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## **Rosan Resources Holdings Limited**

### **融信資源控股有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 578)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “**Board**”) of Rosan Resources Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim financial statements of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2014 as follows:

### **CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2014*

	<i>Notes</i>	<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	4	<b>99,735</b>	157,823
Cost of sales		<b>(108,840)</b>	(161,022)
<b>Gross loss</b>		<b>(9,105)</b>	(3,199)
Other income	4	<b>12,964</b>	15,979
Selling and distribution expenses		<b>(4,093)</b>	(3,774)
Administrative expenses		<b>(38,750)</b>	(58,164)
Other operating expenses		<b>(13,636)</b>	(2,487)
Finance costs	5	<b>(28,482)</b>	(54,678)
Share of losses of associates		<b>(7,702)</b>	(46,060)
Share of profits of a joint venture		<b>611</b>	20
Impairment loss on goodwill		<b>(26,545)</b>	(24,400)
Impairment loss on interest in an associate		<b>(26,599)</b>	–

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss before income tax</b>	6	(141,337)	(176,763)
Income tax expense	7	<u>(4,063)</u>	<u>(1,326)</u>
<b>Loss for the period</b>		<b><u>(145,400)</u></b>	<b><u>(178,089)</u></b>
 <b>Loss for the period attributable to:</b>			
Owners of the Company		(134,524)	(164,700)
Non-controlling interest		<u>(10,876)</u>	<u>(13,389)</u>
		<b><u>(145,400)</u></b>	<b><u>(178,089)</u></b>
		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<i>HK cents</i>	<i>HK cents</i>
 <b>Loss per share for loss attributable to the owners of the Company during the period</b>			
Basic and diluted loss per share	8	<b><u>(18.876)</u></b>	<b><u>(23.110)</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>Loss for the period</b>	<b>(145,400)</b>	<b>(178,089)</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange (loss)/gain on translation of financial statements of foreign operations		
– subsidiaries	(20,888)	19,592
– a joint venture	(151)	107
– associates	(3,068)	2,467
	<u>(169,507)</u>	<u>(155,923)</u>
<b>Total comprehensive income for the period</b>	<b><u>(169,507)</u></b>	<b><u>(155,923)</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	(156,566)	(144,139)
Non-controlling interest	<u>(12,941)</u>	<u>(11,784)</u>
	<b><u>(169,507)</u></b>	<b><u>(155,923)</u></b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>581,615</b>	525,206
Goodwill		<b>42,390</b>	69,032
Mining rights		<b>626,129</b>	647,373
Other intangible assets		<b>119</b>	–
Interest in associates		<b>88,534</b>	125,816
Interest in a joint venture		<b>6,527</b>	6,067
Available-for-sale financial assets		<b>26,566</b>	26,566
Deposits paid		<b>3,044</b>	–
		<b>1,374,924</b>	1,400,060
<b>Current assets</b>			
Inventories		<b>13,888</b>	13,779
Accounts and bills receivables	9	<b>227,562</b>	298,216
Prepayments, deposits and other receivables		<b>135,602</b>	207,867
Tax recoverable		<b>9,541</b>	9,774
Pledged bank deposits		<b>319,949</b>	124,286
Cash and cash equivalents		<b>552,910</b>	580,835
		<b>1,259,452</b>	1,234,757
<b>Current liabilities</b>			
Accounts and bills payables	10	<b>465,995</b>	301,465
Other payables and accruals		<b>461,043</b>	548,649
Provision for reclamation obligations		<b>85,313</b>	85,249
Bank loans	11	<b>562,217</b>	461,112
		<b>1,574,568</b>	1,396,475
<b>Net current liabilities</b>		<b>(315,116)</b>	(161,718)
<b>Total assets less current liabilities</b>		<b>1,059,808</b>	1,238,342

