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 2017

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 2017, together with comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Revenue	*5*	**285,875**	360,785
Cost of sales		**(304,939)**	(398,440)
Gross loss		**(19,064)**	(37,655)
Other income	*5*	**29,179**	39,987
Selling and distribution expenses		**(1,818)**	(2,298)
Administrative expenses		**(21,234)**	(29,683)
Other expenses		**(1,746)**	(2,221)
Finance costs	*6*	**(18,961)**	(19,502)

		Unaudited	
		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Share of results of associates		**(862)**	(110)
Share of results of a joint venture		**7**	(171)
Gain on disposal of a subsidiary	*7*	**–**	2,783
Impairment loss on property, plant and equipment	*12*	**(3,198)**	(62,507)
Impairment loss on mining rights	*12*	**(4,150)**	(35,077)
Loss before income tax	*8*	**(41,847)**	(146,454)
Income tax expense	*9*	**–**	(4,005)
Loss for the period		**(41,847)**	(150,459)
Loss for the period attributable to:			
Owners of the Company		**(38,528)**	(137,044)
Non-controlling interests		**(3,319)**	(13,415)
		(41,847)	(150,459)
Loss per share attributable to the owners of the Company			
– Basic and diluted (HK cents)	*11*	**(5.406)**	(19.229)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Loss for the period	**(41,847)**	(150,459)
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	**(393)**	(4,263)
– a joint venture	**182**	(136)
– associates	**3,077**	(2,407)
	2,866	(6,806)
Share of other comprehensive income/(loss) of an associate	**419**	(3,948)
Release of exchange fluctuation reserve upon disposal of a subsidiary	**–**	(178)
Other comprehensive income/(loss) for the period, net of tax	**3,285**	(10,932)
Total comprehensive loss for the period	**(38,562)**	(161,391)
Total comprehensive loss attributable to:		
Owners of the Company	**(35,388)**	(146,881)
Non-controlling interests	**(3,174)**	(14,510)
	(38,562)	(161,391)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**Unaudited 30 June 2017 *HK$'000***	Audited 31 December 2016 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**249,282**	257,799
Goodwill		**–**	–
Mining rights		**322,938**	318,153
Interests in associates		**100,409**	97,775
Interest in a joint venture		**5,968**	5,779
Available-for-sale financial assets		**681**	660
		679,278	680,166
Current assets			
Inventories		**5,397**	3,604
Accounts and bills receivables	*13*	**336,730**	176,692
Prepayments, deposits and other receivables		**246,307**	353,416
Tax recoverable		**8,785**	8,516
Pledged bank deposits		**563,604**	523,592
Cash and cash equivalents		**131,808**	178,134
		1,292,631	1,243,954
Current liabilities			
Accounts and bills payables	*14*	**776,213**	732,769
Other payables and accruals	*15*	**466,637**	434,900
Provision for reclamation obligations		**94,885**	90,222
Bank loans	*16*	**476,806**	473,221
		1,814,541	1,731,112
Net current liabilities		**(521,910)**	(487,158)
Total assets less current liabilities		**157,368**	193,008

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Non-current liability		
Amount due to an associate	**95,515**	92,593
Net assets	**61,853**	100,415
EQUITY		
Share capital	**71,267**	71,267
Reserves	**45,389**	80,777
Equity attributable to the owners of the Company	**116,656**	152,044
Non-controlling interests	**(54,803)**	(51,629)
Total equity	**61,853**	100,415

NOTES

1. GENERAL INFORMATION

Rosan Resources Holdings Limited (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 Company and its subsidiaries (the "**Group**") are the production and sale of coal and the trading of purchased coal in the People's Republic of China (the "**PRC**").

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 2016, except for the adoption of the 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 an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 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$41,847,000 (six months ended 30 June 2016: approximately HK$150,459,000) for the six months ended 30 June 2017 and, as of that date, the Group had net current liabilities of approximately HK$521,910,000 (as at 31 December 2016: approximately HK$487,158,000). 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 order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company 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 Renminbi (''RMB'') 414,030,000 (equivalent to approximately HK$476,806,000) as at 30 June 2017, 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 RMB99,000,000 (equivalent to approximately HK$114,011,000). In the opinion of the directors of the Company, considered the long term relationships and also their understanding from the banks, the remaining bank borrowings with an aggregate principal amount of RMB315,030,000 (equivalent to approximately HK$362,795,000) that will be due for repayment within twelve months from the reporting date, will be renewed upon maturity.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis.

