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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage change
(HK$'million)	**2023**	2022	
Revenue	**3,442**	4,663	-26%
Gross profit	**2,233**	3,007	-26%
Gross profit margin	**65%**	64%	
Profit for the period	**1,519**	1,936	-22%
Profit attributable to owners of the Company ("**Owners**")	**1,233**	1,607	-23%
EBITDA[1]	**2,373**	3,267	-27%
Basic earnings per share *(HK cents)*	**24.40**	31.80	-23%

(HK$'million)	**As at 30 June 2023**	As at 31 December 2022	Percentage change
Net assets	**18,586**	18,677	-1%
Equity per share attributable to Owners *(HK$)*	**3.25**	3.32	-2%
Current ratio *(times)*[2]	**2.83**	3.23	-12%

The board of directors has declared an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2023 (For the six months ended 30 June 2022: HK15 cents per ordinary share).

Notes:

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.

INTERIM RESULTS

The board of directors (the "**Board**") of Shougang Fushan Resources Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023. These interim results have been reviewed by the audit committee and the auditor of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*4*	**3,442,305**	4,662,983
Cost of sales		**(1,209,654)**	(1,656,147)
Gross profit		**2,232,651**	3,006,836
Interest income		**83,750**	46,626
Other income and gains, net	*5*	**31,703**	2,943
Selling and distribution expenses		**(131,691)**	(167,862)
General and administrative expenses		**(90,717)**	(88,544)
Other operating expenses	*6*	**(3,108)**	(49,392)
Finance costs	*7*	**(1,417)**	(697)
Share of loss of an associate		**(17)**	(284)
Profit before income tax	*8*	**2,121,154**	2,749,626
Income tax expense	*9*	**(602,061)**	(813,357)
Profit for the period		**1,519,093**	1,936,269

	Notes	Six months ended 30 June **2023** ***HK$'000*** **(Unaudited)**	 2022 *HK$'000* (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(110,436)**	(393,046)
Item that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial assets measured at fair value through other comprehensive income		**(65,343)**	102,931
Exchange differences on translation of financial statements of foreign operations		**(19,750)**	–
Total comprehensive income for the period		**1,323,564**	1,646,154
Profit for the period attributable to:			
Owners of the Company		**1,232,644**	1,606,697
Non-controlling interests		**286,449**	329,572
Profit for the period		**1,519,093**	1,936,269
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,056,865**	1,359,439
Non-controlling interests		**266,699**	286,715
Total comprehensive income for the period		**1,323,564**	1,646,154
Earnings per share			
– Basic and diluted *(HK cents)*	*11*	**24.40**	31.80

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	**30 June 2023 *HK$'000* (Unaudited)**	31 December 2022 *HK$'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**3,900,649**	3,912,655
Land use rights		**70,962**	57,035
Right-of-use assets		**34,728**	24,866
Mining rights		**6,481,293**	6,661,945
Goodwill		**1,211,848**	1,222,775
Interest in an associate		**10,098**	10,208
Financial assets measured at fair value through other comprehensive income	*12*	**602,647**	667,990
Deposits, prepayments and other receivables		**346,467**	370,758
Deferred income tax assets		**96,000**	92,447
Total non-current assets		**12,754,692**	13,020,679
Current assets			
Inventories		**101,369**	42,046
Trade receivables	*13*	**706,005**	1,314,509
Bills receivables	*13*	**737,849**	1,575,256
Deposits, prepayments and other receivables		**311,281**	306,083
Financial assets measured at fair value through profit or loss		**289,682**	424,115
Pledged and restricted bank deposits		**783,414**	767,173
Time deposits with original maturity over three months		**3,467,181**	2,179,700
Cash and cash equivalents		**5,027,222**	3,833,923
Total current assets		**11,424,003**	10,442,805
Total assets		**24,178,695**	23,463,484