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-current liabilities</b>			
Other payables		–	11,532
Amount due to an associate		<b>37,494</b>	38,439
Deferred tax liabilities		<b>26,576</b>	23,126
		<u><b>64,070</b></u>	<u>73,097</u>
<b>Net assets</b>		<u><b>995,738</b></u>	<u>1,165,245</u>
<b>EQUITY</b>			
Share capital	<i>12</i>	<b>71,267</b>	71,267
Reserves		<b>896,873</b>	1,053,439
		<u><b>968,140</b></u>	<u>1,124,706</u>
<b>Equity attributable to the owners of the Company</b>		<b>968,140</b>	1,124,706
<b>Non-controlling interest</b>		<b>27,598</b>	40,539
		<u><b>995,738</b></u>	<u>1,165,245</u>
<b>Total equity</b>		<u><b>995,738</b></u>	<u>1,165,245</u>

NOTES:

**1. GENERAL INFORMATION AND BASIS OF PREPARATION**

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

The principal activities of the Company and its subsidiaries (the “**Group**”) are the production and sale of coal and trading of purchased coal in the PRC.

The interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2013, except for the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (“**Int**”)) as disclosed in note 2.

The Group incurred a loss of approximately HK\$145,400,000 (six months ended 30 June 2013: approximately HK\$178,089,000) for the six months ended 30 June 2014 and, as of that date, the Group had net current liabilities of approximately HK\$315,116,000 (as at 31 December 2013: approximately HK\$161,718,000) as at 30 June 2014. These conditions indicate the existence of a material uncertainty that may cast significant doubts about the Group’s ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In presenting the interim financial statements for the six months ended 30 June 2014, the directors of the Company have given consideration to the future financial positions of the Group in light of the financial conditions as described in the preceding paragraphs. The directors of the Company are taking active steps to improve the financial positions of the Group as described below.

The interim financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2014 and subsequently thereto up to the date of this announcement. In order to improve the Group's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of this interim financial statements which include, but not limited to, the followings:

- (a) The Group has been taking stringent cost controls in cost of sales and administrative expenses; and
- (b) The Group has entered into a strategic framework agreement with a PRC bank. According to the framework agreement, the bank has agreed to renew the current banking facility to the Group with amount of RMB100.0 million (equivalent to approximately HK\$125.0 million) upon its expiry. Besides, the bank has preliminarily agreed to offer a subsidiary of the Company for an additional banking facility with an amount of RMB300.0 million (equivalent to approximately HK\$374.9 million) when it is required by the Group in the next two years from August 2014. This facility is subject to certain conditions which the bank has the final and conclusive right to determine the granting of such loan.

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

- (a) As at 30 June 2014, the Group had cash and cash equivalents amounted to approximately HK\$552,910,000; and
- (b) The directors of the Company have prepared a cash flow forecast for the next twelve months and are of the opinion that the Group would generate positive cash inflows from its operations.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that both the Group and the Company will be able to meet in full their financial obligations as they fall due for the twelve months from 30 June 2014. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the interim financial statements for the six months ended 30 June 2014 on a going concern basis.

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

## 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### Adoption of new and revised HKFRSs – effective from 1 January 2014

HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 Amendments	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, 12 and HKAS 27 Amendments	Investment Entities
HK(IFRIC)-Int 21	Levies

The adoption of these new and revised HKFRSs, has no significant impact on the Group's interim financial statements.

#### *Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

#### *Amendments to HKAS 36 – Recoverable Amount Disclosures for Non-Financial Assets*

These amendments remove the unintended consequences of HKFRS 13 *Fair Value Measurement* on the disclosures required under HKAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

#### *Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

#### *Amendments to HKFRS 10, HKFRS 12 and HKAS 27 – Investment Entities*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under HKFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under HKFRS 10.



### ***HK(IFRIC)-Int 21 – Levies***

Int 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., HKAS 12 *Income Taxes*) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in interim financial statements.

### **3. SEGMENT INFORMATION**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company 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 of the Company are determined following the Group's major product and service lines.

