融信資源
R R H L

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 2018

The board of directors (the "**Board**") of Rosan Resources Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**"), together with comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2018

		Unaudited	
		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**495,752**	285,875
Cost of sales		**(464,437)**	(304,939)
Gross profit/(loss)		**31,315**	(19,064)
Other income	*5*	**34,355**	29,179
Selling and distribution expenses		**(19,133)**	(1,818)
Administrative expenses		**(37,488)**	(21,234)
Other expenses		**(4,192)**	(1,746)
Finance costs	*6*	**(46,070)**	(18,961)

	Notes	Unaudited Six months ended 30 June **2018** ***HK$'000***	 2017 *HK$'000*
Share of results of associates		**(2)**	(862)
Share of results of a joint venture		**26**	7
Impairment loss on property, plant and equipment		**(4,996)**	(3,198)
Impairment loss on mining rights		**–**	(4,150)
Loss before income tax	*7*	**(46,185)**	(41,847)
Income tax expense	*9*	**(798)**	–
Loss for the period		**(46,983)**	(41,847)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(46,991)**	(38,528)
Non-controlling interests		**8**	(3,319)
		(46,983)	(41,847)
Loss per share attributable to the owners of the Company			
– Basic and diluted (HK cents)	*11*	**(4.518)**	(5.406)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss for the period	**(46,983)**	(41,847)
Other comprehensive income/(loss) for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
– subsidiaries	**4,283**	(393)
– a joint venture	**(83)**	182
– associates	**(1,336)**	3,077
	2,864	2,866
Share of other comprehensive income of an associate	**–**	419
Other comprehensive income for the period, net of tax	**2,864**	3,285
Total comprehensive loss for the period	**(44,119)**	(38,562)
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(44,492)**	(35,388)
Non-controlling interests	**373**	(3,174)
	(44,119)	(38,562)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	Unaudited 30 June 2018 HK$'000	Audited 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**424,092**	239,133
Prepaid land lease payments		**69,797**	–
Mining rights		**318,929**	326,535
Other intangible assets		**477**	–
Interests in associates		**100,599**	101,938
Interest in a joint venture		**6,192**	6,248
Available-for-sale financial assets		**–**	710
Financial assets at fair value through other comprehensive income		**701**	–
		920,787	674,564
Current assets			
Inventories		**26,674**	14,056
Accounts and bills receivables	*12*	**360,712**	221,340
Prepaid land lease payments		**1,493**	–
Prepayments, deposits and other receivables		**401,010**	379,289
Tax recoverable		**8,989**	9,412
Pledged bank deposits		**847,688**	616,880
Cash and cash equivalents		**203,781**	170,878
		1,850,347	1,411,855
Current liabilities			
Accounts and bills payables	*13*	**931,677**	817,863
Amounts due to shareholders		**222,510**	41,097
Other payables and accruals		**564,686**	458,078
Provision for reclamation obligations		**101,340**	99,480
Bank and other loans	*14*	**820,030**	613,519
		2,640,243	2,030,037
Net current liabilities		**(789,896)**	(618,182)
Total assets less current liabilities		**130,891**	56,382

	Notes	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Non-current liabilities			
Amount due to an associate		**98,283**	99,589
Amounts due to shareholders		**79,625**	–
Bank and other loans	*14*	**30,573**	33,381
Deferred income		**3,679**	–
Deferred tax liabilities		**3,221**	–
		215,381	132,970
Net liabilities		**(84,490)**	(76,588)
EQUITY			
Share capital		**104,017**	71,267
Deficit in reserves		**(137,521)**	(79,933)
Deficiency attributable to the owners of the Company		**(33,504)**	(8,666)
Non-controlling interests		**(50,986)**	(67,922)
Capital deficiency		**(84,490)**	(76,588)

NOTES

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. 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 Group include (i) the production and sale of coal and the trading of purchased coal and (ii) the production and sale of building materials in the People's Republic of China (the "**PRC**").

The production and sale of building materials operation is related to the acquisition of subsidiaries during the Period, details are set out in Note 8.

2. BASIS OF PREPARATION

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

The condensed consolidated 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 2017, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") (which includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Int**")) as disclosed in Note 3.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand unless otherwise stated. The condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include the explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. These condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

These condensed consolidated interim financial statements are unaudited.

Going concern basis

The Group incurred a consolidated net loss of approximately HK$46,983,000 (six months ended 30 June 2017: net loss of approximately HK$41,847,000) for the six months ended 30 June 2018 and, as of that date, the Group had net current liabilities of approximately HK$789,896,000 (as at 31 December 2017: approximately HK$618,182,000) and a capital deficiency of approximately HK$84,490,000 (as at 31 December 2017: approximately HK$76,588,000), among which the outstanding borrowings of approximately HK$1,912,150,000 (including bank loans of approximately HK$608,911,000 (note 14), other loans of approximately HK$211,119,000 (note 14), bills payables of approximately HK$869,610,000 (note 13) and interest-free loans provided by certain shareholders of approximately HK$222,510,000 are due for repayment within one year from the reporting date or repayable on demand. These conditions indicate the existence of a material uncertainty that may cast significant doubts on 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 order to improve the Group's financial positions, liquidity and cash flows, the Board have adopted or in the process of adopting the following measures:

