首鋼福山資源集團有限公司

SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

(HK$ million)	**For the year ended 31 December 2022**	2021	**Percentage change**
Revenue	**8,215**	7,076	+16%
Gross profit	**5,290**	4,395	+20%
Gross profit margin	**64%**	62%	
Profit for the year	**3,308**	3,061	+8%
Profit attributable to owners of the Company ("Owners")	**2,715**	2,538	+7%
EBITDA[1]	**5,415**	4,755	+14%
Basic earnings per share *(HK cents)*	**53.75**	50.25	+7%
Annual dividend per share *(HK cents)*	**43.00**	40.00	+8%

(HK$'million)	**As at 31 December 2022**	2021	**Percentage change**
Net assets	**18,677**	19,148	-2%
Equity per share attributable to Owners *(HK$)*	**3.32**	3.42	-3%
Current ratio (times)[2]	**3.23**	2.69	+20%

The board of directors of the Company has pleasure in announcing that the Group has achieved a record-breaking profit attributable to the Owners amounting to HK$2,715 million in the year of 2022 and has proposed a 2022 final dividend of HK28 cents per ordinary share.

1. EBITDA is defined as profit before income tax plus finance costs, share of loss of an associate, depreciation and amortisation.

2. Current ratio is computed from total current assets divided by total current liabilities.

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022 with comparative figures for the year ended 31 December 2021. These final results have been reviewed by the audit committee of the Company.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
Revenue from contracts with customers	*3*	**8,214,719**	7,075,818
Cost of sales		**(2,925,125)**	(2,681,244)
Gross profit		**5,289,594**	4,394,574
Interest income		**107,067**	69,578
Other income and (losses)/gains, net	*4*	**(94,740)**	244,169
Selling and distribution expenses		**(348,512)**	(269,741)
General and administrative expenses		**(207,812)**	(207,903)
Other operating expenses	*5*	**(118,037)**	(96,260)
Finance costs	*6*	**(1,360)**	(1,275)
Share of loss of an associate		**(307)**	(983)
Profit before income tax	*7*	**4,625,893**	4,132,159
Income tax expense	*8*	**(1,317,738)**	(1,071,328)
Profit for the year		**3,308,155**	3,060,831
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(901,912)**	258,759
Items that will not be reclassified to profit or loss:			
Net fair value gain/(loss) on financial assets measured at fair value through other comprehensive income		**29,496**	(443,970)
Exchange differences on translation of financial statements of foreign operations		**(135,241)**	–
Total comprehensive income for the year		**2,300,498**	2,875,620

	Note	2022 HK$'000	2021 HK$'000
Profit for the year attributable to:			
Owners of the Company		**2,715,374**	2,538,495
Non-controlling interests		**592,781**	522,336
Profit for the year		**3,308,155**	3,060,831
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,842,958**	2,321,729
Non-controlling interests		**457,540**	553,891
Total comprehensive income for the year		**2,300,498**	2,875,620
Earnings per share			
– Basic and diluted *(HK cents)*	*10*	**53.75**	50.25

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,912,655**	4,014,398
Land use rights		**57,035**	63,094
Right-of-use assets		**24,866**	20,869
Mining rights		**6,661,945**	7,402,242
Goodwill		**1,222,775**	1,310,198
Interest in an associate		**10,208**	11,262
Financial assets measured at fair value through other comprehensive income		**667,990**	638,494
Deposits, prepayments and other receivables		**370,758**	672,551
Deferred income tax assets		**92,447**	73,135
Total non-current assets		**13,020,679**	14,206,243
Current assets			
Inventories		**42,046**	142,658
Trade receivables	*11*	**1,314,509**	883,949
Bills receivables	*11*	**1,575,256**	2,260,302
Deposits, prepayments and other receivables		**306,083**	386,982
Financial assets measured at fair value through profit or loss		**424,115**	–
Other financial assets		**–**	116,250
Pledged and restricted bank deposits		**767,173**	357,707
Time deposits with original maturity over three months		**2,179,700**	2,015,677
Cash and cash equivalents		**3,833,923**	4,410,209
Total current assets		**10,442,805**	10,573,734
Total assets		**23,463,484**	24,779,977

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Current liabilities			
Trade and bills payables	*12*	**614,737**	607,247
Lease liabilities		**10,348**	7,957
Other financial liability		**173,574**	180,817
Other payables and accruals		**1,804,641**	1,954,492
Amounts due to non-controlling interests of subsidiaries		**122,372**	156,999
Tax payables		**508,962**	1,018,809
Total current liabilities		**3,234,634**	3,926,321
Net current assets		**7,208,171**	6,647,413
Total assets less total current liabilities		**20,228,850**	20,853,656
Non-current liabilities			
Deferred income tax liabilities		**1,529,863**	1,687,365
Lease liabilities		**21,768**	18,073
Total non-current liabilities		**1,551,631**	1,705,438
Net assets		**18,677,219**	19,148,218
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,156,959**	15,156,959
Reserves		**1,611,718**	2,143,124
Total equity attributable to owners of the Company		**16,768,677**	17,300,083
Non-controlling interests		**1,908,542**	1,848,135
Total equity		**18,677,219**	19,148,218