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors of the Company in order to allocate resources and assess performance of the segment. For the periods presented, the executive directors of the Company have determined that the Group has only one major operating segment as the Group is principally engaged in the business of production and sale of coal which is the basis to allocate resources and assess performance. The Group has also engaged in trading of purchased coal during the six months ended 30 June 2014, the directors of the Company are of the opinion that this business has no significant financial impacts to the Group during the six months ended 30 June 2014, accordingly, no segment information is disclosed in the interim financial statements.

The Group's revenue from external customers is derived from the PRC and its non-current assets (other than deferred tax assets) located outside the PRC are less than 5%. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations and workforce in the PRC, and therefore, the PRC is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "*Operating Segments*".

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

#### 4. REVENUE AND OTHER INCOME

Turnover represents the revenue arising from the Group's principal activities which are production and sale of coal and trading of purchased coal.

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue/Turnover</b>		
Production and sale of coal	<b>93,659</b>	157,823
Trading of purchased coal	<b>6,076</b>	–
	<b>99,735</b>	<b>157,823</b>
<b>Other income</b>		
Bank interest income	<b>12,727</b>	10,766
Interest income from loans to third parties	–	2,085
Write-back of accruals	–	2,502
Others	<b>237</b>	626
	<b>12,964</b>	<b>15,979</b>

#### 5. FINANCE COSTS

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest charge on bank loans wholly repayable within one year	<b>17,764</b>	36,105
Effective interest expense on convertible bonds repayable within five years	–	4,036
Interest expenses on financial liabilities stated at amortised cost	<b>17,764</b>	40,141
Bank charges on bills receivable discounted without recourse	<b>10,718</b>	15,637
	<b>28,482</b>	<b>55,778</b>
Less: interest capitalised in property, plant and equipment	–	(1,100)
	<b>28,482</b>	<b>54,678</b>

## 6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Cost of inventories sold	106,437	157,898
Depreciation	20,569	18,396
Operating lease charges on land and buildings	1,462	1,469
Amortisation of prepaid lease payments	–	130
Amortisation of mining rights	5,346	7,787
Amortisation of other intangible assets	17	201
Employee benefit expense (including directors' remuneration and retirement benefit scheme contributions)	60,846	107,875
Exchange loss, net	1,383	959
Loss on disposal of property, plant and equipment	–	43
Impairment loss on goodwill	26,545	24,400
Impairment loss on interest in an associate	26,599	–
Provision for reclamation obligations	2,794	5,654
	<u>2,794</u>	<u>5,654</u>

## 7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
<b>Current tax</b>		
– Current period	31	158
– Over-provision in respect of prior period	–	(498)
	<u>31</u>	<u>(340)</u>
<b>Deferred tax</b>	<u>4,032</u>	<u>1,666</u>
	<u>4,063</u>	<u>1,326</u>

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2013: Nil).

Corporate income tax arising in the PRC is calculated at the statutory income tax rate of 25% (six months ended 30 June 2013: 25%) of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

## **8. LOSS PER SHARE**

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 June 2014 is based on the loss attributable to the owners of the Company of approximately HK\$134.5 million (six months ended 30 June 2013: loss approximately HK\$164.7 million) and on the weighted average of 712,674,000 ordinary shares (six months ended 30 June 2013: 712,674,000) during the six months ended 30 June 2014.

In calculating the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2013, the potential issue of shares arising from the conversion of the Company's convertible bonds would decrease the loss per share attributable to the owners of the Company and is not taken into account as they have an anti-dilutive effect. In calculating the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2013 and 2014, share options of the Company are not dilutive as the exercise price of the options exceeds the average market price of ordinary shares during the six months ended 30 June 2013 and 2014. Therefore, the diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2013 and 2014 is the same as the basic loss per share.