	Notes	30 June 2023 HK$'000 (Unaudited)	31 December 2022 HK$'000 (Audited)
LIABILITIES			
Current liabilities			
Trade and bills payables	*14*	**445,614**	614,737
Lease liabilities		**13,225**	10,348
Other financial liability		**176,580**	173,574
Other payables and accruals		**1,580,939**	1,804,641
Dividend payable	*10*	**1,414,515**	–
Amounts due to non-controlling interests of subsidiaries		**–**	122,372
Tax payables		**406,181**	508,962
Total current liabilities		**4,037,054**	3,234,634
Net current assets		**7,386,949**	7,208,171
Total assets less total current liabilities		**20,141,641**	20,228,850
Non-current liabilities			
Deferred income tax liabilities		**1,524,994**	1,529,863
Lease liabilities		**30,379**	21,768
Total non-current liabilities		**1,555,373**	1,551,631
Net assets		**18,586,268**	18,677,219
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,156,959**	15,156,959
Reserves		**1,254,068**	1,611,718
Total equity attributable to owners of the Company		**16,411,027**	16,768,677
Non-controlling interests		**2,175,241**	1,908,542
Total equity		**18,586,268**	18,677,219

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 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 six months ended 30 June 2023.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2023 (the "**Interim Financial Information**") has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Information does not include all the notes of the type normally included in the annual financial statements. Accordingly, the Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**").

The preparation of Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022, except for the estimation of income taxes (see note 3).

The Interim Financial Information was approved for issue by the board of directors of the Company ("**Board**") on 30 August 2023.

3. SIGNIFICANT ACCOUNTING POLICIES

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2022, except for the adoption of the following standards and interpretations as of 1 January 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from Single Transaction

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.

Impact of standards and interpretations issued but not yet applied by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2023 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	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
Hong Kong Interpretation 5 (Revised)	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 7 and HKFRS 7	Supplier Finance Arrangements	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 position.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

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:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of clean coking coal	**3,442,305**	4,662,983

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.

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**21,510**	–
Income from sales of by-products	**50,560**	77,461
Net foreign exchange loss	**(41,576)**	(75,466)
Others	**1,209**	948
	31,703	2,943

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Additional depreciation on property, plant and equipment *(Note)*	**–**	37,506
Charitable donations	**33**	9,480
Loss on disposals of property, plant and equipment	**366**	53
Others	**2,709**	2,353
	3,108	49,392

Note: As disclosed in the 2022 Annual Report, 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 six months ended 30 June 2022.

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**1,417**	697

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold	**1,209,654**	1,656,147
Amortisation of:		
– land use rights	**993**	970
– long-term deferred expenses	**742**	206,028
– mining rights	**121,191**	133,428
Depreciation of:		
– property, plant and equipment	**124,069**	173,439
– right-of-use assets	**2,977**	2,552
Staff costs (including directors' emoluments)	**437,739**	431,011

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**597,373**	833,955
Deferred tax	**4,688**	(20,598)
	602,061	813,357

No provision for Hong Kong profits tax has been made in the Interim Financial Information as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2023 and 2022.

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% (Six months ended 30 June 2022: 25%) enterprise income tax in the PRC.

The Group is also subject to withholding tax at the rate of 5% (Six months ended 30 June 2022: 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.

10. DIVIDENDS

Dividend payables to shareholders of the Company attributable to the period:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Declared and payable after interim period:		
2023 interim dividend HK10 cents per ordinary share (Six months ended 30 June 2022: 2022 interim dividend HK15 cents per ordinary share)	**505,184**	757,776

The total amount of interim dividend for six months ended 30 June 2023 totalling HK$505,184,000 was calculated based on the number of issued ordinary shares as at 30 June 2023 of 5,051,837,842 shares. Number of shares qualifying for this interim dividend is subject to change upon the completion of the Offer mentioned in note 16. As at 30 June 2022, the number of the issued share capital qualifying for the interim dividend of the Company is 5,051,837,842. The interim dividend has not been recognised as liabilities as at 30 June 2023 (Six months ended 30 June 2022: 30 June 2022).

Dividend payables to shareholders of the Company attributable to the previous financial year were approved during the period:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2022 final dividend HK28 cents per ordinary share (Six months ended 30 June 2022: 2021 final dividend HK32 cents per ordinary share)	**1,414,515**	1,616,588

Final dividend for the years ended 31 December 2022 and 2021 totalling HK$1,414,515,000 and HK$1,616,588,000 respectively were calculated based on the number of issued ordinary shares as at 31 December 2022 and 2021 respectively, and have been reflected as an appropriation of retained earnings and recognised as liabilities during the periods ended 30 June 2023 and 2022 respectively. Final dividend for the years ended 31 December 2022 and 2021 was paid on 28 July 2023 and 29 July 2022 respectively.

11. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	**1,232,644**	1,606,697
	'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

The diluted earnings per share for the periods ended 30 June 2023 and 30 June 2022 were the same as the basic earnings per share as there were no dilutive potential ordinary shares during the periods.

12. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Equity securities, at fair value		
– listed in Australia	**370,339**	422,776
– listed in Hong Kong	**232,308**	245,214
	602,647	667,990
Unlisted equity interest *	**–**	–
	602,647	667,990

* *This represents the cost of 7% equity investment in an unlisted company incorporated in the PRC. As the entity ceased operation during the year ended 31 December 2013, a fair value loss of approximately HK$8,890,000 was recorded against the full investment cost in 2013.*

13. TRADE AND BILLS RECEIVABLES

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**893,962**	1,504,189
Less: Provision for impairment loss	**(187,957)**	(189,680)
	706,005	1,314,509
Bills receivables	**737,849**	1,575,256
	1,443,854	2,889,765

Trade receivables generally have credit terms ranging from 30 to 90 days (As at 31 December 2022: 30 to 90 days) and no interest is charged. Bills receivables are expiring within one year (As at 31 December 2022: one year). As at 30 June 2023 and 31 December 2022, all of the trade and bills receivables are denominated in Renminbi ("**RMB**").

As at 30 June 2023, ageing analysis of net trade receivables, based on invoice dates, is as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**706,005**	1,284,104
91 to 180 days	**–**	30,405
	706,005	1,314,509

As at 30 June 2023, ageing analysis of bills receivables, based on bills receiving dates, is as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**420,168**	348,891
91 to 180 days	**317,681**	1,221,415
181 to 365 days	**–**	4,950
	737,849	1,575,256

Details of pledged bills receivables are as follows:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged bills receivables	**105,964**	231,143
Associated bills payables *(note 14)*	**(84,378)**	(182,668)

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:

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bills receivables endorsed to creditors with full recourse:		
Transferred bills receivables	**10,398**	121,800
Associated trade payables *(note 14)*	**(545)**	(1,980)
Associated other payables	**(9,853)**	(82,640)
Associated amounts due to non-controlling interests of subsidiaries	**–**	(37,180)

14. TRADE AND BILLS PAYABLES

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Trade payables	**234,396**	236,931
Bills payables	**211,218**	377,806
	445,614	614,737

The Group was granted by its suppliers credit period ranging between 30 to 180 days (As at 31 December 2022: 30 to 180 days). As at 30 June 2023 and 31 December 2022, all of the trade and bills payables are denominated in RMB. All bills payables are aged within 6 months (As at 31 December 2022: 6 months).

Based on the invoice dates, ageing analysis of trade payables as at 30 June 2023 is as follows:

	30 June 2023 *HK$'000* **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Up to 90 days	**159,429**	160,666
91 to 180 days	**36,071**	40,708
181 to 365 days	**12,781**	12,997
Over 365 days	**26,115**	22,560
	234,396	236,931

As at 30 June 2023, bills payables amounted to HK$126,840,000 (As at 31 December 2022: HK$195,138,000) out of HK$211,218,000 (As at 31 December 2022: HK$337,806,000) were secured by the pledged bank deposits. Remaining bills payables amounted to HK$84,378,000 (As at 31 December 2022: HK$182,668,000) were secured by bills receivables (note 13).

As at 30 June 2023, trade payables of HK$545,000 (As at 31 December 2022: HK$1,980,000) were settled by bills receivables endorsed to corresponding creditors which do not meet the de-recognition requirements (note 13).

15. CAPITAL COMMITMENTS

	30 June 2023 **HK$'000** **(Unaudited)**	31 December 2022 *HK$'000* (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	**202,188**	211,399
– Exploration and design fees for a potential mining project	**8,153**	8,228
	210,341	219,627

16. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 11 July 2023, the Board announced that a conditional cash offer (the "**Offer**") will be made by Octal Capital Limited on behalf of the Company, subject to the fulfilment of certain conditions, to buy-back for cancellation up to 125,000,000 shares (the "**Maximum Number of Shares**") of the Company ("**Shares**") at the offer price of HK$2.40 per Share, involving application of whitewash waiver. The Maximum Number of Shares represented approximately 2.47% of the total issued Shares as at the date of this interim results announcement. The Shares to be bought-back by the Company will not exceed the Maximum Number of Shares and there is no minimum number of shares proposed to be bought-back under the Offer. If the Offer is fully accepted, it will result in the Company paying approximately HK$300,000,000 in aggregate in cash, which will be funded by internal resources of the Group, and the number of issued Shares will be reduced by 125,000,000 Shares. On 29 August 2023, the Offer has become unconditional.