(a) The Group has been taking stringent cost controls in different areas, such as in the cost of sales and administrative expenses; and

(b) The Group has been liaising with certain banks in relation to the renewal of its borrowing amounting to approximately Renminbi ("**RMB**") 513,850,000 (equivalent to approximately HK$608,911,000) as at 30 June 2018, which would be due within twelve months from the reporting date. Subsequent to the end of the reporting period and up to the date when the condensed consolidated interim financial statements are authorised for issuance, the Group has renewed certain bank borrowings with an aggregate principal amount of approximately RMB99,830,000 (equivalent to approximately HK$118,298,000). These renewed loans will be due after twelve months from the reporting date. In the opinion of the Board, considered the long term relationships and also their understanding from the banks, the remaining bank borrowings with an aggregate principal amount of approximately RMB414,020,000 (equivalent to approximately HK$490,613,000) that will be due for repayment within twelve months from the reporting date, will be renewed upon maturity.

(c) The Group has entered into three loan agreements with three major shareholders of the Company, who directly/indirectly own approximately 23.27%, approximately 12.26% and approximately 9.61% of the Company's shares respectively as of the date of approval of these condensed consolidated interim financial statements. Pursuant to the loan agreements, the three major shareholders agreed to provide unsecured and interest-free loans with a maximum aggregated amount of RMB600,000,000 (equivalent to approximately HK$710,998,000) for a term of three years. As at 30 June 2018, aggregated amount of RMB80,000,000 (equivalent to approximately HK$94,800,000) has been advanced to the Group;

(d) The Group, from time to time, reviews its investment projects and may adjust the investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the Board is satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the Board is of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements 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 carrying amounts of assets to their estimated 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 adjustments have not been reflected in the condensed consolidated interim financial statements.

3. ADOPTION OF REVISED HKFRSs

(a) The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current interim period of the Group. Of these, the following developments are relevant to the Group's condensed consolidated interim financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Board concluded that the adoption of HKFRS 15 has not had any the changes material impact on the amounts recognised in the condensed consolidated financial statements.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9.

Except for the HKFRS 9, the application of these new HKFRSs and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated interim financial statements and/or disclosures set out in the condensed consolidated interim financial statements.

Under the transition methods chosen, the Group has recognised cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017	Impact on initial application of HKFRS 9	At 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale financial assets	710	(710)	–
Financial assets at fair value through other comprehensive income	–	710	710
Total non-current assets	**674,564**	**–**	**674,564**
Accounts and bills receivables	221,340	(11,582)	209,758
Deposit and other receivables	375,594	(29,289)	346,305
Total current assets	**1,411,855**	**(40,871)**	**1,370,984**
Net current liabilities	**(618,182)**	**(40,871)**	**(659,053)**
Total assets less current liabilities	**56,382**	**(40,871)**	**15,511**
Net liabilities	**(76,588)**	**(40,871)**	**(117,459)**
Deficit in reserves	(79,933)	(36,784)	(116,717)
Deficiency attributable to the owners of the Company	**(8,666)**	**(36,784)**	**(45,450)**
Non-controlling interests	**(67,922)**	**(4,087)**	**(72,009)**
Capital deficiency	**(76,588)**	**(40,871)**	**(117,459)**

Further details of these changes are set out in sub-section (b) of this note.

(b) HKFRS 9 replaced HKAS 39 Financial Instruments: Recognition and Measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed on 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity as at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on deficit in reserves and non-controlling interests at 1 January 2018.

	HK$'000
Deficit in reserves	
Recognition of additional expected credit losses on financial assets measured at amortised cost	36,784
Related tax *(Note a)*	–
Net increase in deficit in reserves at 1 January 2018	36,784
Non-controlling interests	
Decrease in non-controlling interests at 1 January 2018	4,087

Note a:

In the opinion of the Board, as the future income stream of the Group is uncertain, it is unlikely the deductible temporary difference can be able to utilise in the short period of time. Therefore, the related tax as at 1 January 2018 would not be recognised.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) and will not be recycled to profit or loss even when the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets carried at amortised cost				
Accounts and bills receivables *(note (ii))*	221,340	–	(11,582)	209,758
Deposit and other receivables *(note (ii))*	375,594	–	(29,289)	346,305
	596,934	–	(40,871)	556,063
Financial assets measured at FVTOCI (non-recycling)				
Unlisted equity securities *(note (i))*	–	710	–	710
Financial assets classified as available-for-sale under HKAS 39				
Unlisted equity securities *(note (i))*	710	(710)	–	–

Note:

(i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVTPL under HKFRS 9, unless they are eligible for and designated at FVTOCI by the Group. At 1 January 2018, the Group designated its investment in unlisted equity instruments at FVTOCI (non-recycling), as the investment is held for strategic purposes.

