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 2024

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the six months ended 30 June 2024**	For the six months ended 30 June 2023	Percentage change
Revenue	**2,498**	3,442	-27%
Gross profit	**1,406**	2,233	-37%
Gross profit margin	**56%**	65%	
Profit for the period	**983**	1,519	-35%
Profit attributable to owners of the Company (“**Owners**”)	**837**	1,233	-32%
EBITDA[1]	**1,666**	2,373	-30%
Basic earnings per share *(HK cents)*	**17.00**	24.40	-30%

(HK$'million)	**As at 30 June 2024**	As at 31 December 2023	Percentage change
Net assets	**18,442**	18,471	–
Equity per share attributable to Owners *(HK$)*	**3.27**	3.30	-1%
Current ratio *(times)*[2]	**3.44**	3.97	-13%

The board of directors has declared an interim dividend of HK9 cents per ordinary share for the six months ended 30 June 2024.

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 2024. 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 2024

		Six months ended 30 June	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*4*	**2,497,844**	3,442,305
Cost of sales		**(1,091,614)**	(1,209,654)
Gross profit		**1,406,230**	2,232,651
Interest income		**94,589**	83,750
Other income and gains, net	*5*	**53,445**	31,703
Selling and distribution expenses		**(57,685)**	(131,691)
General and administrative expenses		**(96,309)**	(90,717)
Other operating expenses	*6*	**(5,301)**	(3,108)
Finance costs	*7*	**(862)**	(1,417)
Share of loss of an associate		**(235)**	(17)
Profit before income tax	*8*	**1,393,872**	2,121,154
Income tax expense	*9*	**(411,330)**	(602,061)
Profit for the period		**982,542**	1,519,093

		Six months ended 30 June	
		2024	2023
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(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		**(9,450)**	(110,436)
Items that will not be reclassified to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(113,374)**	(65,343)
Exchange differences on translation of financial statements of foreign operations		**(1,787)**	(19,750)
Total comprehensive income for the period		**857,931**	1,323,564
Profit for the period attributable to:			
Owners of the Company		**837,351**	1,232,644
Non-controlling interests		**145,191**	286,449
Profit for the period		**982,542**	1,519,093
Total comprehensive income for the period attributable to:			
Owners of the Company		**714,527**	1,056,865
Non-controlling interests		**143,404**	266,699
Total comprehensive income for the period		**857,931**	1,323,564
Earnings per share			
- Basic and diluted *(HK cents)*	*11*	**17.00**	24.40

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Notes	30 June 2024 HK$'000 (Unaudited)	31 December 2023 HK$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**3,713,202**	3,692,871
Land use rights		**69,873**	70,639
Right-of-use assets		**34,212**	36,360
Mining rights		**6,142,629**	6,244,972
Goodwill		**1,189,466**	1,189,466
Interest in an associate		**9,574**	9,806
Financial assets measured at fair value through other comprehensive income	*12*	**574,891**	688,264
Deposits, prepayments and other receivables		**346,737**	388,791
Deferred income tax assets		**80,923**	146,360
Total non-current assets		**12,161,507**	12,467,529
Current assets			
Inventories		**153,115**	125,636
Trade receivables	*13*	**606,007**	530,468
Bills receivables	*13*	**–**	157,365
Deposits, prepayments and other receivables		**125,934**	280,921
Financial assets measured at fair value through profit or loss		**–**	43,019
Pledged and restricted bank deposits		**873,498**	941,875
Time deposits with original maturity over three months		**2,461,982**	1,392,489
Cash and cash equivalents		**6,758,308**	6,552,242
Total current assets		**10,978,844**	10,024,015
Total assets		**23,140,351**	22,491,544