At the date of this interim results announcement, the Offer has not completed. The details of the Offer are referred to in the announcements of the Company dated 11 July 2023, 1 August 2023 and 29 August 2023 respectively and the offer document of the Company dated 1 August 2023.

17. STATEMENT REQUIRED BY SECTION 436(3) OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) IN RELATION TO THE PUBLICATION OF THE NON-STATUTORY ACCOUNTS FOR THE COMPARATIVE FINANCIAL YEAR INCLUDED IN THIS INTERIM FINANCIAL INFORMATION

The financial information relating to the year ended 31 December 2022 that is included in this Interim Financial Information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance (Cap. 622).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK10 cents per ordinary share for the six months ended 30 June 2023 (2022 interim dividend: HK15 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on 29 September 2023 (Friday). In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on 29 September 2023 (Friday) for registration. The interim dividend is expected to be paid on 9 November 2023 (Thursday).

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 six months ended 30 June 2023 (the "**Period Under Review**") together with that of the same period of 2022 (the "**Last Period**" or "**1H 2022**") is summarised as follows:

		Six months ended 30 June		Change	
	Unit	**2023**	2022	Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**2.66**	2.70	-0.04	-1%
Clean coking coal	Mt	**1.86**	1.74	+0.12	+7%
Sales volume:					
Clean coking coal	Mt	**1.79**	1.74	+0.05	+3%
Average realised selling price (inclusive of VAT):					
Clean coking coal	RMB/tonne	**1,973**	2,521	-548	-22%

Note: No sales of raw coking coal for the six months ended 30 June 2023 (1H 2022: nil).

For the six months ended 30 June 2023, the Group produced approximately 2.66 million tonnes ("**Mt**") (1H 2022: approximately 2.70 Mt) of raw coking coal, representing a year-on-year ("**YoY**") slight decrease of 1% and also produced approximately 1.86 Mt (1H 2022: approximately 1.74 Mt) of clean coking coal, representing a YoY increase of 7% as a result of improvement of recovery rate.

The Three Mines operated smoothly under planned during the Period Under Review. Nevertheless, the production on the upper coal seam of Xingwu Coal Mine is going to be closed in the 4th quarter of this year resulting in slowing down its production, the Group still strived to reach production capacity. The raw coking coal production volume of the Group slightly decreased by 1% YoY. As planned, the total production volume of raw coking coal of approximately 2.66 Mt for the six months ended 30 June 2023 represented 51% of the total annual approved production capacity.

The increase in production volume of clean coking coal by 7% YoY is mainly due to the rise in clean coking coal recovery rate resulting from mixing of different qualities of self-produced raw coking coal effectively by upgrading technology and machinery during the Period Under Review.

In line with the increase in production volume of clean coking coal, the sales volume of clean coking coal increased by 3% YoY for the Period Under Review. The increase in sales volume of clean coking coal was less than the increase in production volume of clean coking coal was mainly due to the temporary increase in coal inventory level as at 30 June 2023 when compare with that as at 31 December 2022 (1H 2022: decrease in coal inventory level as at 30 June 2022 compare with that as at 31 December 2021). For the six months ended 30 June 2023 and the Last Period, both 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.

Suffered from the drop in average benchmark market selling prices of clean coking coal by approximately 30% YoY in the first half of 2023, the Group's average realised selling price (inclusive of value added tax "**VAT**") of clean coking coal reduced by 22% YoY to Renminbi ("**RMB**") 1,973/tonne (1H 2022: RMB2,521/tonne), which was in line with the downside trend of coking coal market prices but reflected better performance than the market. In terms of its sales volume, sales of low-sulfur and medium-high sulfur clean coking coal accounted for 24% and 76% (1H 2022: 27% and 73%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2023.