(ii) Expected credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit losses ("**ECLs**") model. The ECLs model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises expected credit losses earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECLs model to the financial assets measured at amortised cost (including pledged bank deposits, cash and cash equivalents, accounts and bills receivables, and deposit and other receivables).

Financial assets measured at fair value, including unlisted equity instruments measured at FVTPL, equity securities designated at FVTOCI (non-recycling) is not subject to the ECLs assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Provision for impairment for accounts and bills receivables, deposit and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including pledged bank deposits and cash and cash equivalents), the Group recognises a provision for impairment equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the provision for impairment is measured at an amount equal to lifetime ECLs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to approximately HK$40,871,000, which increased deficit in reserves by approximately HK$36,784,000 and decreased non-controlling interests by approximately HK$4,087,000 as at 1 January 2018. The Group has quantified that no material ECLs recognised for the period ended 30 June 2018.

4. 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 (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 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 in order to allocate resources and assess performance of the segment. For the periods presented, the Executive Directors have determined that the Group's operating and reporting segments under HKFRS 8 are as follows:

- Coal Business – Production and sale of coal and the trading of purchased coal
- Building Materials Business – Production and sale of building materials[1]

[1] On 3 January 2018, the Group completed the acquisition of a company which is engaged in production and sale of building materials (note 8).

(a) Segment revenue and results

	Coal Business	Building Materials Business	Total
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Six months ended 30 June 2018			
Revenue from external customers	**385,786**	**109,966**	**495,752**
Segment (loss)/profit	**(50,109)**	**11,959**	**(38,150)**
Six months ended 30 June 2017			
Revenue from external customers	285,875	–	285,875
Segment loss	(32,134)	–	(32,134)

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Reconciliation of segment profit or loss:		
Reportable segment loss from Group's external customers and joint venture	**(38,150)**	(32,134)
Share of results of associates	**(2)**	(862)
Other income	**2,629**	15
Depreciation	**(87)**	(43)
Finance costs	**(95)**	(3)
Unallocated head office and corporate expenses	**(10,480)**	(8,820)
Loss before income tax	**(46,185)**	(41,847)

(b) Segment assets and liabilities

	Coal Business	**Building Materials Business**	**Other Unallocated Assets/ Liabilities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 30 June 2018				
Segment assets	**1,914,877**	**581,510**	**274,747**	**2,771,134**
Segment liabilities	**2,197,411**	**537,558**	**120,655**	**2,855,624**
	(audited)	(audited)	(audited)	(audited)
At 31 December 2017				
Segment assets	1,816,498	–	269,921	2,086,419
Segment liabilities	2,038,379	–	124,628	2,163,007

Geographical information

The Group's revenue from external customers is all derived from the PRC and most of its non-current assets are located in the PRC. 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 were delivered. The geographical location of the non-current assets is based on the location of assets.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**214,370**	251,961
Customer B[1]	**105,102**	19,624
Customer C[1]	**50,693**	–

[1] Revenue from Coal Business

5. REVENUE AND OTHER INCOME

Revenue represents the income arising from the Group's principal activities which include (i) the production and sale of coal, (ii) the trading of purchased coal and (iii) the production and sale of building materials.

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue		
Production and sale of coal	**118,990**	33,406
Trading of purchased coal	**266,796**	252,469
Production and sale of building materials	**109,966**	–
	495,752	285,875

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Other income		
Bank interest income	**1,385**	971
Government subsidies	**5,444**	–
Gain on bargain purchase arising from acquisition of subsidiaries	**2,629**	–
Reversal of provision for central pension scheme	**18,316**	28,190
Reversal of write-down on inventories	**415**	–
Others	**6,166**	18
	34,355	29,179

6. FINANCE COSTS

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
An analysis of finance costs is as follows:		
Imputed interest on shareholders' loans	**2,100**	–
Interest on bank and other loans	**27,156**	17,681
Bank charges on discounted bills receivables	**16,814**	1,280
	46,070	18,961

7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	Unaudited Six months ended 30 June 2018 HK$'000	2017 HK$'000
Amortisation of mining rights**	**3,453**	1,006
Amortisation of other intangible assets**	**98**	–
Amortisation of prepaid land lease payments**	**775**	–
Cost of inventories recognised as expenses	**381,138**	287,188
Depreciation*	**27,963**	16,005
Employee benefits expense (including compensation of key management personnel)	**80,869**	31,198
Expected credit loss on accounts receivable**	**183**	–
Operating lease charges on land and buildings**	**646**	593
Provision for reclamation obligations	**2,794**	1,783

* Depreciation of approximately HK$25,397,000 (six months ended 30 June 2017: approximately HK$14,805,000) has been included in cost of sales and approximately HK$2,535,000 (six months ended 30 June 2017: approximately HK$1,200,000) has been included in administrative expenses and approximately HK$31,000 (six months ended 30 June 2017: HK$ nil) has been included in sell and distribution expense in the condensed consolidated income statement.