As referred to the announcements of the Company dated 10 January 2017 and 4 May 2017, due to an accident occurred in a coal mine within the Dengfeng city, Henan Province, the PRC (the "**City**"), the government has ordered all the coal mines within the City (including all coal mines of the Group) to suspend since early January 2017. Up to the date of this results announcement, no official document has been issued by the government regarding the resumption of the coal mines of the City. However, for the purpose of assessment on the recoverable amounts of the non-financial assets, including the mining rights and the related property, plant and equipment, based on management's best estimation and experience, the management is of the view that the production of coal mines would possibly be resumed within the next twelve months subsequent to the end of the reporting period.

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

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle (relating to Amendments to HKFRS 12 Disclosure of Interests in Other Entities)

The application of these 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.

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 has only one operating segment as the Group is principally engaged in the business of production and sale of coal and the trading of purchased coal which is the basis to allocate resources and assess performance.

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.

5. REVENUE AND OTHER INCOME

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

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

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Revenue		
Production and sale of coal	**33,406**	25,507
Trading of purchased coal	**252,469**	335,278
	285,875	360,785
Other income		
Bank interest income	**971**	14,350
Exchange differences, net	**–**	7
Reversal of provision for central pension scheme	**28,190**	25,020
Others	**18**	610
	29,179	39,987

6. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
An analysis of finance costs is as follows:		
Interest on bank loans	**17,681**	17,562
Bank charges on bills receivables discounted with recourse	**1,280**	1,940
	18,961	19,502

7. DISPOSAL OF A SUBSIDIARY

During the six-month ended 30 June 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose all the equity interest in Dengfeng Jinfeng Mining Equipment Company Limited# (登封金豐礦山設備有限公司) ("**Jinfeng Mining Equipment**"), an indirect 90% owned subsidiary, which carried out trading of mining equipment and consumable tools, at a consideration of approximately RMB1,324,000 (equivalent to approximately HK$1,546,000). The disposal was completed on 28 June 2016, since then, the Group has no more control on Jinfeng Mining Equipment.

Analysis of assets and liabilities of the subsidiary in which the control was lost:

	HK$'000
Property, plant and equipment	357
Inventories	1,803
Accounts receivable	22,076
Other receivables	18
Cash and cash equivalents	2
Accounts payable	(17,031)
Other payables	(3,453)
Tax payables	(11)
Dividend payables	(4,938)
Non-controlling interests	118
Net liabilities disposed of	(1,059)
Release of exchange fluctuation reserve upon disposal of a subsidiary	(178)
	(1,237)
Gain on disposal of a subsidiary	2,783
Total consideration	1,546

	HK$'000
Net cash outflow on disposal of a subsidiary for the six-month ended 30 June 2016:	
Consideration received in cash and cash equivalents	–
Less: Cash and cash equivalents of a subsidiary disposed of	(2)
Net cash outflow on disposal for the six-month ended 30 June 2016	(2)

For identification only

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	Unaudited Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Amortisation of mining rights**	**1,006**	1,327
Amortisation of other intangible assets**	**–**	16
Cost of inventories recognised as expenses	**287,188**	397,991
Depreciation*	**16,005**	17,385
Employee benefits expense (including compensation of key management personnel)	**31,198**	31,633
Exchange differences, net	**–**	(7)
Impairment loss on other receivables, net	**–**	7,025
Impairment loss on accounts receivable**	**–**	8,298
Impairment loss on property, plant and equipment	**3,198**	62,507
Impairment loss on mining rights	**4,150**	35,077
Operating lease charges on land and buildings**	**593**	881
Provision for reclamation obligations	**1,783**	1,450

* Depreciation of approximately HK$14,805,000 (six months ended 30 June 2016: approximately HK$16,010,000) has been included in cost of sales and approximately HK$1,200,000 (six months ended 30 June 2016: approximately HK$1,375,000) has been included in administrative expenses in the condensed consolidated income statement.