## 9. ACCOUNTS AND BILLS RECEIVABLES

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Accounts receivable	<b>164,572</b>	297,024
Bills receivable	<b>62,990</b>	1,192
	<b>227,562</b>	298,216

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally, credit periods ranging from 60 to 180 days (as at 31 December 2013: 60 to 180 days) are allowed. Based on the invoice dates, ageing analysis of the Group's accounts receivable at the reporting date is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
0 – 90 days	<b>52,607</b>	47,585
91 – 180 days	<b>1,940</b>	42,259
181 – 365 days	<b>42,916</b>	88,384
Over 365 days	<b>79,105</b>	131,094
	<b>176,568</b>	309,322
Less: provision for impairment	<b>(11,996)</b>	(12,298)
	<b>164,572</b>	297,024

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

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Neither past due nor impaired	52,607	87,306
Past due for less than 3 months	1,457	65,881
Past due for more than 3 months but less than 6 months	43,382	25,041
Past due for more than 6 months but less than 1 year	67,126	51,608
Past due for more than 1 year	—	67,188
	<u>164,572</u>	<u>297,024</u>

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

	<b>Unaudited</b> <b>30 June</b> <b>2014</b> <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
At 1 January	12,298	11,944
Exchange difference	<u>(302)</u>	<u>354</u>
At 30 June/31 December	<u>11,996</u>	<u>12,298</u>

## 10. ACCOUNTS AND BILLS PAYABLES

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Accounts payable	33,564	23,422
Bills payable	432,431	278,043
	<u>465,995</u>	<u>301,465</u>

Bills payable were secured by the pledge of the Group's time deposits amounted to approximately HK\$319.9 million (as at 31 December 2013: approximately HK\$124.3 million).

The Group was granted by its suppliers' credit periods ranging from 30 to 90 days (as at 31 December 2013: 30 to 90 days). Based on the invoice dates, ageing analysis of the Group's accounts payable at the reporting date is as follows:

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
0 – 90 days	19,638	10,005
91 – 180 days	3,688	5,000
181 – 365 days	4,725	5,825
Over 365 days	5,513	2,592
	<u>33,564</u>	<u>23,422</u>

## 11. BANK LOANS

	Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
Bank loans repayable within one year and classified as current liabilities	<u>562,217</u>	<u>461,112</u>
Analysis as follows:		
– Secured	299,759	204,852
– Unsecured	262,458	256,260
	<u>562,217</u>	<u>461,112</u>

As at 30 June 2014, bank loans of approximately HK\$299.8 million (as at 31 December 2013: approximately HK\$204.9 million) were secured by certain accounts receivable and mining right of the Group (as at 31 December 2013: secured by certain accounts receivable and pledged time deposit).

As at 30 June 2014, bank loans of approximately HK\$462.2 million (as at 31 December 2013: approximately HK\$435.5 million) were guaranteed by independent third parties.

As at 30 June 2014, all bank loans bear interest at fixed rates ranging from 5.60% to 9.99% per annum (as at 31 December 2013: at fixed rates ranging from 5.59% to 9.99% per annum).

## 12. SHARE CAPITAL

	Unaudited 30 June 2014		Audited 31 December 2013	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.1 each	<b>30,000,000,000</b>	<b>3,000,000</b>	30,000,000,000	3,000,000
<b>Issued and fully paid:</b>				
At 1 January 2013, 31 December 2013, 1 January 2014 and 30 June 2014, ordinary shares of HK\$0.1 each	<b>712,673,692</b>	<b>71,267</b>	712,673,692	71,267

## 13. SUBSEQUENT EVENTS

On 17 May 2014, an accident was occurred in Xiangyang Coal Mine, i.e. one of the coal mines owned by a subsidiary of the Company, located at Dengfeng City, Henen Province. Following the accident, the government authority has immediately issued an order that all the coal mines within Dengfeng City (including the Group's five coal mines) have to be suspended the production and operation for safety inspection.

In July 2014, the Group has obtained approvals from the relevant government authority for the resumption in operation for its coal mines except Xiangyang Coal Mines.