Notes:

1. GENERAL INFORMATION

Shougang Fushan Resources Group Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is 6th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal places of business of the Company and its subsidiaries (collectively referred to as the "Group") are in Hong Kong and the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group's operations during the year.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the board of directors (the "Board") of the Company on 23 March 2023.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations and the requirements of the Hong Kong Companies Ordinance Cap. 622 (the "Companies Ordinance"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments classified as financial assets measured at fair value through other comprehensive income which are measured at fair values.

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of final results for the year ended 31 December 2022 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(a) Adoption of new or amended standards and interpretations that are effective on 1 January 2022

The following new and amended standards and interpretations apply for the first time to the Group's financial reporting period commencing on 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations
Annual improvements to HKFRSs 2018–2020 cycle	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41

The above standards did not have any impact on the Group's accounting policies and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretations that have been issued but are not yet effective

The following new and amended standards and interpretations, which are potentially relevant to the Group's financial statements have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendment to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Revised Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. The Group is not yet in a position to state whether these new standards, amendments to standards and interpretations would have any significant impact on its results of operations and financial positions.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

The Group's principal activities are disclosed in note 1 to this result announcement. Revenue from contracts with customers, which is also the Group's turnover, represents the sales value of coking coal products in the ordinary course of businesses which are recognised at a point in time. Revenue recognised is as follows:

	2022	2021
	HK$'000	*HK$'000*
Sales of clean coking coal	**8,214,719**	7,075,818

The executive directors have been identified as the chief operating decision-maker of the Company. The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. The Group has identified one reportable segment as coking coal mining, which represents mining and exploration of coal resources and production of raw and clean coking coal in the PRC.

The executive directors regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented. The executive directors primarily use a measure of profit before income tax to assess the performance of the operating segment.

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred income tax assets) are divided into the following geographical areas:

	Revenue from external customers		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**8,214,719**	7,075,818	**12,260,082**	13,494,405
Hong Kong	**–**	–	**160**	209
	8,214,719	7,075,818	**12,260,242**	13,494,614

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

During the year, revenue from two (2021: two) customers over 10% of the Group's coking coal mining segment amounted to HK$3,798,695,000 (2021: HK$2,845,122,000) and HK$977,677,000 (2021: HK$1,296,416,000) respectively, which represented 46% (2021: 40%) and 12% (2021: 18%) of the Group's revenue respectively.

4. OTHER INCOME AND (LOSSES)/GAINS, NET

	2022	2021
	HK$'000	*HK$'000*
Dividend income	**–**	61,603
Income from sales of by-products	**123,039**	93,107
Net foreign exchange (loss)/gain	**(222,103)**	87,955
Others	**4,324**	1,504
	(94,740)	244,169

5. OTHER OPERATING EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Additional depreciation on property, plant and equipment *(Note)*	**64,911**	73,199
Charitable donations	**9,193**	–
Geology investigation fee etc.	**3,420**	–
Loss on disposals of property, plant and equipment	**36,203**	3,933
Others	**4,310**	19,128
	118,037	96,260

Note: According to the plan of transferring the production from upper coal seam to lower coal seam of Xingwu Coal Mine in 2023, the additional part arising from accelerated depreciation on the related underground mining structures of the upper coal seam was charged in the other operating expenses during the years ended 31 December 2022 and 2021.

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest expense on lease liabilities	**1,360**	1,169
Interest charged on discounted bills receivables	**–**	106
	1,360	1,275

No borrowing costs were capitalised for the years ended 31 December 2022 and 2021.

7. PROFIT BEFORE INCOME TAX

	2022	2021
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Auditor's remuneration		
– audit services	**1,650**	1,650
– other services	**450**	400
Cost of inventories sold	**2,925,125**	2,681,244
Amortisation of:		
– land use rights	**1,885**	1,956
– long-term deferred expenses	**201,538**	18,936
– mining rights	**252,263**	255,600
Depreciation of:		
– property, plant and equipment	**326,414**	342,010
– right-of-use assets	**5,055**	1,644
Staff costs (including directors' emoluments)	**834,779**	818,256

8. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax – PRC income tax		
– Current year	**1,383,668**	1,090,604
– Under provision in respect of prior years	**5,348**	1,322
Deferred tax		
– Current year	**(71,278)**	(20,598)
	1,317,738	1,071,328

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits arising in Hong Kong for 2022 and 2021.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's major operating subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited, Shanxi Liulin Jinjiazhuang Coal Co., Limited and Shanxi Liulin Zhaiyadi Coal Co., Limited, all established in the PRC, are subject to 25% enterprise income tax in the PRC.