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

9. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current tax – Corporate income tax		
– Under-provision in prior years	**–**	140
Deferred tax		
– Current period	**–**	3,865
	–	4,005

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 2016: Nil).

No corporate income tax arising from operations in the PRC has been provided for the period as the Group did not generate any estimated assessable profits. Corporate income tax arising from operations in the PRC was calculated at the statutory income tax rate of 25% for the six months ended 30 June 2016 of the estimated assessable profits as determined in accordance with the relevant income tax rules and regulations in the PRC.

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 2017 (six months ended 30 June 2016: 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	
	2017	2016
	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	**38,528**	137,044
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share computation	**712,674**	712,674

There were no dilutive potential ordinary shares during the six months ended 30 June 2017 and 2016 and therefore, the amount of diluted loss per share is same as the amount of basic loss per share.

12. IMPAIRMENT TESTING ON MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

Based on the impairment assessment of the cash-generating unit ("**CGU**") of production and sale of coal, as at 30 June 2017, the recoverable amount of the CGU is less than the carrying amount. As a result, the Group made an impairment loss of approximately HK$3.2 million (six months ended 30 June 2016: approximately HK$62.5 million) and approximately HK$4.2 million (six months ended 30 June 2016: approximately HK$35.1 million) on the property, plant and equipment and the mining rights respectively associated with this CGU. The impairment loss is allocated according to the carrying amounts of property, plant and equipment and mining rights.

13. ACCOUNTS AND BILLS RECEIVABLES

	Unaudited 30 June 2017	Audited 31 December 2016
	HK$'000	*HK$'000*
Accounts receivable	**371,603**	207,945
Bills receivable	**–**	2,553
	371,603	210,498
Less: Provision for impairment	**(34,873)**	(33,806)
	336,730	176,692

As at 30 June 2017, the Group discounted certain accounts receivable of approximately HK$103.7 million (as at 31 December 2016: approximately HK$131.2 million) with full recourse to a financial institution. The discounting transactions do not meet the requirements in HKAS 39 *Financial Instruments* for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade debts.

Interest is charged at 4.35% (as at 31 December 2016: 4.35%) per annum on the proceeds received from the financial institution until the date the debtors pay. As at 30 June 2017, the asset-backed financial liability amounted to approximately HK$103.7 million (as at 31 December 2016: approximately HK$111.5 million). The carrying amounts of the transferred assets and their associated liabilities approximately their fair values as at both 30 June 2017 and 31 December 2016.

The Group's sales are billed to customers according to the terms of the relevant agreements. Normally, credit periods ranging from 30 to 180 days (as at 31 December 2016: 30 to 180 days) are allowed to certain customers. Based on the invoice dates, ageing analysis of the Group's accounts receivable, net of any provision for impairment, at the reporting date is as follows:

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
0 – 90 days	**232,009**	165,226
91 – 180 days	**73,128**	4,360
181 – 365 days	**28,926**	3,995
Over 365 days	**2,667**	558
	336,730	174,139

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

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
At 1 January	**33,806**	15,260
Impairment loss on accounts receivable	**–**	20,448
Exchange difference	**1,067**	(1,902)
At 30 June/31 December	**34,873**	33,806

14. ACCOUNTS AND BILLS PAYABLES

	Unaudited 30 June 2017 ***HK$'000***	Audited 31 December 2016 *HK$'000*
Accounts payable	**27,083**	31,111
Bills payable	**749,130**	701,658
	776,213	732,769

The Group was granted by its certain suppliers with credit periods normally ranging from 30 to 90 days (as at 31 December 2016: 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 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
0 – 90 days	**901**	3,987
91 – 180 days	**1,318**	277
181 – 365 days	**957**	342
Over 365 days	**23,907**	26,505
	27,083	31,111

As at 30 June 2017, the Group's bills payable of approximately HK$641.5 million (as at 31 December 2016: approximately HK$597.3 million) were secured by the pledged of bank deposits amounting to approximately HK$563.6 million (as at 31 December 2016: approximately HK$523.6 million).