FINANCIAL REVIEW

For the six months ended 30 June 2023, the Group recorded a revenue of approximately Hong Kong Dollars ("**HK$**") 3,442 million, representing a decrease of approximately HK$1,221 million or 26% YoY as compared with that of approximately HK$4,663 million for the Last Period. The drop in revenue was mainly driven by the drop in average realised selling prices of clean coking coal by 22% YoY and the depreciation in average exchange rate of RMB to HK$ by approximately 8.3% YoY, nevertheless the sales volume of clean coking coal increased by 3% YoY for the Period Under Review.

For the six months ended 30 June 2023, the total revenue to the top five customers accounted for 70% (1H 2022: 68%) of the Group's revenue. Of which, the total revenue to the largest customer, Shougang Group Co., Limited together with its subsidiaries, accounted for 42% (1H 2022: 43%) of the Group's revenue.

For the six months ended 30 June 2023, gross profit margin was 65% while 64% for the Last Period. The slight rise in gross profit margin during the Period Under Review was mainly due to the decrease in cost of sales by 27% YoY as explained in below was offset by decrease in revenue by 26% YoY.

For the six months ended 30 June 2023, the Group recorded a net profit of approximately HK$1,519 million representing a decrease of 22% YoY, and profit attributable to the owners of the Company (the "**Owners**") of approximately HK$1,233 million, representing a decrease of 23% YoY. The Period Under Review and the Last Period were recorded the second and the first historical high profit in interim period respectively. During the Period Under Review, the decrease in the Group's net profit by 22% YoY is in line with the drop in gross profit by approximately HK$774 million or 26% YoY. In addition, as a result of the drop in coal market prices, income from sales of coal related by-products decreased by approximately HK$26 million YoY. Nevertheless, as a result of the rise in market interest rates, the interest income was increased by approximately HK$37 million YoY and the reduction in net foreign exchange loss of approximately HK$33 million YoY during the Period Under Review, the Group recorded net profit of approximately HK$1,519 million, decreased by 22% YoY during the Period Under Review.

During the Period Under Review, due to the depreciation in RMB to HK$ exchange rate by approximately 0.9% as at reporting date on 30 June 2023 when compared with that as at 31 December 2022 (1H 2022: depreciation in RMB to HK$ exchange rate by approximately 2.5% as at reporting date on 30 June 2022 when compared with that as at 31 December 2021) was less than that for the Last Period, the Group recorded a net foreign exchange loss of approximately HK$42 million, representing a decrease of approximately HK$33 million or 44% YoY as compared with that of approximately HK$75 million for the Last Period.

For the Period Under Review, basic earnings per share was HK24.40 cents (1H 2022: HK31.80 cents).

For the Period Under Review, the Group recorded EBITDA of approximately HK$2,373 million (1H 2022: approximately HK$3,267 million) and generated a positive cash flow of approximately HK$2,721 million (1H 2022: approximately HK$1,880 million) from our operating activities.

As at 30 June 2023, the Group continues to maintain a healthy financial position and has free bank balances and cash of approximately HK$8,494 million (As at 31 December 2022: approximately HK$6,014 million). The increase in free bank balances and cash is mainly due to the considerable positive cash flow generated from our operating activities of approximately HK$2,721 million during the Period Under Review and the retention of cash of approximately HK$1,415 million for the payment of 2022 final dividend in July 2023.

Cost of Sales

For the Period Under Review, cost of sales was approximately HK$1,210 million, representing a decrease of approximately HK$446 million or 27% YoY, as compared with that of approximately HK$1,656 million for the Last Period. The decrease in cost of sales was mainly due to (i) in Last Period, included a one-off non-cash additional amortisation of relocation and reconstruction costs for village located in Xingwu Coal Mine amounted to RMB168 million as disclosed in the 2022 Interim Report and no such additional cost in the Period Under Review; (ii) the decrease in actual usage volume of raw coking coal for sales as a result of improvement of recovery rate; and (iii) the decrease in unit production costs as disclosed below during the Period Under Review.