** Included in administrative expenses in the condensed consolidated income statement.

8. ACQUISITION OF SUBSIDIARIES

During the six-month ended 30 June 2018, the Group entered into a sale and purchase agreement ("**SPA**") with an independent third party to acquire all the equity interest in Goal Getter Ventures Limited, together with its wholly owned and non-wholly owned subsidiaries (collectively the "**Goal Getter Group**") (the "**Acquisition**"), of which the Goal Getter Group is principally engaged in the production and sale of building materials. The consideration for the Acquisition of HK$25,500,000 was settled in form of the allotment and issue of an aggregate of 127,500,000 new ordinary shares of the Company at the issue price of HK$0.2 each. The Acquisition was completed on 3 January 2018. The fair value of consideration of approximately HK$19,253,000 for 127,500,000 new ordinary shares of the Company at the issue date was determined by reference to the closing market price of the shares of the Company at HK$0.151 per share at the issue date which was also the date of completion of the Acquisition on 3 January 2018.

	As at 3 January 2018 (Unaudited) ***HK$'000***
Assets acquired and liabilities recognised (determined on a provisional basis) at the date of the Acquisition are as follows:	
Property, plant and equipment	**207,400**
Prepaid land lease payments	**71,530**
Inventories	**9,682**
Accounts and bills receivables	**49,448**
Prepayments, deposits and other receivables	**10,041**
Cash and cash equivalents	**19,586**
Accounts and bills payables	**(62,709)**
Other payables and accruals	**(104,845)**
Amount due to a shareholder	**(103,070)**
Deferred income	**(4,753)**
Bank and other loans	**(47,060)**
Deferred tax liabilities	**(2,719)**
Total identifiable net assets at fair value *(Note a)*	**42,531**
Non-controlling interests	**(20,649)**
Bargain purchase arising from acquisition *(Note b)*	**(2,629)**
Total fair value of consideration	**19,253**

Note a:

The fair values of the identifiable net assets as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation.

Note b:

Prior to entering into the SPA, the consideration price for the Acquisition of HK$0.2 per share was determined after an arm's length negotiation made between the Group and independent third party. The management is in view the consideration price is fair and reasonable, in the interest of the Company and shareholders as a whole. The major contributing factor to the gain on bargain purchase arising from the Acquisition was the effect arising from the decrease in the fair value of those 127,500,000 shares of the Company as part of the consideration, due to taking account of the effects of changes in the Company's average share price throughout the period from the date of the SPA to the date of completion of the Acquisition as of 3 January 2018.

	HK$'000
An analysis of the cash flows in respect of the Acquisition is as follows:	
Cash and cash equivalents acquired	19,586

9. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current tax – Corporate income tax		
– Current period	**716**	–
Deferred tax		
– Current period	**82**	–
	798	–

No Hong Kong Profits Tax has been provided for the period in the condensed consolidated interim financial statements as the Group did not generate any estimated assessable profits (six months ended 30 June 2017: Nil).

Corporate income tax arising from operations in the PRC was calculated at the statutory income tax rate of 25% for six months ended 30 June 2018 of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC. No corporate income tax arising from operations in the PRC has been provided for six months ended 30 June 2017 as the Group did not generate any estimated assessable profits.

10. DIVIDEND

The board of directors of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Unaudited Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to the owners of the Company for the purpose of basic and diluted loss per share computation	**46,991**	38,528
Number of shares	**Number of shares '000**	Number of shares '000
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share computation	**1,040,174**	712,674

There were no dilutive potential ordinary shares during the six months ended 30 June 2018 and 2017 and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

12. ACCOUNTS AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK$'000	*HK$'000*
Accounts receivable	**413,073**	257,700
Bills receivable	**2,014**	–
	415,087	257,700
Less: Provision for impairment	**(54,375)**	(36,360)
	360,712	221,340

During the prior year and the current period, the Group discounted part of its trade debtors with full recourse to a financial institution. In the event of default by the debtors, the Group is obliged to pay the financial institution the amount in default. Interest is charged at a range from 3.2% to 4.6% (as at 31 December 2017: 3.2% to 4.4%) per annum on the proceeds received from the financial institution until the day the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

The discounting transactions do not meet the requirements in HKFRS 9 for derecognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts. As at 30 June 2018, trade debtors of approximately HK$205.9 million (as at 31 December 2017: HK$195.7 million) continue to be recognised in the Group's condensed interim consolidated financial statements even though they have been legally transferred to the financial institution. The proceeds of the discounting transactions are included in borrowings as asset-backed financing (note 14) until the trade debts are collected or the Group settles any losses suffered by the financial institution. As at 30 June 2018, the asset-backed financial liability amounted to approximately HK$159.8 million (as at December 2017: approximately HK$167.9 million). The carrying amount of the transferred assets and their associated liabilities approximates their fair values in both the period ended 30 June 2018 and year ended 31 December 2017.

Because the trade debts have been transferred to the financial institution legally, the Group did not have the authority to determine the disposition of the trade debts.