	Notes	**30 June 2024** *HK$'000* **(Unaudited)**	31 December 2023 *HK$'000* (Audited)
LIABILITIES			
Current liabilities			
Trade and bills payables	*14*	**572,908**	621,467
Lease liabilities		**12,073**	10,317
Other payables and accruals		**1,441,240**	1,425,405
Dividend payable	*10*	**886,831**	–
Amounts due to non-controlling interests of subsidiaries		**–**	63,904
Tax payables		**275,707**	401,496
Total current liabilities		**3,188,759**	2,522,589
Net current assets		**7,790,085**	7,501,426
Total assets less total current liabilities		**19,951,592**	19,968,955
Non-current liabilities			
Deferred income tax liabilities		**1,477,353**	1,464,911
Lease liabilities		**32,621**	33,526
Total non-current liabilities		**1,509,974**	1,498,437
Net assets		**18,441,618**	18,470,518
EQUITY			
Equity attributable to owners of the Company			
Share capital	*15*	**15,156,959**	15,156,959
Reserves		**952,583**	1,124,887
Total equity attributable to owners of the Company		**16,109,542**	16,281,846
Non-controlling interests		**2,332,076**	2,188,672
Total equity		**18,441,618**	18,470,518

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 six months ended 30 June 2024.

2. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2024 (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 2023, 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 2023, 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 29 August 2024.

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 2023, except for the adoption of the following standards and interpretations as of 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The above standards did not have any impact on the Group's accounting policies and are not expected to significantly affect the current and 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 2024 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements (New Standard)	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures (New Standard)	1 January 2027
Amendments to Hong Kong Interpretation 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
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.

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	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of clean coking coal	**2,497,844**	3,442,305

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	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividend income	**21,510**	21,510
Income from sales of by-products	**29,034**	50,560
Net foreign exchange loss	**(1)**	(41,576)
Others	**2,902**	1,209
	53,445	31,703

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Charitable donations	**1,106**	33
Loss on disposals of property, plant and equipment	**1**	366
Others	**4,194**	2,709
	5,301	3,108

7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**862**	1,417

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold	**1,091,614**	1,209,654
Amortisation of:		
– land use rights	**1,051**	993
– long-term deferred expenses	**707**	742
– mining rights	**103,674**	121,191
Depreciation of:		
– property, plant and equipment	**163,505**	124,069
– right-of-use assets	**2,164**	2,977
Staff costs *(including directors' emoluments)*	**390,945**	437,739

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**332,438**	597,373
Deferred tax	**78,892**	4,688
	411,330	602,061

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 2024 and 2023.

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 2023: 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 2023: 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	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Declared and payable after interim period:		
2024 interim dividend HK9 cents per ordinary share (Six months ended 30 June 2023: 2023 interim dividend HK10 cents per ordinary share)	**443,415**	492,684

The interim dividend for six months ended 30 June 2024 totaling HK$443,415,000 was calculated based on the number of issued ordinary shares as at 30 June 2024. For 2024 interim dividend, the number of the issued share capital qualifying for the interim dividend of the Company is 4,926,837,842 (For 2023 interim dividend: 4,926,837,842, after the share buy back and cancellation on 21 September 2023). The interim dividend has not been recognised as liabilities as at 30 June 2024 (Six months ended 30 June 2023: 30 June 2023).

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

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
2023 final dividend HK18 cents per ordinary share (Six months ended 30 June 2023: 2022 final dividend HK28 cents per ordinary share)	**886,831**	1,414,515

Final dividend for the years ended 31 December 2023 and 2022 totaling HK$886,831,000 and HK$1,414,515,000 respectively were calculated based on the number of issued ordinary shares as at 31 December 2023 and 2022 respectively, and have been reflected as an appropriation of retained earnings and recognised as liabilities during the periods ended 30 June 2024 and 2023 respectively. Final dividend for the years ended 31 December 2023 and 2022 was paid on 26 July 2024 and 28 July 2023 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	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	**837,351**	1,232,644
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,926,837**	5,051,837

The diluted earnings per share for the periods ended 30 June 2024 and 30 June 2023 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 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Equity securities, at fair value		
– listed in Australia	**349,036**	481,768
– listed in Hong Kong	**225,855**	206,496
	574,891	688,264
Unlisted equity interest *	**–**	–
	574,891	688,264

* *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 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**790,433**	714,894
Less: Provision for impairment loss	**(184,426)**	(184,426)
	606,007	530,468
Bills receivables	**–**	157,365
	606,007	687,833

Trade receivables generally have credit terms ranging from 30 to 90 days (As at 31 December 2023: 30 to 90 days) and no interest is charged. Bills receivables are expiring within one year (As at 31 December 2023: one year). As at 30 June 2024 and 31 December 2023, all of the trade and bills receivables are denominated in Renminbi ("**RMB**").