The Group is also subject to withholding tax at the rate of 5% (2021: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

9. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2021 final dividend of HK32 cents (2021: 2020 final dividend of HK9 cents) per ordinary share	**1,616,588**	454,665
2022 interim dividend of HK15 cents (2021: 2021 interim dividend of HK8 cents) per ordinary share	**757,776**	404,147
	2,374,364	858,812

(a) On 25 March 2021, the Board proposed a 2020 final dividend of HK9 cents per ordinary share totalling HK$454,665,000 to the owners of the Company in respect of the year ended 31 December 2020. The final dividend was approved by shareholders at the annual general meeting held on 30 June 2021 and was paid on 29 July 2021. The 2020 final dividend for the year ended 31 December 2020 has been reflected as an appropriation of retained earnings for the year ended 31 December 2021.

(b) On 26 August 2021, the Board declared an 2021 interim dividend of HK8 cents per ordinary share, totalling HK$404,147,000 for the six months ended 30 June 2021, which was paid on 28 October 2021.

(c) On 24 March 2022, the Board proposed a 2021 final dividend of HK32 cents per ordinary share totalling HK$1,616,588,000 to the owners of the Company in respect of the year ended 31 December 2021. The final dividend was approved by shareholders at the annual general meeting held on 28 June 2022 and was paid on 29 July 2022. The 2021 final dividend for the year ended 31 December 2021 has been reflected as an appropriation of retained earnings for the year ended 31 December 2022.

(d) On 30 August 2022, the Board declared an 2022 interim dividend of HK15 cents per ordinary share, totalling HK$757,776,000 for the six months ended 30 June 2022, which was paid on 4 November 2022.

(e) On 23 March 2023, the Board proposed a 2022 final dividend of HK28 cents per ordinary share totalling HK$1,414,515,000 to the owners of the Company in respect of the year ended 31 December 2022. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2022 has not been recognised as a liability as at 31 December 2022.

10. EARNINGS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share	**2,715,374**	2,538,495
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,051,837**	5,051,837

Basic earnings per share is HK53.75 cents (2021: HK50.25 cents), based on the profit for the year attributable to owners of the Company of HK$2,715,374,000 (2021: HK$2,538,495,000) and weighted average number of ordinary shares as set out above for basic earnings per share.

The 2012 share option scheme has expired on 25 May 2022. No share options had been granted under the 2012 share option scheme since its adoption. Accordingly, as at 31 December 2022 and 2021, there was no share option outstanding and the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2022 and 2021.

11. TRADE AND BILLS RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**1,504,189**	1,087,425
Less: Provision for impairment loss	**(189,680)**	(203,476)
	1,314,509	883,949
Bills receivables	**1,575,256**	2,260,302
	2,889,765	3,144,251

Trade receivables generally have credit terms ranging from 30 to 90 days (2021: 30 to 90 days) and no interest is charged. Bills receivables are expiring within one year. As at 31 December 2022 and 2021, all of the trade and bills receivables are denominated in RMB.

As at 31 December 2022, ageing analysis of net trade receivables, based on the invoice dates, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 90 days	**1,284,104**	883,949
91 to 180 days	**30,405**	–
	1,314,509	883,949

As at 31 December 2022, ageing analysis of bills receivables, based on the bills receiving dates, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 90 days	**348,891**	1,306,452
91 to 180 days	**1,221,415**	950,567
181 to 365 days	**4,950**	3,283
	1,575,256	2,260,302

Details of pledged bills receivables are as follows:

	2022	2021
	HK$'000	*HK$'000*
Pledged bills receivables	**231,143**	182,655
Associated bills payables *(note 12)*	**(182,668)**	(157,002)

The carrying amounts of the bills receivables include receivables which are transferred to financial institutions or creditors by discounting or endorsing these receivables on a full recourse basis. Under these arrangements, the Group has not transferred the significant risks and rewards relating to these receivables. The Group therefore continues to recognise the transferred bills receivables in its consolidated statement of financial position and measure at amortised cost.

The relevant carrying amounts are as follows:

	2022	2021
	HK$'000	*HK$'000*
Bills receivables endorsed to creditors with full recourse:		
Transferred bills receivables	**121,800**	93,909
Associated trade payables *(note 12)*	**(1,980)**	(10,021)
Associated other payables	**(82,640)**	(83,888)
Associated amounts due to non-controlling interests of subsidiaries	**(37,180)**	–

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables.

The Group does not hold any collateral over these balances.

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case impairment loss is written off against trade and bills receivables directly.