As at 30 June 2017, bills payable of approximately HK$161.8 million (as at 31 December 2016: approximately HK$154.6 million) were guaranteed by certain independent third parties and approximately HK$69.1 million (as at 31 December 2016: approximately HK$67.0 million) were jointly guaranteed by a shareholder of the Company and certain independent third parties.

15. OTHER PAYABLES AND ACCRUALS

Included in other payables and accruals as at 30 June 2017, there were loans amounting to approximately HK$14.0 million (as at 31 December 2016: approximately HK$8.0 million) advanced from a director of the Company, who is also a shareholder of the Company. The balances were unsecured, interest-free and repayable on demand.

16. BANK LOANS

	Unaudited 30 June 2017 *HK$'000*	Audited 31 December 2016 *HK$'000*
Bank loans repayable within one year and classified as current liabilities	**476,806**	473,221

Analysed as follows:

	Unaudited 30 June 2017			Audited 31 December 2016		
	Annual effective contractual interest rate (%)	**Maturity**	***HK$'000***	Annual effective contractual interest rate (%)	Maturity	*HK$'000*
Secured	**4.35% – 9.00%**	**on demand**	**131,320**	2.90% – 9.00%	on demand	138,301
Secured	**4.72% – 5.66%**	**2017/2018**	**103,646**	4.84% – 7.31%	2017	100,476
Unsecured	**4.79%**	**on demand**	**23,032**	4.79%	on demand	22,328
Unsecured	**4.79% – 13.64%**	**2017/2018**	**218,808**	4.79% – 13.10%	2017	212,116
			476,806			473,221

As at 30 June 2017, borrowings of approximately HK$235.0 million (as at 31 December 2016: approximately HK$238.8 million) were secured by certain accounts receivable and certain mining rights of the Group.

As at 30 June 2017, borrowings of approximately HK$309.8 million (as at 31 December 2016: approximately HK$356.0 million) were guaranteed by certain independent third parties and borrowings of approximately HK$167.0 million (as at 31 December 2016: approximately HK$117.2 million) were jointly guaranteed by a shareholder of the Company and independent third parties.

17. CONTINGENT LIABILITIES

On 28 July 2015, Henan Jinfeng Coal Industrial Group Company Limited# ("**Jinfeng**"), 河南金豐煤業集團有限公司, an indirect non-wholly owned subsidiary of the Company, entered into an agreement (the "**Agreement I**") with an independent third party (the "**Counterparty A**"), pursuant to which the parties have agreed to provide mutual guarantees with respect to each other. Both parties agreed that should any party (including its subsidiaries and holding companies) ("**Borrower A**") apply for a loan(s) from a bank or financial institution ("**Lender A**"), if the Lender A so requires, then the other party shall provide a guarantee(s) for the obligations of the Borrower A under the loan on the terms and conditions contained in the agreement. The total amounts to be guaranteed by each party shall not exceed RMB50.0 million (equivalent to approximately HK$57.6 million). The effective period of the Agreement I shall be from 28 July 2015 to 28 July 2018 ("**Effective Period I**"). For each guarantee to be provided by each party within the Effective Period I, the maximum guarantee period is three years from the date of the loan agreement.

During the financial year ended 31 December 2015, a banking facility amounting to RMB40.0 million (equivalent to approximately HK$46.1 million) have been applied by a subsidiary of the Counterparty A and pursuant to the Agreement I, the corresponding amount has been guaranteed by Jinfeng. The RMB40.0 million bank borrowing had been fully settled by the Counterparty A prior to 31 December 2016, as such there is no outstanding borrowing which is guaranteed by Jinfeng in relation to the Agreement I as at 31 December 2016 and 30 June 2017.