**EXTRACTS FROM INDEPENDENT AUDITOR'S REVIEW REPORT ON THE GROUP'S INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The interim financial statements are unaudited, but have been reviewed by Moore Stephens in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

**Emphasis of matter**

“Without qualifying our opinion, we draw attention to note 2<sup>#</sup> to the interim financial report which indicates that the Group incurred a loss of approximately HK\$145,400,000 for the six months ended 30 June 2014 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$315,116,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.”

# Being note 1 in this interim results announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

During the six months ended 30 June 2014 (the “**Period**”), the Group was still facing its challenging period. On the one hand, it was obvious that the coal industry did not have indication to turnaround from the unfavorable environment in short term, hence the coal price still maintained at the lower level during the past year. On the other hand, an accident was occurred in a coal mine of the Group in May 2014, that caused all the coal mines of the Group suspended in production and operation for approximately two months since then.

The coal price was continuously to adjust downward during the Period, although the extent of dropping was reducing. Comparing with the same period of last year (the “**Last Period**”), the average coal price for the Period was lower than the Last Period by approximately 2.3% (the Period: approximately RMB306.0 per ton, the Last Period: approximately RMB313.1 per ton). The continuous dropping in coal price was mainly due to the supply of coal in the People’s Republic of China (the “**PRC**”) was still higher than the overall demand. Moreover, since the PRC government have not yet induced policies which are favorable to the coal industry, it is expected that the coal price is hardly to have significant improvement in the short term.

In May 2014, an accident was occurred in one of the coal mines of the Group, i.e. Xiangyang Coal Mine. Although the accident was merely an inadvertent industrial accident and not related to the safety problem of the coal mine, it caused all the coal mines of the Group have to be suspended for around two months. Although four of the five coal mines of the Group have been resumed in operation in July 2014, Xiangyang Coal Mine is still in suspension as at the date of this announcement.

With the recent market information, it showed that certain large size coal mining companies are now reducing coal supply in order to achieve a balance with the demand. Once the demand and supply can reach a stable level, it is believed that the dropping trend of coal price will be further slow down. It is expected that the PRC government may issue certain policies in the future which may be favorable to the coal industries.

Although the Group and the coal industry of the PRC are both facing the sluggish period, the Group are still in striving the best effort to maintain competitive power within the county. The management of the Group (“the “**Management**”) believes that with the continuous support from the Group’s stakeholders, the Group is able to overcome the challenges and to sustain its development in the industry.

## **Financial Review**

### ***Revenue***

The Group's revenue for the Period amounted to approximately HK\$99.7 million, representing a decrease of approximately 36.8% from approximately HK\$157.8 million for the Last Period. The reduction in revenue was primarily due to the suspension of all the Group's coal mines since May 2014 resulting from an accident occurred in Xiangyang Coal Mine. During the Period, the total sales volume of coal only reached to approximately 0.26 million tons, represented a reduction of approximately 35.2% comparing with the sales volume of approximately 0.40 million tons for the Last Period.

In addition to the reduction in the sales volume, the average selling price of coal was continuous to drop during the Period resulting from the persistent weak demand of coal in the market. The average selling price of coal has dropped slightly from approximately RMB313.1 per ton for the Last Period to approximately RMB306.0 per ton for the Period.

### ***Gross Loss***

The gross loss during the Period was approximately HK\$9.1 million, while the gross loss for the Last Period was approximately HK\$3.2 million. The increase in gross loss was mainly due to the reduction in revenue overwhelmed the reduction in cost of sales. During the Period, although the revenue has been dropped with the reasons as explained in the precedent paragraph, certain coal mining related costs could not reduce proportionally, such as staff costs for essential workers, utilities costs, provision for reclamation costs, removal and relocation costs which were necessarily to be incurred continuously.