Movement in the loss allowance of trade receivables is as follows:

	2022	2021
	HK$'000	*HK$'000*
At 1 January	**203,476**	198,303
Exchange differences	**(13,796)**	5,173
At 31 December	**189,680**	203,476

12. TRADE AND BILLS PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**236,931**	270,017
Bills payables	**377,806**	337,230
	614,737	607,247

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2021: 30 to 180 days). As at 31 December 2022 and 2021, all of the trade and bills payables are denominated in RMB. All bills payables are within 6 months (2021: 6 months).

Based on the invoice dates, ageing analysis of trade payables as at 31 December 2022 is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 90 days	**160,666**	202,226
91 to 180 days	**40,708**	39,856
181 to 365 days	**12,997**	6,526
Over 365 days	**22,560**	21,409
	236,931	270,017

As at 31 December 2022, bills payables amounted to HK$195,138,000 (2021: HK$180,228,000) out of HK$377,806,000 (2021: HK$337,230,000) were secured by the pledged bank deposits. Remaining bills payables amounted to HK$182,668,000 (2021: HK$157,002,000) were secured by bills receivables (note 11).

As at 31 December 2022, trade payables of HK$1,980,000 (2021: HK$10,021,000) were settled by bills receivables endorsed to corresponding creditors which do not meet the de-recognition requirements (note 11).

13. CAPITAL COMMITMENTS

	2022	2021
	HK$'000	*HK$'000*
Contracted for:		
− Acquisition of property, plant and equipment	**211,399**	261,906
− Exploration and design fees for a potential mining project	**8,228**	8,826
	219,627	270,732

FINAL DIVIDEND

The Board has proposed a final dividend of HK28 cents per ordinary share for the year ended 31 December 2022 (2021 final dividend: HK32 cents per ordinary share), payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 12 June 2023. The proposed final dividend (HK28 cents per ordinary share) together with the interim dividend (HK15 cents per ordinary share) paid in 2022 will make a total dividend of HK43 cents per ordinary share for the year ended 31 December 2022 (2021 total dividend: HK40 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Wednesday, 31 May 2023 (the "AGM"), the final dividend is expected to be paid on Friday, 28 July 2023. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Monday, 12 June 2023 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023 (both days inclusive) to determine the entitlement to attend and vote at the AGM. During such period, no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 24 May 2023 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine, collectively referred to as the "Three Mines") for the year ended 31 December 2022 (the "Year Under Review" or "2022 FY") together with that of the same period of 2021 (the "Last Year" or "2021 FY") is summarised as follows:

		For the year ended 31 December		Change	
	Unit	**2022**	2021	Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**5.25**	5.17	+0.08	+2%
Clean coking coal	Mt	**3.23**	3.20	+0.03	+1%
Sales volume:					
Clean coking coal	Mt	**3.32**	3.30	+0.02	+1%
Average realised selling price (inclusive of VAT):					
Clean coking coal	RMB/tonne	**2,402**	2,019	+383	+19%

Note: No sales of raw coking coal for the 2022 FY (2021 FY: nil).

For the year ended 31 December 2022, the Group produced approximately 5.25 million tonnes ("Mt") (2021 FY: approximately 5.17 Mt) of raw coking coal, representing a year-on-year ("YoY") increase of 2% and also produced approximately 3.23 Mt (2021 FY: approximately 3.20 Mt) of clean coking coal, representing a YoY increase of 1%.

Under strict implementation of epidemic prevention measures, the Three Mines operated smoothly according to production plan during the Year Under Review. The raw coking coal production volume increased by 2% YoY and the total production volume of raw coking coal of approximately 5.25 Mt reached the total approved production volume.

The increase in production volume of clean coking coal by 1% YoY is mainly due to the increase in raw coking coal production volume by 2% YoY during the Year Under Review.

After excluding the purchase of clean coking coal from outsiders for sales of approximately 0.005 Mt in the 2022 FY (2021 FY: 0.13 Mt), the sales volume of self-produced clean coking coal increased by 4% YoY for the Year Under Review. For the 2022 FY and the 2021 FY, sales of clean coking coal accounted for 100% of the Group's revenue. This is in line with the Group's long-term strategy to concentrate on clean coking coal sales.