On 13 April 2017, Jinfeng entered into an agreement (the "**Agreement II**") with an independent third party (the "**Counterparty B**"), pursuant to which the parties have agreed that should any party ("**Borrower B**") apply for a loan(s) from a bank or financial institution ("**Lender B**"), if the Lender B so requires, then the other party shall provide a guarantee(s) for the obligations of the Borrower B under the loan on the terms and conditions contained in the agreement. The total amounts to be guaranteed by each party shall not exceed RMB9.0 million (equivalent to approximately HK$10.4 million). The effective period of the Agreement II shall be from 13 April 2017 to 12 April 2018.

As at 30 June 2017, a bank borrowing amounting to RMB7.0 million (equivalent to approximately HK$8.1 million) has been drawn by the Counterparty B and pursuant to the Agreement II, the corresponding amount has been guaranteed by Jinfeng accordingly. The guarantee period of the guarantee provided by Jinfeng is three years from the date of the loan agreement.

At the reporting date, no provision for the financial guarantee was made as, in the opinion of the directors of the Company, the fair value of the financial guarantee is insignificant at initial recognition. The directors of the Company do not consider it probable that a claim will be made against the Group under the guarantee as of the end of the reporting period.

For identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND MARKET REVIEW

Since the National Development and Reform Commission and National Energy Administration of PRC have carried out the plan of "Industrial Development of Coal in the Thirteenth Five-Year Plan", the coal industry in the PRC has facing a substantial change. Those small size coal mines which are not able to meet the relevant production capacity requirement, need to have been or will be closed down. In addition, the current PRC government's policy on reducing air pollution also accelerated the consolidation of coal industry in the PRC. On the other hand, this provides a favorable period for sizeable coal mine companies, through the optimization of location and production, to survive in this industry and improve their operation and production.

In 2016, the total coal production capacity of Henan Province of the PRC was approximately 108 million tonnes, representing a decrease of approximately 15.3% by comparing with year 2015. For the first seven months of 2017, total coal production was approximately 61 million tonnes, representing a decrease of approximately 1.14% by comparing with the same period of last year.

The market coal price increased rapidly in 2016 as a result of the reduction in production capacity and the increasing coal demand. The 276 working days restriction policy in late March 2016 was allowed to extend to 330 working days by National Development and Reform Commission in early October 2016 for eligible coal mines to operate, that caused the production volume increased and slowed down the up-trend of the coal price from a top level.

During the six months ended 30 June 2017 (the "**Period**"), the market coal price has been maintained at a more or less steady level. According to the Qinhuangdao coal price index, the average price for thermal coal of 4500 kcal was RMB494 per ton at beginning of the Period and RMB464 per ton as at 30 June 2017. Steady coal price has made a favor to many of the coal mine companies to be recovered from the worst situation. Colliding with the government positive policies to the coal industry, it is believed that the worst situation has been passed.

Although the market coal price has a trend to recover slowly and is favourable to the coal mine companies, coal industry still needs a longer period for the recovery from the bottom. Furthermore, coal price has been affected by many external factors in the recent years, the coal mines companies and the Group should conduct its businesses with caution in future.

During the Period, the Group's performance was mostly affected by the suspension of coal mines during most of the time of the Period. Due to an accident occurred in a coal mine within the Dengfeng city, Henan Province, the PRC (the "**City**"), the government has ordered all the coal mines within the City (including the Company's all coal mines) to suspend since early January 2017. Up to the date of this announcement, no official document has been issued by the government regarding the resumption of the coal mines of the City.

In order to face the continuous challenging situation, the Company has continued to focus on its coal trading business. Consequently, although the overall revenue generated from coal production has dropped, the Company has maintained its revenue from its coal trading business. The Group has always been persisting in its position and taken more cautious response measures according to situations on a timely basis.

FINANCIAL REVIEW

Revenue

The Group's total revenue for the Period amounted to approximately HK$285.9 million, representing a decrease of approximately 20.8% from approximately HK$360.8 million for the six months ended 30 June 2016 (the "**Last Period**"). The decrease in revenue was primarily due to the suspension of coal mines during most of the time of the Period.

During the Period, trading of purchased coal and sales from coal production contributed approximately 88.3% (the Last Period: approximately 92.9%) and approximately 11.7% (the Last Period: approximately 7.1%) of the total revenue of the Group. In order to maintain the Group's operation and revenue during the period of coal mines suspension, the Group has allocated more resources to the business of trading of purchased coal. The revenue generated from the business of trading of purchased coal contributed high proportion of total revenue of the Group.