### ***Administrative Expenses***

During the Period, the total administrative expenses amounted to approximately HK\$38.8 million (the Last Period: approximately HK\$58.2 million) which mainly comprised of: (i) employee benefit expenses of approximately HK\$14.8 million (the Last Period: approximately HK\$23.5 million); (ii) amortization of intangible assets, mining rights and prepaid lease payments amounted to approximately HK\$5.4 million (the Last Period: approximately HK\$8.1 million); and (iii) depreciation of property, plant and equipment amounted to approximately HK\$2.8 million (the Last Period: approximately HK\$3.1 million). The decrease in total administrative expenses was mainly because of the Company has induced cost control measurements to reduce the administrative costs, such as reduction of number of staffs and staff salaries, shortening the daily electricity consumption time and etc.

### *Finance Costs*

The finance costs of the Period was reduced by approximately 47.9% from approximately HK\$54.7 million for the Last Period to approximately HK\$28.5 million for the Period. The decrease in the total finance costs was mainly due to the amount of average bank loans during the Period was lower than the Last Period. With the lower average bank borrowings during the Period, less finance costs were incurred.

### *Net Loss*

The net loss attributable to the owners of the Company for the Period was approximately HK\$134.5 million, represented an decrease of approximately 18.3% compared with the Last Period of approximately HK\$164.7 million. The reasons for the decrease in net loss attributable to the owners of the Company for the Period were mainly due to: (i) the decrease in administrative expenses and finance costs as explained above and (ii) the decrease in the share of losses of associates (the Period: approximately HK\$7.7 million; the Last Period: approximately HK\$46.1 million) resulting from the reduction in unrealized loss incurred on stock investment by an associate during the Period, partially offset by the impairment loss on interest in an associate amounted to approximately HK\$26.6 million for the Period.

### *Accounts and Bills Receivables*

As at 30 June 2014 (the “**Period End**”), the accounts and bills receivables amounted to approximately HK\$227.6 million. There was a decrease of approximately 23.7% as compared to the accounts and bills receivables as at 31 December 2013 (the “**Last Year End**”) of approximately HK\$298.2 million. The decrease was mainly because of the average duration of suspension in operation of the coal mines during the Period was longer than that of the Last Period. Therefore, less revenue was generated during the Period as compared with the Last Period. In addition, the average repayment period of accounts receivable for the Period was shorter than that of the Last Period.

- (1) Amongst the total amount of accounts receivable (excluding the bills receivable) as at the Period End, Henan Zhongfu Dianli Company Limited\* (“**Zhongfu**”) (河南中孚電力有限公司) was the largest debtor who has contributed approximately HK\$108.3 million (equivalent to approximately RMB86.7 million) or approximately 65.8% of the total accounts receivable amount as at the Period End. The entire outstanding amount of accounts receivable from Zhongfu was past due for less than one year.

Regarding to the outstanding amounts due from Zhongfu, the Management has performed the following impairment assessment:

- (a) By reviewing the settlement since the Last Year End and up to the date of this announcement, Zhongfu has settled approximately HK\$135.0 million (equivalent to approximately RMB108.0 million) or 55.5% of the total outstanding balance as at the Last Year End;
- (b) By reviewing the financial status of Zhongfu, it was noted that Zhongfu has generated positive result with sufficient assets in the recent years;
- (c) By reviewing the group structure of Zhongfu, the Management believed that feasible financial support can be obtained from its holding company which is a listed company in the PRC;
- (d) By reviewing the past transaction history with Zhongfu, Zhongfu has never made bad debts to the Group; and
- (e) A repayment schedule was provided by Zhongfu for the future settlement of the outstanding balance, in which, Zhongfu stated the outstanding balance as at the Last Year End will be fully settled by 31 December 2014.

