resumed growth momentum in the third quarter to peak at the end of the year.

As a result of robust economic growth, China's crude steel production stayed on an uptrend in the first five months. During the period, coking coal prices firmly climbed up. However, the government's efforts to realise the targets of energy saving and emission reduction set out in the "Eleventh Five-year Plan" by the year end caused domestic steel sector, to slow down crude steel production for four months since June 2010. Coking coal prices were adversely affected for a short period of time but started to rebound gradually in August.

Crude steel production bounced back in the fourth quarter, as inventories gradually reduced following market adjustments and the government accomplished the targets of energy saving and emission reduction in the third quarter. As a result, demand for coking coal was boosted up again. During the fourth quarter, severe floods wrecked havoc in Queensland, Australia, a major coking coal exporter in the world, led to tight global supply. As a result, the domestic coking coal prices reached its peak by December 2010.

In 2010, the Group's average realised selling price (inclusive of value added tax ("VAT")) of raw coking coal increased by 30% to Renminbi ("RMB") 836/tonne when compared with the same period of 2009 (2009: RMB644/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal increased by 22% to RMB1,706/tonne when compared with the same period of 2009 (2009: RMB1,401/tonne). For the month of December 2010, the Group's average realised selling prices (inclusive of VAT) of raw and clean coking coal were RMB961/tonne and RMB1,757/tonne respectively.

Business Review

During the year under review, we proceeded with our long term strategy and made vigorous efforts to expand our clean coal business. Operations of all of our three premium coking coal mines in Liulin County, Shanxi (Xingwu Coal Mine, Jingjiazhuang Coal Mine and Zhaiyadi Coal Mine) ran smoothly. We continued to maintain good work safety record.

As domestic steel sector showed signs of slowdown in the first quarter, we took decisive measures in April and May to upgrade the long wall at one of our mines. These measures enabled us to enhance production efficiency and hence we prepare well for future expansion. As a result, our raw coal production in the first half of 2010 dropped by approximately 0.29 million tonnes when compared to the corresponding period in 2009 to 2.96 million tonnes. Our raw coal production picked up as a result of long wall upgrade and in the second half of 2010 raw coal production reached 3.27 million tonnes. Although the Liulin County government reduced electricity supply from mid-November to the end of December in order to realise the targets of energy saving and emission reduction set out in the "Eleventh Five-year Plan", our production was not material adversely affected. Eventually, the Group reached production target of 6.23 million tonnes of raw coal in 2010.

We achieved phenomenal growth in clean coal operation last year. The productivity of our clean coal business increased substantially after the coal preparation plant at Jinjiazhuang Coal Mine had come on stream in the middle of 2009 and another one at Zhaiyadi Coal Mine had commenced a trial-run in the fourth quarter of 2010. All of our three premium coking coal mines have their own coal preparation plants that increase our efficiency and the total annual input processing capability reached 6 million tonnes. Clean coking coal production volume jumped 61% year-on-year to 1.61 million tonnes in 2010, while its sales volume soared by 58% to approximately 1.58 million tonnes in 2010.

Average realised selling price (inclusive VAT) of raw coking coal was steadily moving up on a quarter-to-quarter basis during the year under review. It climbed up from RMB 788/tonne in the first quarter to RMB 902/tonne in the fourth quarter and reached RMB836/tonne for the full year, representing an increase of 30% year-on-year. Meanwhile, average realised selling price (inclusive VAT) of clean coking coal slightly increased from RMB 1,718/tonne in the first quarter to RMB 1,720/tonne in the fourth quarter. As we started to sell No. 9 clean coking coal in the fourth quarter, the average realised selling price came down on a quarter-to-quarter basis because the selling price of No.9 clean coking coal was lower than that of No.4 clean coking coal. Average realised selling price (inclusive VAT) of clean coking coal for the full year was RMB 1,706/tonne, representing an increase of 22% year-on-year.

We achieved satisfactory results in strengthening sales of clean coal business development. This segment contributed 48% to total revenue in 2010 as compared to 30% in 2009.

During the year under review, we maintained good strategic relationship with major steel manufacturers in China, including Shougang Group, Hebei Iron and Steel Group and Inner Mongolia Baotou Steel Union Company Limited. Such relationship lays a solid foundation for the sustainable growth of our clean coal business. In 2010, total turnover from those three prestige customers accounted for 47% of the Group's turnover.

The Company was not only selected as a constituent in the Hang Seng Composite Index and the MSCI Emerging Markets Index in 2009, but was also added to the Xinhua FTSE HK Index in March 2010. These reflected the Group is widely recognised by investors and markets.