Continued benefit from certain policies on restriction of imported coal to China and the strong coal demand in the domestic coal market in the first half of 2022, etc., the average benchmark market selling prices of clean coking coal, being the main products of the Group, surged by approximately 89% YoY for the first half of 2022 when compared with that in the first half of 2021. However, in the second half of 2022, with the domestic and foreign demand becoming dropped and the relatively high inventory level of steel mills etc., its average benchmark market selling prices decreased by 18% in the second half of 2022 when compared with that in the first half of 2022. The overall average benchmark market selling prices of clean coking coal raised by approximately 18% YoY for the year ended 31 December 2022. For the year ended 31 December 2022, the Group's average realised selling price (inclusive of value added tax "VAT") of clean coking coal increased by 19% YoY to Renminbi ("RMB") 2,402/tonne when compared with that of the Last Year (2021 FY: RMB2,019/tonne) which was in line with the upside trend of clean coking coal market prices. In terms of its sales volume, sales of low sulfur and medium-high sulfur clean coking coal accounted for 27% and 73% (2021 FY: 33% and 67%) of the total clean coking coal sales volume respectively for the year ended 31 December 2022.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded a revenue of approximately Hong Kong Dollars ("HK$") 8,215 million, representing an increase of approximately HK$1,139 million or 16% YoY as compared with that of approximately HK$7,076 million for the Last Year. The increase in revenue was mainly driven by the increase in average realised selling prices of clean coking coal by 19% YoY and the increase in sales volume of clean coking coal by 1% YoY, nevertheless there was a negative effect of the depreciation in average exchange rate of RMB to HK$ by approximately 3.02% YoY on the revenue for the Year Under Review.

For the year ended 31 December 2022, the total revenue to the top five customers accounted for approximately 74% (2021 FY: 78%) of the Group's revenue. Of which, the total revenue to the largest customer, Shougang Group Co. Ltd., together with its subsidiaries, accounted for 46% (2021 FY: 40%) of the Group's revenue.

For the year ended 31 December 2022, gross profit margin was 64% while 62% for the Last Year. Gross profit was increased by approximately HK$895 million or 20% YoY. The increase in gross profit was attributable to the increase in revenue by approximately 16% YoY for the 2022 FY as explained above.

The Group had achieved a record-breaking profit again for 2022 FY since the Last Year. For the year ended 31 December 2022, the Group recorded a net profit of approximately HK$3,308 million representing an increase of approximately 8% YoY and profit attributable to the owners of the Company (the "Owners") of approximately HK$2,715 million representing an increase of approximately 7% YoY. During the Year Under Review, the growth in the Group's net profit by approximately 8% YoY is due to the increase in gross profit by approximately HK$895 million or 20% YoY. In addition, during the Year Under Review, as a result of the rise in coal market prices, income from sales of coal related by-products increased by approximately HK$30 million or 32% YoY; and the significant increase in interest income by approximately HK$37 million or 53% YoY as a result of the rise in market interest rates. Nevertheless, dividend income generated from financial assets was reduced by approximately HK$62 million YoY together with the negative effect of the depreciation on exchange rate of RMB to HK$ resulting in a net foreign exchange loss of approximately HK$222 million during the Year Under Review. Eventually, together with the effective cost controls, the Group recorded a net profit of approximately HK$3,308 million, increased by approximately 8% YoY, during the Year Under Review.

During the Year Under Review, due to the depreciation on RMB to HK$ exchange rate by approximately 6.78% as at reporting date on 31 December 2022 when compared with that as at 31 December 2021 (2021 FY: appreciation on RMB to HK$ exchange rate by approximately 2.61% as at reporting date on 31 December 2021 when compared with that as at 31 December 2020), the Group reduced in net profits by approximately HK$310 million YoY as a result of net foreign exchange loss of approximately HK$222 million for the 2022 FY while net foreign exchange gain of approximately HK$88 million for the Last Year.

During the Year Under Review, basic earnings per share was HK53.75 cents (2021 FY: HK50.25 cents), representing an increase of approximately 7% YoY which was in line with the increase in profit attributable to the Owner by approximately 7% YoY.

The Group recorded EBITDA of approximately HK$5,415 million (2021 FY: approximately HK$4,755 million) and generated a positive cash flow of approximately HK$3,848 million (2021 FY: approximately HK$3,877 million) from our operating activities during the Year Under Review.

As at 31 December 2022, the Group continues to maintain a healthy financial position and has free bank balances and cash of approximately HK$6,014 million (As at 31 December 2021: approximately HK$6,426 million). During the Year Under Review, the Group has paid total cash dividend of approximately HK$2,815 million (2021 FY: approximately HK$913 million).

Cost of Sales

During the Year Under Review, cost of sales was approximately HK$2,925 million, representing an increase of approximately HK$244 million or 9% YoY, as compared with that of approximately HK$2,681 million for the Last Year. The increase in cost of sales was mainly due to the increase in sales volume of clean coking coal by 1% YoY and the reasonable increase in unit production costs as disclosed below.

The unit production costs are summarised as follows:

Unit: RMB/tonne

	For the year ended 31 December		Change	
	2022	2021	Amount	Percentage
Production cost of raw coking coal [Note 1]	**404**	379	+25	+7%
Less: Depreciation and amortisation	**(75)**	(75)	–	–
Cash production cost of raw coking coal	**329**	304	+25	+8%
Less: Uncontrollable costs [Note 2]	**(102)**	(84)	+18	+21%
Total	**227**	220	+7	+3%
Processing cost for clean coking coal	**50**	50	–	–
of which, depreciation	**(7)**	(7)	–	–

Note 1: Excluded one-off additional amortisation of relocation and reconstruction costs for village located in Xingwu Coal Mine (i.e. amortisation of long-term deferred expenses) amounting to RMB168 million for comparison purpose.