The unit production costs are summarised as follows:

Unit: RMB/tonne

	Six months ended 30 June		Change		Full Year	Change
	2023	2022	Amount	Percentage	2022	Percentage
Production cost of raw coking coal Note 1	**400**	418	-18	-4%	404	-1%
Less: Depreciation and amortisation	**(74)**	(74)	–	–	(75)	-1%
Cash production cost of raw coking coal	**326**	344	-18	-5%	329	-1%
Less: Uncontrollable costs Note 2	**(90)**	(110)	-20	-18%	(102)	-12%
Total	**236**	234	+2	+1%	227	+4%
Processing cost for clean coking coal	**40**	47	-7	-15%	50	-20%
of which, depreciation	**(6)**	(7)	-1	-14%	(7)	-14%

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) amounted to RMB168 million for comparison purpose in the Last Period.

Note 2: Included resources tax and levies.

Included in cost of sales, amortisation of mining rights was approximately HK$121 million for the six months ended 30 June 2023, representing a decrease of approximately HK$12 million or 9% YoY, as compared with that of approximately HK$133 million for the Last Period. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage volume of raw coking coal for sales and the depreciation in average exchange rate of RMB to HK$ by approximately 8.3% YoY during the Period Under Review.

Due to the drop in average realised selling prices of clean coking coal by 22% YoY, uncontrollable 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, reduced by RMB20/tonne YoY, during the Period Under Review.

Nevertheless, the Group faced the rising concern in cost pressure, the stringent cost controls continuously implemented by the Group especially on material and electricity costs resulted in reduction of RMB4/tonne YoY during the Period Under Review. Excluding the effect on the decrease in those uncontrollable costs as above, unit production cost of raw coking coal unavoidably increased resulted from the reduction in raw coking coal production volume by 1% YoY during the Period Under Review.

The unit processing cost of clean coking coal decreased by 15% YoY as a result of the increase in production volume of clean coking coal by 7% YoY and effective cost control.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$2,233 million for the six months ended 30 June 2023, representing a decrease of approximately HK$774 million or 26% YoY as compared with that of approximately HK$3,007 million for the Last Period. Gross profit margin was 65% for the Period Under Review and 64% for the Last Period.

Interest Income

During the Period Under Review, interest income was approximately HK$84 million, representing a significant increase of approximately HK$37 million or 79% YoY as compared with approximately HK$47 million for the Last Period. The increase in interest income was the result of the increase in market interest rates for the Period Under Review.

Other Income and Gains, Net

During the Period Under Review, other income and gains, net was approximately HK$32 million, representing a significant increase of approximately HK$29 million YoY as compared with approximately HK$3 million for the Last Period. Excluding the impact of net foreign exchange loss of approximately HK$42 million (1H 2022: approximately HK$75 million) during the Period Under Review, other income and gains, net decreased by approximately HK$5 million YoY, which was mainly attributable to the decrease in income from sales of coal related by-products by approximately HK$26 million YoY as a result of the drop in market prices of coal which is partially offset by the dividend income generated from financial assets of approximately HK$22 million (1H 2022: nil) during the Period Under Review.

During the Period Under Review, the Group recorded a decrease in net foreign exchange loss of approximately HK$33 million YoY as a result of the drop in depreciation in RMB to HK$ exchange rate from approximately 2.5% as at 30 June 2022 when compared with that as at 31 December 2021 to approximately 0.9% as at 30 June 2023 when compared with that as at 31 December 2022.

Selling and Distribution Expenses

For the Period Under Review, selling and distribution expenses were approximately HK$132 million, representing a decrease of approximately HK$36 million or 21% YoY as compared with that of approximately HK$168 million for the Last Period. Selling and distribution expenses mainly included logistic costs such as the trucking fees for short distance by train and freight costs by trucks and sea for sales of clean coking coal, of which are usually re-charged to customers. The decrease was mainly due to the drop in the proportion of sales by train for the Period Under Review.

General and Administrative Expenses

For the Period Under Review, general and administrative expenses were approximately HK$91 million, representing a slight increase of approximately HK$2 million YoY as compared with that of approximately HK$89 million for the Last Period.

Other Operating Expenses

During the Period Under Review, other operating expenses were approximately HK$3 million, representing a significant decrease of approximately HK$46 million YoY as compared with approximately HK$49 million for the Last Period. For the Last Period, other operating expenses included the additional cost arising from the accelerated depreciation related to the underground mining structures of the upper coal seam of Xingwu Coal Mine amounted to approximately HK$38 million and donation in the People's Republic of China (the "**PRC**") related to COVID-19 of approximately HK$9 million. The respective assets were fully depreciated and no donation related to COVID-19 was incurred during the Period Under Review.