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally, credit periods for coal business ranging from 30 to 180 days (as at 31 December 2017: 30 to 180 days) are allowed to certain customers. While relatively longer credit period will be granted to customers of Building Materials Business depending on the completion of the contract, in the opinion of the directors of the Company, the accounts receivable in relation to the Building Materials Business as of the end of 30 June 2018 are due within one year. Based on the invoice dates, ageing analysis of the Group's accounts receivable, net of any provision for impairment, at the reporting date was as follows:

	Unaudited 30 June 2018 ***HK$'000***	Audited 31 December 2017 *HK$'000*
0 – 90 days	**271,864**	88,074
91 – 180 days	**73,388**	109,332
181 – 365 days	**11,453**	–
Over 365 days	**4,007**	23,934
	360,712	221,340

13. ACCOUNTS AND BILLS PAYABLES

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Accounts payable	**62,067**	10,665
Bills payable	**869,610**	807,198
	931,677	817,863

As of the end of the reporting period, the ageing analysis of accounts payables, based on the invoice dates, was as follows:

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
0 – 90 days	**34,482**	1,995
91 – 180 days	**18,725**	1,162
181 – 365 days	**936**	145
Over 365 days	**7,924**	7,363
	62,067	10,665

As at 30 June 2018, the Group's bills payable of approximately HK$742.7 million (as at 31 December 2017: approximately HK$694.9 million) were secured by the pledged of bank deposits amounting to approximately HK$646.2 million (as at 31 December 2017: approximately HK$616.9 million).

As at 30 June 2018, bills payable of approximately HK$158.6 million (as at 31 December 2017: approximately HK$164.8 million) were guaranteed by Henan Zhongfu Industrial Company Limited# (河南中孚實業股份有限公司) or its subsidiaries, being the major customer (the "**Major Customer**") of the Group, and approximately HK$142.2 million (as at 31 December 2017: approximately HK$72.0 million) were jointly guaranteed by Mr. Bao Hongkai ("**Mr. Bao**", being the substantial shareholder of the Company), the Major Customer and/or the spouse of Mr. Bao.

For identification purpose only

14. BANK AND OTHER LOANS

	Unaudited 30 June 2018 *HK$'000*	Audited 31 December 2017 *HK$'000*
Current		
Bank loans	**608,911**	610,998
Other loans	**211,119**	2,521
	820,030	613,519
Non-current		
Other loans	**30,573**	33,381
	850,603	646,900

As at 30 June 2018, borrowings of approximately HK$159.8 million (as at 31 December 2017: approximately HK$167.9 million) were secured by certain accounts receivable (note 12) and certain mining rights of the Group. A bank loan of approximately HK$59.2 million (as at 31 December 2017: approximately HK$60.1 million) was secured by a mining right of the Group.

As at 30 June 2018, bank loans of approximately HK$247.7 million (as at 31 December 2017: approximately HK$257.0 million) were guaranteed by the Major Customer.

As at 30 June 2018, bank loans of approximately HK$59.2 million (as at 31 December 2017: approximately HK$96.1 million) were jointly guaranteed by Mr. Bao directly/indirectly and the Major Customer and/or independent third parties.

As at 30 June 2018, bank loans of approximately HK$147.9 million (as at 31 December 2017: approximately HK$150.0 million) were jointly guaranteed by Mr. Bao, the spouse of Mr. Bao and the Major Customer.

15. COMPARATIVE FIGURES

In order to conform with current period's presentation, amounts due to shareholders of approximately HKS41,097,000 which included in other payables and accruals as of 31 December 2017, have been reclassified and separately disclosed in the condensed consolidated statement of financial position as of 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

To continue with the movement of "Industrial Development of Coal in the Thirteenth Five-Year Plan", the overall coal industry has become stable and has departed from the worst situation which happened in the years before. Sizable coal mine companies have invested more and more in their infrastructure and plant and machinery, so as to further improve the production capacity as well as to meet the government different stringent requirements, especially in the area of environmental protection and social responsibilities. For smaller size coal mines companies, they have to focus on improving their internal resources, such as technical reform on the production, provision of sufficient staff training, improvement in their operation to fulfill the environment protection policies, etc., in order to continue survive in the challenging coal industry and to avoid from closing down by order of the government. Subsequent to the compulsory shutting down of numerous small and unqualified coal mines in the recent years, coal market's production volume as well as the coal quality, have been stabilized. Moreover, coal mines' serious accidents have been greatly reduced in the past two years. Although the coal industry has faced big challenges at the beginning when the stringent government policies on coal mines were enforced in previous years, the outcome would become favorable and beneficial to the whole coal industry consequently.

For the first half of the year 2018 (the "**Period**"), coal production capacity of Henan Province of the PRC was 54.1 million tons, representing an increase of 4.4% as comparing with same period of the year 2017 (the "**Last Period**"). Referring to the whole PRC, the coal production capacity for the Period was 1.7 billion tons, representing an increase of 3.9%, as comparing with the Last Period.

Since the recovery of coal market and rebounding of coal price in the year 2016 and year 2017, the market coal price has maintained more or less stable at a relatively higher level during the Period. It is anticipated that the coal price will be stable in the second half of the Year 2018 as long as there is no unpredictable material change in government policy nor the serious worsening of PRC economic condition.

From the acknowledgment of the increment of the production capacity and the stable coal price during the Period, it is found that the revolution in the coal mine industry was successfully implemented.