The total sales volume of coal, including both production and sale of coal and trading of purchased coal, reached to approximately 717,000 tons for the Period which was lower than the sales volume for the Last Period (approximately 1,010,000 tons) by approximately 29.0%.

Although the sales volume has been dropped for the Period, the selling price of coal has been increased. The total average selling price of coal has increased from approximately RMB300.8 per ton for the Last Period to approximately RMB352.6 per ton for the Period.

Cost of Sales and Gross Loss

The cost of sales and gross loss for the Period were approximately HK$304.9 million and approximately HK$19.1 million respectively; while the cost of sales and gross loss for the Last Period were approximately HK$398.4 million and approximately HK$37.7 million respectively. The reduction in gross loss was mainly due to the increase in average selling price of the coal during the Period.

During the Period, the Group has continued to increase the proportion of coal trading business to support its operation during the present coal mines suspension period. Since the revenue of the Group contributed by trading of purchased coal and average selling price of coal were increased, the gross loss and gross loss margin during the Period were improved by comparing with the Last Period.

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$38.5 million, representing an decrease of approximately 71.9% as compared with the Last Period of approximately HK$137.0 million. The reasons for the decrease in net loss attributable to the owners of the Company were mainly due to: (i) the decrease in gross loss as explained in the precedent paragraph; (ii) the decrease in impairment loss on certain assets; and (iii) the decrease in total administrative expenses during the Period. In view of the recoverable amount of the cash-generating unit is less than its carrying amount, the Group provided an impairment loss of approximately HK$3.2 million (the Last Period: approximately HK$62.5 million) and approximately HK$4.2 million (the Last Period: approximately HK$35.1 million) on the property, plant and equipment and the mining rights respectively.

Accounts and Bills Receivables

As at 30 June 2017 (the "**Period End**"), the accounts and bills receivables amounted to approximately HK$336.7 million, representing an increase of 90.6% as compared to that as 31 December 2016 (the "**Last Year End**") of approximately HK$176.7 million. The increase was mainly due to the customers of the Group were also facing with the slow recovery economic condition of the PRC and they have slightly lengthened the repayment period.

Amongst the total amount of accounts receivable (excluding 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 with balance amounting to approximately HK$290.4 million (equivalent to approximately RMB252.1 million) or approximately 86.2% of the total accounts receivable, net of provision for impairment. The entire outstanding amount of the accounts receivable from Zhongfu was not past due. The Board therefore concluded that no impairment is needed to be made on the outstanding balance due from Zhongfu.

For identification only

Accounts and Bills Payables

Bills payable as at the Period End amounted to approximately HK$749.1 million (as at the Last Year End: approximately HK$701.7 million) which contributed approximately 96.5% (as at the Last Year End: approximately 95.8%) of the total amount of accounts and bills payables as at the Period End, i.e. approximately HK$776.2 million (the Last Year End: approximately HK$732.8 million). In order to enhance the accounts payable repayment processes and the liquidity of the Group, the Group prefers to use bills to settle payment to certain suppliers. Therefore, bills payable constituted the most essential part of the total accounts and bills payables.

As at the Period End, approximately HK$641.5 million (as at the Last Year End: approximately HK$597.3 million) of the Group's bills payable were secured by the Group's pledged bank deposits, in which approximately HK$47.2 million (as at the Last Year End: approximately HK$50.2 million) of the bills payable were also guaranteed by certain independent third parties whereas approximately HK$34.5 million (as at the Last Year End: approximately HK$67.0 million) of the bills payable were also jointly guaranteed by a shareholder of the Company and certain independent third parties. Also, approximately HK$107.7 million (as at the Last Year End: approximately HK$104.4 million) of the Group's bills payable were guaranteed solely by certain independent third parties without pledging of time deposits as at the Period End.