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

- (2) In order to enhance the operational cash flow and the liquidity within the group companies, Henan Jinfeng Coal Industrial Group Company Limited\* (“**Jinfeng**”) (河南金豐煤業集團有限公司) (a subsidiary of the Company) has issued bills to its subsidiaries (i.e. Xiangyang Coal Industry Company Limited\*, (“**Xiangyang**”) (登封市向陽煤業有限公司) and Xingyun Coal Industry Company Limited\*, (“**Xingyun**”) (登封市興運煤業有限責任公司)), to facilitate the settlement derived from the inter-companies sales and purchases.

The bills receivable has been increased from approximately HK\$1.2 million as at the Last Year End to approximately HK\$63.0 million as at the Period End. The increase in the amounts of bills receivable was mainly due to the increase in receipt of bills close to the Period End, in order to enhance the liquidity during the period of coal mines suspension.

### *Accounts and Bills Payables*

As mentioned previously, in order to enhance the operational cash flow and the liquidity within the group companies, Jinfeng has issued bills to its subsidiaries, i.e. Xiangyang and Xingyun, to facilitate the settlement derived from the inter-companies sales and purchases.

It is the fact that the principal activities of both Xiangyang and Xingyun are production of coal and Jinfeng was the sole purchaser of their coal produced during the Period. Therefore, the operational cashflow and the liquidity of Xiangyang and Xingyun are relied on the settlement (i.e. either by cash or bills) from Jinfeng.

Bills payable as at the Period End amounted to approximately HK\$432.4 million, representing an increase of approximately 55.5% as compared with approximately HK\$278.0 million as at the Last Year End. As at the Period End, all the coal mines of the Group had been suspended and less revenue could be generated for cash enhancement. As such, more bills were then issued by Jinfeng to Xiangyang and Xingyun for settlement in order to enhance operational cash flow and liquidity for the intra-group companies. Therefore, the bills payable balance was increased as at the Period End.

### ***Other Payables and Accruals***

The total amount of other payables and accruals have been decreased by approximately 16.0% from approximately HK\$548.6 million as at the Last Year End to approximately HK\$461.0 million as at the Period End. The other payables as at the Period End were mainly comprised of: (i) provision of PRC social insurance amounted to approximately HK\$247.6 million (as at the Last Year End: approximately HK\$239.7 million), (ii) accrued coal mines related removal and relocation expenses amounted to approximately HK\$50.4 million (as at the Last Year End: approximately HK\$47.0 million), (iii) accrued worker's wages and benefits amounted to approximately HK\$33.6 million (as at the Last Year End: approximately HK\$33.7 million) and contingent consideration of investment in associates amounted to approximately HK\$11.2 million (as at the Last Year End: approximately HK\$23.1 million). The reduction was mainly due to the Group has settled the advances provided by independent third parties amounted to approximately HK\$99.2 million during the Period.

### **PROSPECT**

Facing with the challenging market condition in the future, the Group will continue to improve its performance by adopting different measurements, such as broaden the customers' base, implement more cost control procedures for the operation, lowering the bank borrowing cost, etc.

In the meantime, the Group will also try to diversify into different kinds of business which might be considered favorable to the Group, such as coal trading business, investment in software development company, indirect investment in stock market of the PRC, etc. It is believed that in the long run, those investments may bring beneficial results to the Group and shareholders as a whole.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at the Period End, the net asset value of the Group was approximately HK\$995.7 million (as at the Last Year End: approximately HK\$1,165.2 million) and the total cash and bank balance (included pledged bank deposits) was approximately HK\$872.9 million (as at the Last Year End: approximately HK\$705.1 million). As at the Period End, the Group had net current liabilities of approximately HK\$315.1 million (as at the Last Year End: approximately HK\$161.7 million) and its current ratio decreased from 0.9 times as at the Last Year End to 0.8 times as at the Period End.

As at the Period End, the Group's total accounts receivable amounted to approximately HK\$164.6 million (as at the Last Year End: approximately HK\$297.0 million) and certain accounts receivable were pledged to secure bank loans of the Group. Subsequent to 30 June 2014 and up to date of this announcement, accounts receivable amounted to approximately HK\$10.6 million has been settled.