Finance Costs

For the Period Under Review, finance costs were approximately HK$1.4 million (1H 2022: approximately HK$0.7 million), which was solely interest expense on lease liabilities recognised under HKFRS 16.

Income Tax Expense

For the Period Under Review, income tax expense amounted to approximately HK$602 million (1H 2022: approximately HK$813 million). Income tax expense mainly includes the enterprise income tax calculated at a tax rate of 25% for the Group's major subsidiaries incorporated in 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 decrease in income tax expense was in line with the drop in profit and the decrease in dividend withholding tax during the Period Under Review.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the Period Under Review was approximately HK$1,233 million, representing a decrease of approximately HK$374 million or 23% YoY, while approximately HK$1,607 million for the six months ended 30 June 2022.

Profit for the Period Under Review and the Last Period recorded the second and the first historical high interim profit respectively.

Material Investments and Acquisitions

During the six months ended 30 June 2023, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2023, 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. For this purpose, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming to build itself into a safety-oriented and environmentally-friendly enterprise. The Group has constantly complied with the relevant environmental protection rules and regulations. The Group fulfilled our responsibility 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 the level II workplace safety standard issued by the Shanxi Provincial Emergency Management Department, and their coal processing plants obtained level I workplace safety standard issued by the Municipal Energy Bureau.

For the Period Under Review, all coal mines of the Group operated smoothly and have good safety record.

Charges on Assets

As at 30 June 2023, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 30 June 2023, bank deposits of approximately HK$376 million and bills receivables of approximately HK$106 million were used for securing bills facilities. As at 30 June 2023, bills facilities of approximately HK$211 million has been utilised.

Contingent Liabilities

As at 30 June 2023, there were no guarantees given by the Group and the Group has no material contingent liabilities.

Gearing Ratio

As at 30 June 2023, the Group had no borrowings. Thus, the gearing ratio of the Group was 0% (As at 31 December 2022: 0%).

Exposure to Fluctuations in Exchange Rates

As at 30 June 2023, other than assets and liabilities denominated in RMB and Australian Dollars ("**AUD**"), the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2023, the exchange rate of RMB to HK$ depreciated by approximately 0.9% and AUD to HK$ was depreciated by approximately 2.5% when compared to that as at 31 December 2022 respectively. As the net assets value of PRC business operations denominated in RMB represented approximately 80% of the Group's net assets value as at 30 June 2023, the depreciation in RMB also led to an exchange loss of approximately HK$130 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 as at 30 June 2023. Besides, the aggregate carrying amount of assets denominated in AUD represented approximately 2% of the Group's net assets. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position and results 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 30 June 2023, the Group's current ratio (total current assets divided by total current liabilities) was approximately 2.83 times and the Group's cash and bank deposits amounted to approximately HK$9,278 million, of which approximately HK$376 million was deposited to secure bills facilities of approximately HK$126 million and approximately HK$408 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$738 million (of which approximately HK$10 million represented endorsed bills receivables and approximately HK$106 million was used for securing bills facilities of approximately HK$84 million) as at 30 June 2023. 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$622 million, the Group's free cash resources would have approximately HK$9,116 million as at 30 June 2023.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2023, the share capital of the Company was approximately HK$15,157 million, represented approximately 5,052 million shares in number. During the Period Under Review, there is no change in number and amount of issued shares. As at 30 June 2023, the Group had no borrowings.

Employees

As at 30 June 2023, the Group had 4,365 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 respectively. The Group also provides training to PRC employees. The Group does not have share option scheme.

FUTURE PROSPECTS

In the first half of 2023 (“**1H 2023”**), although the impact of the pandemic gradually reduced and the global economy restarted, world economic threats are still lurking. Pressure of inflation and interest rate hikes in various countries, as well as liquidity issues in the European and American banking industries, have been disrupting economic growth. The domestic pandemic control was also adjusted at the beginning of the year, and the Chinese economy gradually picks up. The gross domestic product (“**GDP”**) climbed from 3% in the year of 2022 to 5.5% in 1H 2023. By quarters, the GDP growth rate was 4.5% in the first quarter and 6.3% in the second quarter of 2023, primarily due to base effects. However, a full recovery of domestic demand will still take time and may involve fluctuations. In the second quarter of this year, global economic turbulence appeared, and the Chinese economy also weakened. Leading China's Consumer Price Index growth in the second quarter was almost flat.