Financial Review

For the year ended 31 December 2010, the Group recorded a turnover of approximately HK$5,543 million, representing an increase of approximately HK$1,282 million or 30% as compared with that of approximately HK$4,261 million for the same period of 2009. The growth in turnover was mainly attributable to the substantial increase in realised selling prices of raw and clean coking coal by 30% and 22% respectively. Average realised selling prices (inclusive of VAT) of raw and clean coking coal were RMB836/tonne (2009: RMB644/tonne) and RMB1,706/tonne (2009: RMB1,401/tonne) respectively in 2010, representing a year-on-year increase of 30% and 22% respectively. For 2010, sales volume of raw and clean coking coal were 3.53 million tonnes (2009: 4.75 million tonnes) and 1.58 million tonnes (2009: 1.00 million tonnes) respectively. In terms of turnover, sales of raw and clean coking coal accounted for 52% and 48% of the Group's turnover, respectively in 2010 compared against 70% and 30%, respectively in 2009.

For the year ended 31 December 2010, the Group recorded net profit of approximately HK$2,215 million, representing an increase of approximately HK$773 million or 54% as compared with that of approximately HK$1,442 million for the same period of 2009. For the year ended 31 December 2010, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$1,803 million, representing an increase of approximately HK$677 million or 60% as compared with that of approximately HK$1,126 million for the same period of 2009. The substantial increase in net profit and profit attributable to the Owners in 2010 were mainly attributable to the substantial increase in raw and clean realised coking coal prices by 30% and 22% respectively and the tight cost control by management. In addition, during the year under review, the Company did not suffer an one-off non-cash net transaction loss of HK$221 million arising from the acquisition of Mount Gibson Iron Limited ("Mount Gibson") 's shares in 2009. During the year under review, earnings per share was HK33.52 cents, representing a year-on-year increase of 42%.

For the year ended 31 December 2010, the Group incurred a non-cash share based compensation expense of approximately HK$287 million arising from the granting of share options by the Company in August 2009. If this expense was excluded, the Group's net profit and profit attributable to the Owners would have been approximately HK$2,502 million and approximately HK$2,090 million, respectively.

Cost of Sales

During the year under review, cost of sales was approximately HK$1,452 million, representing an increase of approximately HK$278 million or 24%, as compared with that of approximately HK$1,174 million for the same period of 2009. The increase was due to (i) increase in staff costs by approximately HK$128 million from approximately HK$199 million in 2009 to approximately HK$327 million in 2010 as a result of the adjustments of staff wages in order to maintain the competitive advantage in the labour market and to retain quality management and staff and due to the increase in number of staff upon the commencement of production of two coal preparation plants in 2010; (ii) increase in the payment of levies of land restoration fee and mine resources compensation fee by approximately HK$34.56 million in 2010; (iii) increase in depreciation of property, plant and equipment from approximately HK$81.15 million in 2009 to approximately HK$103 million in 2010, representing an increase of approximately HK$21.85 million or 27% over the same period of 2009. The increase was mainly attributable to the completion of a Jinjiazhuang coal preparation plant in June 2009. During the year under review, additions of property, plant and equipment (exclusive of construction in progress) amounted to approximately HK$227 million; and (iv) increase in production costs as a result of increase in sales volume of clean coking coal from 1 million tonnes in 2009 to 1.58 million tonnes in 2010.

Included in cost of sales, amortisation of mining rights was approximately HK$267 million for the year ended 31 December 2010 (2009: HK$261 million). The amortisation of mining rights remained at similar level as that in 2009 as the production volume of raw coking coal in 2010 is close to that in 2009.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the year ended 31 December 2010 was approximately HK$4,092 million, representing an increase of approximately HK$1,005 million or 33% as compared with that of approximately HK$3,087 million for the same period of 2009. Gross profit margin achieved at 74% during the year under review and 72% for the same period of 2009. Even though the average realised selling prices in 2010 were substantially higher than that in the same period of 2009, its gross profit margin slightly increased to 74% due to the increase in labour cost, depreciation, levies and production costs as mentioned in the above under "**Cost of Sales**".

Other Operating Income

During the year under review, other operating income was approximately HK$162 million, representing a substantial increase of approximately HK$124 million or 331% as compared with that of approximately HK$37.55 million for the same period of 2009. The increase was mainly attributable to (i) increase of income from sales of scrapped products generated from Jinjiazhuang coal preparation plant, which commenced production in June 2009, by approximately HK$32.81 million; (ii) net exchange gain of approximately HK$56.84 million on retranslation of the Company's current assets denominated in RMB in 2010 as a result of the appreciation of RMB; and (iii) increase in interest income from approximately HK$9.72 million in 2009 to approximately HK$42.05 million in 2010 as a result of the effective cash management.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$381 million, representing an increase of approximately HK$158 million or 71% as compared with that of approximately HK$223 million for the same period of 2009. The increase was mainly a result of the substantial increase in transportation costs arising from the increase in sales volume of clean coking coal by 58% from 1 million in 2009 to 1.58 million in 2010.