Referring to the macro economic condition of PRC, PRC economy has been adjusted smoothly from the peak. The GDP of PRC for the first half year of 2018 and the first half year of 2017 was 6.8 and 6.9 respectively. It represented the overall economy of the PRC has been slightly slowed down. It is expected that in the second half year of 2018, the GDP will continue to adjust mildly. The slowing down economy of PRC may induce impact on the growth of the coal mine industry. Depending on the extent of the adjustment on the PRC economy, enterprises may consume less electricity or choose alternative cost-saving energy sources to replace coal during the downturn economic environment. In addition to the recent unstable worldwide political environment, the responses from China or other countries may affect the financial and economic condition of the parties involved. Nevertheless, coal mines companies have to be well-prepared for any unpredictable changes in order to minimize the impact on respective coal business.

BUSINESS REVIEW

After the pro-long suspension of coal mines in the Year 2017, three major coal mines of the Group have been resumed in operation and production since November 2017. Upon the resumption of coal production, the Group has continued to produce and sell its own coal to customers with better profit margin comparing with the sale of purchased coal. Nevertheless, the Group has kept improving its production capacity and production safety in order to produce high-quality coal with the targets of minimal accidents.

During the Period, the Group has recorded revenue of approximately HK$495.8 million (Last Period: approximately HK$285.9 million, represented an increase of 73.4% comparing with the Last Period. The increase was mainly due to (i) the resumption of coal mines of the Group and (ii) new income stream generated from the newly acquired building materials business.

In order to strive to face new challenges in the industry, the Group has not only put a focus on improvement on the coal business, the Group has also explored into building materials business to strengthen the operation and revenue of the Group. The Group has always been persisting in its position and taking more cautious responsive measures according to situations on a timely basis.

Resumption of Coal Mines

In November 2017, two of the major coal mines of the Company have been resumed upon receiving the notification from the government, and another major coal mine had also been resumed in March 2018. Upon the resumption of the three major coal mines, the coal production volume has been gradually recovered and the Group can have a better quality control on coal supply and hence to improve the profit margin. It is expected that as long as there are no material uncertainties regarding to the suspension of coal mines in the industry, the coal production business will be kept to a stable level.

Acquisition of Building Materials Company

In order to explore different income stream, the Company has acquired a building materials company in Henan Province in January 2018. Through the acquisition, the Group would be able to generate additional income stream which is different from the original coal business. Therefore, the Group's revenue may not rely solely on coal business.

Fund Raising Activity

In early January 2018, a raising fund activity was completed to raise funds with gross proceeds of HK$40 million. Due to the occurrence of the net current liabilities of the Group, the purpose of the raised fund was to use as working capital of Group and to improve its financial position. Details of the raising fund activity have been disclosed in the Company's circular dated 28 November 2017.

Financial Support from Major Shareholders

On 14 February 2018, the Group entered into loan agreements with three major shareholders of the Company, i.e. Mr. Bao Hongkai, Mr. Zhang Xinzhi and Mr. Li Xiangfei. Pursuant to the loan agreements, the three major shareholders agreed to provide unsecured and interest-free loans with a maximum aggregated amount of RMB600 million for a term of three years to the Group. The loans are repayable in full or by instalment subject to further negotiations, within 36 months from the drawdown date.

The above loans will be used as general working capital and to strengthen the financial position of the Group. The financial support obtained from the above three major shareholders are interest-free, hence, it is favorable to the Group as comparing with the borrowings from other financial institutions in the market.

FINANCIAL REVIEW

Reportable Segments

In the prior year, the Group was principally engaged in the business of production and sale of coal and the trading of purchased coal in the PRC (the "**Coal Business**") and had only one operating segment. During the six months ended 30 June 2018 (the "**Period**"), the Group has expanded its business into the production and sale of building materials in the PRC (the "**Building Materials Business**"). Thus, the Group introduced a new reportable and operating segment of production and sales of building materials following the business combination through the acquisition of Goal Getter Ventures Limited and its subsidiaries (the "**Goal Getter Group**") on 3 January 2018.

There were no inter-segment sales incurred for the Period. All the Group's revenue from external customers was generated from the PRC and most of the Group's non-current assets are located in the PRC. Details of the Group's segment information are set out in the note 4 to this announcement.

Revenue

The Group's revenue for the six months ended 30 June 2017 (the "**Last Period**") represented the revenue generated from the Coal Business. As a result of the acquisition of the Goal Getter Group which was completed on 3 January 2018, the Group's revenue for the Period also included the post-acquisition revenue generated from production and sales of building materials amounting to approximately HK$110.0 million. The revenue contributed by the Coal Business and the Building Materials Business accounted for approximately 77.8% and approximately 22.2% of the Group's total revenue for the Period respectively.

The Group's total revenue for the Period amounted to approximately HK$495.8 million, representing an increase of approximately 73.4% from approximately HK$285.9 million for the Last Period. The increase in revenue was primarily due to the contribution of the Building Materials Business and the resumption of major coal mines during the Period.