As at the Period End, bank deposits amounted to approximately HK\$319.9 million (as at the Last Year End: approximately HK\$124.3 million) were pledged and not available for the operation or repayment of debts of the Group. Cash and cash equivalents which was not pledged amounted to approximately HK\$552.9 million (as at the Last Year End: approximately HK\$580.8 million).

As at the Period End, the Group's total bank loans were amounted to approximately HK\$562.2 million (as at the Last Year End: approximately HK\$461.1 million).

As at the Period End, the Group's bills payable amounted to approximately HK\$432.4 million (as at the Last Year End: approximately HK\$278.0 million) were secured by the pledge of the Group's time deposits and of approximately HK\$112.5 million (as at the Last Year End: approximately HK\$153.8 million) were also guaranteed by independent third parties.

As at the Period End, the Group's gearing ratio (as a ratio calculated by (a) the sum of bank loans, advances from third parties and amount due to an associate; divided by (b) the net assets of the Group) was 60.2% (as at the Last Year End: 51.4%).

## **EXCHANGE RISK EXPOSURE**

The sales and purchases of the Group are predominantly in RMB which is the functional currency of the related group entities. The Board therefore is of the opinion that the Group's sensitivity to the change in foreign currency is low and the Group does not hedge its foreign currency risk.

## **DIVIDEND**

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2014.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2014, the Group has a total of approximately 1,000 employees located in Hong Kong and the PRC. Salaries are reviewed annually with discretionary bonuses being paid depending on individual performance. The Group also provides other benefits including medical insurance and pension funds. A share option scheme was adopted by the Group on 27 May 2014 to enable the directors of the Company to grant share options to eligible participants including any employee of the Group as incentive to their valuable contribution to the Group.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **CORPORATE GOVERNANCE**

During the six months ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), except for the deviation as set out below.

Code provision A.4.1 of the CG Code provides that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive director and independent non-executive directors (the "**INEDs**") of the Company do not have a specific term of appointment, but subject to rotation in accordance with Bye-law 111 of the Bye-laws of the Company. As the non-executive director and INEDs of the Company are subject to rotation in accordance with the Bye-laws of the Company, the Board considers that the non-executive director and INEDs so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the CG Code.

Code provision A.6.7 of the CG Code requires that the independent non-executive directors and the non-executive directors should attend general meetings. However, the independent non-executive director of the Company, Dr. Chen Renbao was unable to attend the annual general meeting of the Company held in Hong Kong on 27 May 2014 as he was absent from Hong Kong.



## **AUDIT COMMITTEE**

The Company has an audit committee (the “**Audit Committee**”) which was established in accordance with the requirements of the code provisions in the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three of the INEDs of the Company, namely Mr. Ma Yueyong (Chairman of the Audit Committee), Dr. Chen Renbao and Mr. Jiang Xiaohui. The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting system and internal control procedures, review of the Group’s financial information, review of the relationship with the external auditor of the Company and performance of the corporate governance functions delegated by the Board. The Group’s interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry, all directors of the Company have fully complied with the required standards set out in the Model Code throughout the six months ended 30 June 2014.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.irasia.com/listco/hk/rrhl>). The 2014 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 2014.

## **APPRECIATION**

I would like to take this opportunity to express my most sincere thanks and gratitude to our shareholders, and various parties for their continuing support, and our directors and staff for their dedication and hard work.

By order of the Board  
**Rosan Resources Holdings Limited**  
**Dong Cunling**  
*Chairman*

Hong Kong 27 August 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Chen Xu, Mr. Dong Cunling, Mr. Wu Jiahong, Mr. Yang Hua and Mr. Zhou Guangwen; the non-executive director of the Company is Mr. Li Chunyan; the INEDs of the Company are Dr. Chen Renbao, Mr. Jiang Xiaohui and Mr. Ma Yueyong.*

\* *For identification purpose only*