Investment remains the main driving force of economic growth. In 1H 2023, the national fixed asset investment increased by 3.8% YoY, of which the infrastructure investment grew by 7.2% YoY. Local government special-purpose bond issuance totaled RMB2.3 trillion in the 1H 2023, with RMB2.17 trillion allocated for project construction, accounting for 57% of the annual budget. Market expectation anticipates a further acceleration in issuance pace during the second half of 2023 (“**2H 2023**”), leading funds to support domestic investment projects.

Despite the central government explicitly defines the real estate industry as a pillar industry, the real estate market weakened again after a slight improvement in 1H 2023. Liquidity problem for real estate industry has surfaced again, and property development investment growth remained negative during 1H 2023. It is expected to take time to recover, directly affecting the steel demand. Nevertheless, supported by solid expectations and a significant decline in raw material prices, steel mills managed to attain a certain level of profitability during 1H 2023. Production motivation is relatively high. In 1H 2023, the national crude steel production reached 540 million tonnes, YoY increase of 1.3%. Affected by a blurred rise in demand and an increase in supply, steel prices have downward pressure from March onwards. This trend continued until recently when a rebound in raw material prices and market rumors on production restriction caused steel prices rebounded showing signs of recovery.

Domestic coking coal prices showed a “first high then low” pattern in 1H 2023, due to several factors during the second quarter, including a 75% YoY increase in coal imports to 45.61 million tonnes in 1H 2023, with the import volume of Mongolian coal nearly doubled, and China reopened Australian coal imports. Also, under the lower-than-expected demand in the second quarter, downstream enterprises adopted an “on-demand procurement” strategy, leading to upstream inventory pressure and coal prices pressure.

Looking forward to 2H 2023, there are still uncertain risks around China's economy, particularly the recent liquidity problems in the real estate sector. The market is concerned about economic downturn and residents have become cautious about consumption. However, with the support of central government policies, the confidence of both consumers and investors are believed to be recovered gradually. The relevant risks are still controllable. This July's The Political Bureau of the CPC Central Committee meeting sent positive signals for the economy, proposing a series of proactive and targeted fiscal policies to stimulate economic growth, promote initiatives across various industries to expand domestic demand, and concurrently increase the issuance and utilisation of local government special-purpose bonds. These measures are intended to guide investment direction and drive the foundational role in economic growth. Furthermore, the meeting highlighted optimising real estate policies, revitalising the capital market, stabilising foreign trade and investment, and maintaining essential stability in the RMB exchange rate. These actions are believed to collectively contribute to propelling economic momentum. At the same time, policy orientation is no longer just focused on short-term robust stimulation but a more comprehensive strategic perspective to contribute to the healthier and more orderly development of the whole economy. Undoubtedly, achieving this goal will require firmer determination and more patience.

We also acknowledge that the safety situation in coal mining production remains grim. The Group has consistently prioritised safety as a principal task. Apart from rigorously adhering to local production regulations, we annually enhance safety-related trainings for our employees to ensure the smooth operation of safe production. During 1H 2023, the Group achieved the management goal of zero accident casualties, and we will continue to prioritise this aspect. The planned transition from the upper coal seam to the lower coal seam at Xingwu Coal Mine will start in the fourth quarter of 2023. We will ensure a smooth production transition while continue prioritising safety as the top consideration and resume production as soon as possible.

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 six months ended 30 June 2023.

On 11 July 2023, the Board announced that a conditional cash offer (the “**Offer**”) will be made by Octal Capital Limited on behalf of the Company, subject to the fulfilment of certain conditions, to buy-back for cancellation up to a maximum of 125,000,000 shares of the Company (representing approximately 2.47% of the total issued shares of the Company as at the date of this announcement) at an offer price of HK$2.40 per share of the Company. On 29 August 2023, the Offer has become unconditional.

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 six months ended 30 June 2023.

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 six months ended 30 June 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM 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 2023 interim 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 like to extend my gratitude and appreciation to all management and staff of the Group for their hard work and dedication throughout the period.

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

Hong Kong, 30 August 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. 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).