During the Period, the total sales volume of coal was approximately 816,000 tons which was more than the sales volume of the Last Period (approximately 717,000 tons) by approximately 13.8%, in which, approximately 563,000 tons or approximately 69.0% (the Last Period: approximately 633,000 tons or approximately 88.3%) and approximately 253,000 tons or approximately 31.0% (the Last Period: approximately 84,000 tons or approximately 11.7%) were contributed by coal trading business and coal production respectively.

Increase in the revenue of the Coal Business was mainly caused by the resumption of the major coal mines of the Group since November 2017 and the improved coal prices. The average selling price of coal has increased from approximately RMB352.6 per ton for the Last Period to approximately RMB384.1 per ton for the Period.

Cost of Sales and Gross Profit

The cost of sales and gross profit for the Period were approximately HK$464.4 million (the Last Period: approximately HK$304.9 million) and approximately HK$31.3 million (the Last Period: gross loss of approximately HK$19.1 million) respectively.

The gross profit margin was improved from gross loss margin amounted to approximately 6.7% for the Last Period to gross profit margin amounted to approximately 6.3% for the Period. In particular, the Building Materials Business has contributed approximately HK$36.1 million gross profit for the Period. Subsequent to the resumption of major coal mines, gross margin obtained from the Coal Business has been improved comparing with the Last Period.

Gross loss of the Coal Business was approximately HK$4.8 million (the Last Period: approximately HK$19.1 million) for the Period. The improvement in the gross margin for the Period was mainly due to the resumption of major coal mines and increase in average coal price during the Period. The performance of the Coal Business will be affected by the fluctuation of market coal price, production scale of the Group's coal mines and government policies of the PRC. The Group will constantly maintain the stringent cost control and monitor the safety threats of the Coal Business.

Net Loss Attributable to the Owners of the Company

The net loss attributable to the owners of the Company for the Period was approximately HK$47.0 million, representing an increase of approximately 22.0% as compared with the Last Period of approximately HK$38.5 million. The reasons for the increase in net loss attributable to the owners of the Company were mainly due to the increase in finance cost and administrative expenses, although it was partically offset by the results of the Building Materials Business as compared to the Last Period.

The coal market in the PRC has been gradually recovered since 2016, the major coal mines of the Group have resumed operation since November 2017. With consideration of the recent performance of the Group's coal mines and coal market condition, the Group estimated that the recoverable amount of cash generating unit ("**CGU**") is more or less similar as the carrying value. Therefore, save for impairment of approximately HK$5.0 million provided for property, plant and equipment, no further impairment on the CGU was proposed for the Period (the Last Period: approximately HK$7.3 million).

Accounts and Bills Receivables

As at 30 June 2018 (the "**Period End**"), the accounts and bills receivables amounted to approximately HK$360.7 million, representing an increase of approximately 63.0% as compared to the accounts and bills receivables as at 31 December 2017 (the "**Last Year End**") of approximately HK$221.3 million. The increase was mainly because the Group has resumed its operation of production of major coal mines since November 2017 and the Group has acquired the Building Materials Business during the Period. The Coal Business and the Building Materials Business granted certain respective credit period to certain customers.

Amongst the total amount of accounts receivable (excluding the bills receivable) as at the Period End, the largest customer of the Group was also the largest debtor who has contributed approximately HK$222.9 million (equivalent to approximately RMB188.5 million) or approximately 62.1% of the total accounts receivable amount. The entire balance due from the largest customer as at the Period End was not past due.

From 1 January 2018, the Group assesses the expected credit losses on a forward looking basis. Certain loss allowance for accounts receivable was recognized at 1 January 2018 when the Group initially adopted HKFRS9. Considered the loss allowances for accounts receivable as at the Period End substantially equal to the lifetime expected credit loss, the Board concluded that no material loss allowance is needed to be recognized for the accounts receivables for the Period.

Accounts and Bills Payables

Bills payable as at the Period End amounted to approximately HK$869.6 million (the Last Year End: approximately HK$807.2 million) which contributed approximately 93.3% (the Last Year End: approximately 98.7%) of the total amount of accounts and bills payables as at the Period End, i.e. approximately HK$931.7 million (the Last Year End: approximately HK$817.9 million). In order to enhance the operational cash flow and liquidity, a relatively higher proportion of bills were issued to suppliers or group companies for settlement. The bills payable as at the Period End has increased by approximately HK$62.4 million or approximately 7.7%.

PROSPECT

With the continuous implementation of the government policies for controlling the coal capacity and supply, it is estimated that supply, demand as well as the coal price will keep more or less stable in the year 2018. Unless there is any uncertain external environment or financial problem arise, the coal industry in China will face less vigorous challenges comparing with the past few years.

The Company will monitor closely for the market changes and will take necessary actions to fulfill the new policies and to strive in the coal industry. Moreover, the Company will continue to seek appropriate business opportunities to strengthen the Company's operation and result. The successful acquisition of the building materials company can demonstrate the determination of the Group to explore new income stream.