General and Administrative Expenses

During the year under review, administrative expenses were approximately HK$621 million, representing an increase of approximately HK$245 million or 65% as compared with that of approximately HK$376 million for the same period of 2009. The increase was a result of (i) the non-cash share-based compensation expense of approximately HK$287 million in 2010 (2009: HK$110 million) arising from granting of 281,050,000 share options to eligible participants by the Company in August 2009 as disclosed in the annual report of the Company for the year ended 31 December 2009 (the "Annual Report 2009"); (ii) increase in directors' remuneration and staff costs by approximately HK$26.03 million during the year under review; and (iii) increase in professional fees by approximately HK$11.52 million mainly for certain potential acquisition projects during the year under review.

Other Operating Expenses

During the year under review, other operating expenses were approximately HK$275 million, representing an increase of approximately HK$21 million or 8% as compared with that of approximately HK$254 million for the same period of 2009. Other operating expenses included the charitable donation of approximately HK$127 million made during the year under review by the Group to the Liulin Provincial Government for the construction of modern schools and provision of education facilities as disclosed in the Annual Report 2009.

Finance Costs

During the year under review, actual finance costs were approximately HK$66.76 million, representing a substantial decrease of approximately HK$68.04 million or 50% as compared with that of approximately HK$135 million for the same period of 2009. During the year under review, approximately HK$27.11 million (2009: HK$17.12 million) borrowing costs were capitalised in the property, plant and equipment. The decrease in actual finance costs was due to the substantial reduction in the average annual interest rate charge on the bank borrowings from approximately 10% in 2009 to approximately 5% in 2010.

Income Tax Expense

During the year under review, income tax expense was approximately HK$529 million (2009: HK$425 million), of which approximately HK$109 million (2009: HK$146 million) represented the provision of withholding tax of 5% (2009: 10%) on the dividend declared from the three premium coking coal mines in accordance with the tax regulations in the PRC. The income tax expense was mainly incurred by the three premium coking coal mines. The three premium coking coal mines were entitled to 50% relief on the income tax in 2010, thus the income tax rate of the three coking coal mines was 12.5% in 2010.

Owner's Attributable Profit

As a result of the reasons above, profit attributable to the Owners in the year under review was approximately HK$1,803 million, representing a sharp increase of approximately HK$677 million or 60% as compared with that of approximately HK$1,126 million for the same period of 2009.

Material Investments and Acquisitions

During the year ended 31 December 2010, the Group had no material investments and acquisitions. However, during the year under review, a wholly-owned subsidiary of the Company further acquired 6,000,000 equity shares of Mount Gibson at a total cost of approximately HK$64 million. As at 31 December 2010, the Group holds approximately 14.80% equity interest in Mount Gibson directly.

As at 31 December 2010, benefiting from the appreciation of Mount Gibson's share price and Australian Dollars ("AUD") exchange rate by approximately 28% and 14% year-on-year respectively, the carrying value of investments in Mount Gibson increased by approximately HK$600 million (deduction of tax effect) year-on-year.

Material Disposals

On 10 December 2010, one of the Group's subsidiaries, New Honest Limited entered into a conditional sale and purchase agreement with an independent third party to dispose its whole 66% equity interest in Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin") for a cash consideration of RMB211.2 million (HK$249.2 million equivalent), on condition that the Group shall waive its shareholders' loans to Shanxi Yao Zin amounting to RMB124.9 million (HK$147.4 million equivalent) and the corresponding interest. Shanxi Yao Zin is engaged in production and sales of coke products in Shanxi, the PRC. Since the commencement of its commercial production in mid of 2008, Shanix Yao Zin has been suffering loss. As at 31 December 2010, the disposal had not yet been completed. The Group would record a gain of approximately HK$100 million when the disposal is completed.

Save for disclosed above, the Group had no material disposals during the year ended 31 December 2010.

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving growth in coal production. Thus, the Group made great efforts in promoting safety management and strengthened measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly enterprise. During the year under review, all coal mines of the Group operated smoothly and recorded no material safety incidents.

Charges on Assets

As at 31 December 2010, save for bank deposits of approximately HK$32.51 million and bills receivables of approximately HK$350 million that were used for securing bills facilities of approximately HK$371 million the pledge 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 US$100 million of bank loan for the Company, none of the Group's assets were charged or subject to any encumbrance.