Note 2: Included resources tax and levies.

During the Year Under Review, costs of sales included a one-off non-cash additional amortisation of relocation and reconstruction costs for village located in Xingwu Coal Mine amounting to RMB168 million in order to release certain upper coal seam reserves for mining since 2016, after considering its production will be transferred from upper to lower coal seam in 2023 as disclosed in the 2022 Interim Report.

Included in cost of sales, amortisation of mining rights was approximately HK$252 million for the year ended 31 December 2022, representing a decrease of approximately HK$4 million or 2% YoY, as compared with that of approximately HK$256 million for the Last Year. The decrease in amortisation of mining rights was mainly due to depreciation in average exchange rate of RMB to HK$ by approximately 3.02% during the Year Under Review.

Due to the increase in average realised selling prices of clean coking coal by 19%, resources tax, which is charged on the basis of the selling prices of coking coal, and levies of city constructional tax and additional educational surcharge, which is charged on the basis of the VAT, increased by RMB18/tonne YoY, during the Year Under Review.

Nevertheless, the stringent cost controls were continuously implemented by the Group, the Group faced the rising concern in cost pressure. Excluding the effect on the increase in those uncontrollable costs as above, unit of production cost of raw coking coal just increased by 3% YoY resulted from (i) the increase in staff costs by RMB6/tonne YoY due to the additional bonus paid to the staff as recorded an increase in profit and reached historical high profit according to performance appraisal system and increase payment in social insurances as a result of the rise in salary level; (ii) the increase in material market prices due to inflation and market factors; and (iii) due to the regulatory requirements, it is necessary to renovate certain buildings in order to meet the updated standards that lead to increase the repair and maintenance fees YoY during the Year Under Review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$5,290 million for the year ended 31 December 2022, representing an increase of approximately HK$895 million or 20% YoY as compared with that of approximately HK$4,395 million for the Last Year. Gross profit margin was 64% for the Year Under Review and 62% for the Last Year.

Interest Income

During the Year Under Review, interest income was approximately HK$107 million, representing a significant increase by approximately HK$37 million or 53% YoY as compared with that of approximately HK$70 million for the Last Year. The significant increase in interest income was the result of the rise in market interest rates.

Other Income and (Losses)/Gains, Net

During the Year Under Review, the Group recorded a net other loss of approximately HK$95 million, representing a decrease of approximately HK$339 million YoY as compared with a net other gain of approximately HK$244 million for the Last Year. Excluding the effect of net foreign exchange loss of approximately HK$222 million (2021 FY: a net foreign exchange gain of approximately HK$88 million) and no dividend income generated from financial assets (2021 FY: approximately HK$62 million) during the Year Under Review, other income and (losses)/gains, net increased by approximately HK$33 million or 35% YoY, which was mainly attributable to the increase in income from sales of coal related by-products by approximately HK$30 million or 32% YoY as a result of the rise in market prices of coal during the Year Under Review.

During the Year Under Review, the Group recorded turnaround from net foreign exchange gain of approximately HK$88 million to net foreign exchange loss of approximately HK$222 million as a result of the depreciation on RMB to HK$ exchange rate of approximately 6.78% as at reporting date on 31 December 2022 when compared with that as at 31 December 2021 (2021 FY: appreciation on RMB to HK$ exchange rate by approximately 2.61% as at reporting date on 31 December 2021 when compared with that as at 31 December 2020).

Selling and Distribution Expenses

During the Year Under Review, selling and distribution expenses were approximately HK$349 million, representing an increase of approximately HK$79 million or 29% YoY as compared with that of approximately HK$270 million for the Last Year. Selling and distribution expenses mainly included logistic costs such as the trucking fees for short distance and freight costs by trucks and sea for sales of clean coking coal, which are usually re-charged to customers. The increase was mainly due to the increase in sales volume of clean coking coal and proportion of sales by train and sea during the Year Under Review.

General and Administrative Expenses

During the Year Under Review, general and administrative expenses were approximately HK$208 million (2021 FY: approximately HK$208 million).

Other Operating Expenses

During the Year Under Review, other operating expenses were approximately HK$118 million, representing an increase of approximately HK$22 million or 23% YoY as compared with that of approximately HK$96 million for the Last Year.

Other operating expenses included the additional depreciation arising from the accelerated depreciation related to the underground mining structures of the upper coal seam of Xingwu Coal Mine amounted to approximately HK$65 million (2021 FY: approximately HK$73 million), as it was expected that production will be transferred from upper to lower coal seam in 2023 as disclosed in the 2021 Annual Report.