Other Payables and Accruals

The total amount of other payables and accruals was slightly increased by approximately 7.3% from approximately HK$434.9 million as at the Last Year End to approximately HK$466.6 million as at the Period End. As at the Period End, the other payables were mainly comprised of provision for PRC retirement benefit scheme contributions amounting to approximately HK$154.2 million (as at the Last Year End: approximately HK$170.5 million), accrued coal mines related removal and relocation expenses amounting to approximately HK$32.8 million (as at the Last Year End: approximately HK$56.0 million), accrued workers' wages and benefits amounting to approximately HK$21.6 million (as at the Last Year End: approximately HK$20.5 million), and loans advanced from a director (who is also a shareholder) of the Company amounting to approximately HK$14.0 million (as at the Last Year End: approximately HK$8.0 million). The loans advanced from a director of the Company was unsecured, interest-free and repayable on demand.

PROSPECT

Looking ahead to second half of 2017, China is still facing a tougher battle amid economic slowdown pressure and external uncertainties. Improving and well control the coal production capacity would remain as one of the important agendas of the PRC government. The successful implementation of the coal production policy, total coal production has been reduced and the coal price has been gradually increased. The coal is expected to be stabilized in the years ahead, which will be a favourable factor to the sustainable growth and development of the Group's coal production business.

The government policy direction will continue to govern the coal industry and in a healthy direction which the Group will follow tightly. In the coming future, the Group will consider to upgrade its existing equipment and facilities so as to achieve cleaner emissions. Moreover, the Group will continue to strengthen its existing coal industry value chain. In the meantime, the Group will search for new and profitable business opportunities which are beneficial to the Group, and explore investment opportunities with sustainable and steady return to the shareholders of the Company.

The Group believes that the market will remain changing in a positive direction in the coming years. The Group will constantly persist in its position, consolidate the foundation, make an improvement, and realise its goal for the coming years with caution.

Going forward, the Group holds an optimistic view towards the development of coal industry in the PRC as the progress of industry consolidation has been proceeding at a fast speed. The Group will seize opportunities in the coal industry to scale up its business, and continue to develop as a sizeable coal company within the province.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the Period End, the net asset value of the Group was approximately HK$61.9 million (as at the Last Year End: approximately HK$100.4 million) and the total cash and bank balance (including pledged bank deposit) was approximately HK$695.4 million (as at the Last Year End: approximately HK$701.7 million). As at the Period End, the Group had net current liabilities of approximately HK$521.9 million (as at the Last Year End: approximately HK$487.2 million) and the current ratios was decreased from 0.72 times as at the Last Year End to 0.71 times as at the Period End. The Group's working capital was mainly financed by 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 was approximately HK$336.7 million (as at the Last Year End: approximately HK$174.1 million) and certain accounts receivable were pledged to secure certain bank loans of the Group. Subsequent to 30 June 2017 and up to the date of this announcement, accounts receivable amounted to approximately HK$70.2 million has been collected.

As at the Period End, bank deposits amounted to approximately HK$563.6 million (as at the Last Year End: approximately HK$523.6 million) were pledged for bills payable and were not available for the operation or repayment of debts of the Group. Cash and cash equivalents which were not pledged amounted to approximately HK$131.8 million (as at the Last Year End: approximately HK$178.1 million).

As at the Period End, the Group's total bank loans amounted to approximately HK$476.8 million (as at the Last Year End: approximately HK$473.2 million). The bank loans bear interest at fixed rates ranging from 4.35% to 13.64% per annum (as at the Last Year End: at fixed rates ranging from 2.90% to 13.10% per annum).

As at the Period End, the Group's gearing ratio (as a ratio calculated by (a) the sum of bank loans and amount due to an associate; divided by (b) the net assets of the Group) was 925.3% (as at the Last Year End: 563.5%).

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 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group has a total of approximately 1,667 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

Neither the Company nor any of its subsidiaries has 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 of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, 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 and the non-executive director of the Company were unable to attend the annual general meeting of the Company held in Hong Kong on 26 May 2017 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 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 audit committee reviewed the condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2017 and were 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 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 2017.

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 2017 interim report will be despatched to the shareholders and available on the same websites on or before 30 September 2017.

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 2017

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.