Contingent Liabilities

As at 31 December 2010, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 31 December 2010, gearing ratio of the Group, computed from the Group's borrowings divided by the total equity, was approximately 6%. The total borrowings amounted to approximately HK$1,132 million as at 31 December 2010.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2010, other than assets and liabilities denominated in RMB and AUD, the Group had no material exposure to foreign exchange fluctuations. Due to the appreciation of RMB and AUD exchange rate in 2010 when compared to 2009 by approximately 4% and 14% respectively, carrying amounts of the Group's assets denominated in RMB and AUD were increased by approximately 4% and 14% respectively in 2010.

Liquidity and Financial Resources

As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was approximately 2.08 and the Group's cash and bank deposits amounted to approximately HK$2,800 million, of which approximately HK$32.51 million was deposited mainly to secure bills facilities of approximately HK$32.50 million.

Included in trade and bills receivables, the Group had total bills receivables amounting to approximately HK$1,600 million (except for bill receivables of approximately HK$350 million that were used for securing bills facilities of approximately HK$339 million) as at 31 December 2010 that were readily convertible into cash, but would be subject to finance cost when conversion before the maturity. Taking into account of the bills receivables of HK$1,600 million, the Group's cash resources would have approximately HK$4,400 million as at 31 December 2010.

Capital Structure

Total equity, bank loans and other borrowings are classified as capital. As at 31 December 2010, the amount of capital of the Group was approximately HK$20,755 million.

As at 31 December 2010, the issued share capital of the Company was approximately HK$538 million, represented approximately 5,381 million shares in number. The Company issued 10 million shares with par value of HK$0.1 each at an exercise price of HK$1.5 per share upon the exercise of share options during the year under review.

As at 31 December 2010, the total borrowings of the Group amounted to approximately HK$1,132 million which were denominated in United States Dollars ("US$") or RMB. The US$ borrowing of approximately HK$654 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable by 13 installments during the period from September 2010 to September 2013. The RMB borrowings of approximately HK$472 million are subject to floating interest rates adopted by the People's Bank of China and are repayable in March 2012. The remaining balances of borrowings of approximately HK$6 million are subject to fixed interest rates and are repayable within 1 year to 2 years from 31 December 2010.

Employees

As at 31 December 2010, the Group had 24 Hong Kong employees and 7,119 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-sponsored retirement plan for its employees in PRC. The Group has also adopted a share option scheme since 20 June 2003. During the year under review, no share option was granted.

Outlook

Inventories of China's steel sector has reduced to a healthier level after a remarkable market correction last year. Steel production is expected to gradually resume to normal this year as the Government has already achieved the targets of energy saving and emission reduction. We believe that both steel production and steel price will steadily move up, thereby creating a favourable operation environment for coking coal producers.

The Ministry of Land and Resources announced to continue to suspend grant of exploration rights to new coal mines until 31 December 2013. As new supplies will be limited and the local governments in a number of coal production areas have stepped up efforts to rationalise local coal enterprises, domestic supply of premium coking coal will remain tight this year and China will be more dependent on import of coking coal. In 2009, China imported 34.4 million tonnes of coking coal, up 402% from the previous year and became a net coking coal importer for the first time. The import volume of coking coal in 2010 soared by 37% year-on-year to 47.27 million tonnes and the figure for 2011 will continue to go up.

In addition, major exporters such as Australia were hard hit by severe weather and it takes a long time for them to resume normal production. As a result, domestic coking coal price is expected to increase dramatically this year.

We will take advantage of such favourable environment to further expand and strengthen our long-term strategic cooperation with major steel producers and make extensive efforts to develop our clean coal business. With strong financial strengths and solid liquidity position, we will continue to seek business expansion through organic growth and acquisition of suitable targets in a prudent manner, whereby generating greater operating efficiency and delivering better returns to shareholders in response to their continual support to us.

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 2010 have been agreed by the Group's auditors, BDO Limited and is in line with 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 CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "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 2010, except for the following deviation:

- Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

  The Chairman of the Board did not attend the annual general meeting of the Company held on 8 June 2010 (the "Meeting") as he had another business engagement. The Vice-chairman and Managing Director of the Company, who took the chair of the Meeting, and other members of the Board together with certain members of the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

Details of the Company's compliance with the provisions of the Code during the year will be set out in the Corporate Governance Report in the Company's 2010 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
Wang Pingsheng
Chairman

Hong Kong, 29 March 2011

As at the date of this announcement, the Board comprises Mr. Wang Pingsheng (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. Xue Kang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).