The increase was mainly resulted from the charitable donation in the PRC related to precaution measures for COVID-19 of approximately HK$9 million (2021 FY: nil) and the increase in loss on disposals of scrap and obsolescence property, plant and equipment by approximately HK$32 million.

Finance Costs

During the Year Under Review, finance costs were approximately HK$1.4 million (2021 FY: approximately HK$1.3 million), of which approximately HK$1.4 million (2021 FY: approximately HK$1.2 million) was represented by the interest expense on lease liabilities recognised under HKFRS 16 and the remaining balance was interest derived from the early redemption of bills receivables of the Group for the short-term financing.

Income Tax Expense

During the Year Under Review, income tax expense amounted to approximately HK$1,318 million (2021 FY: approximately HK$1,071 million). Income tax expense mainly includes the enterprise income tax calculated at a tax rate of 25% for the Group's major PRC subsidiaries incorporated in the People's Republic of China (the "PRC") ("major PRC Subsidiaries") and the provision of withholding tax of 5% on the dividend to be declared from the major PRC Subsidiaries in accordance with the relevant tax regulations in the PRC. The income tax expense increased in line with profits during the Year Under Review.

Owners' Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the Year Under Review was approximately HK$2,715 million, an increase of approximately HK$177 million or 7% YoY which is also recorded historical high profit, while approximately HK$2,538 million for the Last Year.

Material Investments and Acquisitions

During the year ended 31 December 2022, the Group had no material investments and acquisitions.

Material Disposals

During the year ended 31 December 2022, the Group had no material disposals.

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving stable coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming to build itself into a safety-oriented and environmental-friendly enterprise. The Group has constantly complied with the relevant environmental protection rules and regulations. The Group fulfilled our responsibilities of energy saving, emission reduction and environmental protection by strictly managing production procedures, eliminating discharge of waste water and waste gas and controlling vegetation damage, etc. in material aspects. All coal mines of the Group have obtained necessary permission and approval from the relevant Chinese regulators.

The Three Mines have been awarded level II workplace safety standard issued by the Provincial Coal Mine Safety Supervision Bureau, and each of their coal processing plants obtained level I workplace safety standard issued by the Municipal Energy Bureau.

During the Year Under Review, all coal mines of the Group operated smoothly.

Charges on Assets

As at 31 December 2022, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 31 December 2022, bank deposits of approximately HK$444 million and bills receivables of approximately HK$231 million were used for securing bills facilities. As at 31 December 2022, bills facilities of approximately HK$378 million has been utilised.

Contingent Liabilities

As at 31 December 2022, there were no guarantees given by the Group and the Group has no material contingent liabilities.

Gearing Ratio

As at 31 December 2022, the Group had no borrowings. Thus, the gearing ratio of the Group was 0% (As at 31 December 2021: 0%).

Exposure to Fluctuations in Exchange Rates

As at 31 December 2022, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2022, RMB and AUD exchange rate were depreciated by approximately 6.78% and approximately 5.90% respectively, when compared to that as at 31 December 2021. As the net assets value of the PRC business operations denominated in RMB represented approximately 79% of the Group's net assets value as at 31 December 2022, the depreciation on RMB also led to an exchange loss of approximately HK$1,037 million (other than the foreign exchange difference recognised in profit or loss stated above) recognised in the other comprehensive income upon translation of its net assets in the financial statements of coal business operations in the PRC for the year ended 31 December 2022. Besides, the aggregate carrying amount of assets denominated in AUD represented approximately 2% of the Group's net assets value as at 31 December 2022. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position of the Group. The above exposure to fluctuation in exchange rates did not have any material impact on the financial position of the Group.

Liquidity and Financial Resources

As at 31 December 2022, the Group's current ratio (total current assets divided by total current liabilities) was approximately 3.23 times and the Group's cash and bank deposits amounted to approximately HK$6,781 million, of which approximately HK$444 million was deposited to secure bills facilities of approximately HK$195 million and approximately HK$323 million was restricted bank deposits for land reclamation and mine environmental restoration fund. The Group continued to maintain a healthy net cash balance.

The Group has total bills receivables amounting to approximately HK$1,575 million (of which approximately HK$122 million represented endorsed bills receivables and approximately HK$231 million was used for securing bills facilities of approximately HK$183 million) as at 31 December 2022. The free bills receivables were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bills receivables of approximately HK$1,222 million, the Group's free cash resources would have approximately HK$7,236 million as at 31 December 2022 (As at 31 December 2021: approximately HK$8,409 million).

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 31 December 2022, the share capital of the Company was approximately HK$15,157 million, represented approximately 5,052 million shares in number. During the Year Under Review, there is no change in number and amount of issued shares. The Group had no borrowings as at 31 December 2022.