It is a new journey to the Group after the prolonged suspension of coal mines in last year. Through the continuous improvement in its original coal business and the achievement obtained from the newly acquired building materials business, the Company has the target to bring positive value to its shareholders in the future.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Period End, the net liabilities of the Group was approximately HK$84.5 million (as at the Last Year End: approximately HK$76.6 million) and the total cash and bank balance (including pledged bank deposit) was approximately HK$1,051.5 million (as at the Last Year End: approximately HK$787.8 million). As at the Period End, the Group had net current liabilities of approximately HK$789.9 million (as at the Last Year End: approximately HK$618.2 million) and its current ratio remained at 0.70 times as at the Last Year End and the Period End. The Group's working capital was mainly financed by internal cash flow generated from its operation and the banking facilities granted by financial institutions.

As at the Period End, the Group's accounts receivable, net of any provision for impairment amounted to approximately HK$358.7 million (as at the Last Year End: approximately HK$221.3 million) and certain accounts receivable were pledged to secure bank loans of the Group. Subsequent to 30 June 2018 and up to the date of this announcement, accounts receivable amounted to approximately HK$90.9 million has been settled.

As at the Period End, bank deposits amounted to approximately HK$847.7 million (as at the Last Year End: approximately HK$616.9 million) were pledged and not available for the operation or repayment of debts of the Group. Cash and cash equivalents which were not pledged amounted to approximately HK$203.8 million (as at the Last Year End: approximately HK$170.9 million). Bank deposits were pledged to secure certain bank and other loans and the bills payable of the Group.

As at the Period End, the Group has bank loans amounting to approximately HK$608.9 million (as at the Last Year End: approximately HK$611.0 million). The bank loans bear interest at interest rates ranging from 3.20% to 12.80% per annum (as at the Last Year End: at interest rates ranging from 3.20% to 13.64% per annum).

As at the Period End, approximately HK$742.7 million (as at the Last Year End: approximately HK$694.9 million) of the Group's bills payable were secured by the Group's pledged time deposits amounted of approximately HK$646.2 million (as at the Last Year End: approximately HK$616.9 million), in which approximately HK$31.7 million (as at the Last Year End: approximately HK$52.5 million) were guaranteed by the Major Customer, approximately HK$71.1 million (as at the Last Year End: approximately HK$72.0 million) were jointly guaranteed by Mr. Bao, his spouse and the Major Customer, whereas approximately HK$71.1 million (as at the Last Year End: Nil) were jointly guaranteed by the Major Customer and Mr. Bao. Without pledging of time deposits as at the Period End, approximately HK$126.9 million (as at the Last Year End: approximately HK$112.3 million) of the Group's bills payable were guaranteed solely by the Major Customer.

The Group's gearing ratio (as a ratio calculated by (a) the sum of bank and other loans; divided by (b) the net liabilities of the Group) was 1,006.7% (as at the Last Year End: 844.6%).

The total amount of authorised share capital of the Company is HK$3,000,000,000 divided into 30,000,000,000 ordinary shares of HK$0.1 each, with 1,040,173,692 ordinary shares in issue as at the Period End.

During the Period, the Company issued 127,500,000 ordinary shares at issue price of HK$0.2 per share as consideration for the acquisition of the entire issued share capital of Goal Getter Ventures Limited.

On 13 October 2017, the Company entered into subscription agreements with Retop International Investment Limited and Mr. Li Xiangfei for subscription of 100,000,000 ordinary shares and 100,000,000 ordinary shares respectively (the "**Subscriptions Shares**") at the issue price of HK$0.2 per share (the "**Subscriptions**"). The issuance of Subscription Shares was approved by shareholders of the Company at the special general meeting held on 14 December 2017. An aggregate of 200,000,000 new ordinary shares was issued and successfully subscribed on 3 January 2018. Net proceeds from the Subscriptions of approximately HK$35.4 million are used for the general working capital of the Company.

Save as the disclosure above, there were no other changes in the capital structure of the Company during the Period.

EXCHANGE RISK EXPOSURE

The sales and purchases of the Group are predominantly in Renminbi 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 for the six months ended 30 June 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group has a total of approximately 1,624 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 an incentive to their valuable contribution to the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities on the Stock Exchange during the Period.

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 of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 June 2018, 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 "**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 are 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 of the Company 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 INEDs of the Company were unable to attend the annual general meeting of the Company held in Hong Kong on 30 May 2018 as they were 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 CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal control and risk management. The Audit Committee currently comprises two of the INEDs of the Company, namely Mr. Ma Yueyong (Chairman of the Audit Committee) and Dr. Chen Renbao. The audit committee reviewed the condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2018 and was of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure have been made.

MODEL CODE FOR SECURITIES TRANSACTIONS

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 a 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 2018.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/rrhl). The 2018 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 2018.

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, 30 August 2018

As at the date of this announcement, the executive directors of the Company are Mr. Dong Cunling, Mr. Li Xiangfei, Mr. Sun Shusheng, Mr. Wu Jiahong, Mr. Zhang Yi and Mr. Zhou Guangwen; the non-executive director of the Company is Mr. Li Chunyan; the independent non-executive directors of the Company are Dr. Chen Renbao and Mr. Ma Yueyong.