EMPLOYEES

As at 31 December 2022, the Group had 4,446 PRC and Hong Kong employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group also provides training to employees in the PRC. The Group's share option scheme has expired on 25 May 2022 and no outstanding share option scheme as at 31 December 2022. During the Year Under Review, no share option was granted or exercised. As at 31 December 2022, no share option was outstanding.

FUTURE PROSPECTS

Due to multiple unexpected factors that impacted the economy, China's economic performance fluctuated constantly in 2022. However, after a series of policies aimed at boosting the economy, China's Gross Domestic Product ("GDP") growth ultimately stabilised at 3%, which is still ahead of other major economies in the world. This reflects the resilience of China's economy and its long-term fundamentals remain unchanged and positive.

In 2022, the outbreak of the Russia-Ukraine War and related political influence brought an unprecedented energy crisis to the world, leading to a sharp rise in energy prices. Coupled with the impact of natural disasters on transportation in Australia, the price of seaborne coal reached a record high. In China, unexpected changes in the pandemic situation significantly impacted the economy since the beginning of the year. Economic growth fell to 0.4% in the second quarter, the lowest since the pandemic. However, after the implementation of stimulus policies, the annual fixed assets and infrastructure investment increased by 5.1% and 9.4% YoY, respectively, the highest levels in three years since the pandemic. But the real estate market weakened further, and investment in this sector fell by 10% YoY. China's steel demand weakened, resulting in a decline in crude steel production and consumption volume. Domestic coking coal supply and demand remained tight in the first half of the year, and prices remained high. In the second half of the year, the supply gradually eased as imports volume from Mongolia and Russia increased. The annual coking coal imports volume increased by 16.7% YoY, combined with falling overseas coking coal prices, resulting in fluctuated coal prices in the second half of the year.

In 2023, China adjusted its pandemic prevention and control policy, allowing the economy and society to return to normal steadily. The government is now emphasising the expansion of domestic demand, working to ensure a smooth economic cycle that supports people's livelihood, infrastructure, and primary industries. Policies and follow-up measures are being introduced to stabilise the economy and maintain a general tone of seeking progress while maintaining stability. This year, the scale of the newly added local government special bonds will remain relatively high, at RMB3.8 trillion with a focus on supporting the foundational construction of projects in 11 existing fields and appropriately expanding the scope of capital investment and project funding. The government is continuing to send positive signals to the real estate industry in supporting rigid and improved housing demand, including easing restrictions on purchases and loans, promoting demand, reactivating steady and healthy development in the industry, with signs of improvement in transaction volume. The government has set a GDP growth target of 5% this year, indicating a commitment to maintain a reasonable growth rate. Many international institutions have raised their economic growth forecasts for China, in which the International Monetary Fund forecasting a growth rate of 5.2% for 2023. However, the international situation is still complex and changing. The continuation of the Russia-Ukraine war, the Silicon Valley Bank, and the Credit Suisse bank incidents etc. will all have a greater impact on the operation of the world economy. In 2023, the Company's operations will inevitably face greater pressure and difficulty.

On the supply side, domestic coking coal production has been steadily increasing, but stricter safety inspections in coal mines may lead to tighter supply in production areas, potentially affecting the growth rate for the year. On the import side, Mongolia and Russia are expected to further increase their coal exports to China. Meanwhile, Australian coal imports are showing signs of easing, but the situation remains uncertain. Given these factors, the price of coking coal is expected to continue fluctuating.

Xingwu Coal Mine, a subsidiary of the Group, will undergo a transition by transferring production from the upper coal seam to the lower coal seam this year. We will prioritise safe production during this transition. As a responsible company, we will strengthen our work in the environment, social and governance to achieve comprehensive and coordinated sustainable development. We will also accelerate the complete intelligence transformation and cooperate with national efforts to achieve carbon neutrality by 2060. With the Group's stable operation and financial position as well as strong cash flow, we will continue to monitor the development of the overall environment and economy to adjust our operating strategy in a timely manner. The Group will maintain stringent corporate governance and leverage our competitive advantages to create greater value for our shareholders, employees and society.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the financial year ended 31 December 2022.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the financial year ended 31 December 2022.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.shougang-resources.com.hk).

The 2022 annual report containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff of the Group for their hard work and dedication throughout the year.

By order of the Board
Shougang Fushan Resources Group Limited
Ding Rucai
Chairman

Hong Kong, 23 March 2023

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Fan Wenli (Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Wang Dongming (Deputy Managing Director), Ms. Chang Cun (Non-executive Director), Mr. Shi Yubao (Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Japhet Sebastian Law (Independent Non-executive Director), Mr. Chen Jianxiong (Independent Non-executive Director) and Mr. Shen Zongbin (Independent Non-executive Director).