As at 30 June 2024, ageing analysis of net trade receivables, based on invoice dates, is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**554,442**	529,750
91 to 180 days	**51,565**	718
	606,007	530,468

As at 30 June 2024, ageing analysis of bills receivables, based on bills receiving dates, is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**–**	59,779
91 to 180 days	**–**	97,586
	–	157,365

Details of pledged bills receivables are as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged bills receivables	**–**	68,533
Associated bills payables *(note 14)*	**–**	(64,255)

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 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bills receivables endorsed to creditors with full recourse:		
Transferred bills receivables	**–**	1,070
Associated other payables	**–**	(1,070)

14. TRADE AND BILLS PAYABLES

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**286,257**	303,096
Bills payables	**286,651**	318,371
	572,908	621,467

The Group was granted by its suppliers credit period ranging between 30 to 180 days (As at 31 December 2023: 30 to 180 days). As at 30 June 2024 and 31 December 2023, all of the trade and bills payables are denominated in RMB. All bills payables are aged within 6 months (As at 31 December 2023: 6 months).

Based on the invoice dates, ageing analysis of trade payables as at 30 June 2024 is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**172,780**	200,195
91 to 180 days	**66,091**	60,671
181 to 365 days	**20,484**	17,542
Over 365 days	**26,902**	24,688
	286,257	303,096

As at 30 June 2024, all bills payables (As at 31 December 2023: HK$254,116,000 out of HK$318,371,000) were secured by the pledged bank deposits. No bills payables (As at 31 December 2023: remaining bills payables amounted to HK$64,255,000) were secured by bills receivables (note 13).

15. SHARE CAPITAL

	Number of shares *'000 shares*	**Amount** *HK$'000*
Issued and fully paid:		
At 1 January 2023 (audited)	5,051,837	15,156,959
Less: Buy-back and cancellation of shares *(Note)*	(125,000)	–
At 31 December 2023 (audited)	4,926,837	15,156,959
At 1 January 2023 (audited) / 30 June 2023 (unaudited)	5,051,837	15,156,959
At 1 January 2024 (audited) / 30 June 2024 (unaudited)	**4,926,837**	**15,156,959**

Note: Pursuant to the resolutions passed by the shareholders of the Company on 12 September 2023, the Company has bought-back 125,000,000 ordinary shares at the offer price of HK$2.40 per share and those bought-back shares were then cancelled on 21 September 2023. Thus, the number of issued shares was reduced by 125,000,000. The total consideration of HK$300,000,000 and the related expense of approximately HK$3,028,000 were debited the retained profits upon the completion of this transaction on 21 September 2023.

16. CAPITAL COMMITMENTS

	30 June 2024 *HK$'000* **(Unaudited)**	31 December 2023 *HK$'000* (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	**196,660**	245,515
– Exploration and design fees for a potential mining project	**8,000**	8,000
	204,660	253,515

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 2023 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 2023 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 HK9 cents per ordinary share for the six months ended 30 June 2024 (2023 interim dividend: HK10 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on 4 October 2024 (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 4 October 2024 (Friday) for registration. The interim dividend is expected to be paid on 7 November 2024 (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 2024 (the "**Period Under Review**") together with that of the same period of 2023 (the "**Last Period**" or "**1H 2023**") is summarised as follows:

		Six months ended 30 June		Change	
	Unit	**2024**	2023	Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**2.25**	2.66	-0.41	-15%
Clean coking coal	Mt	**1.29**	1.86	-0.57	-31%
Sales volume:					
Clean coking coal	Mt	**1.34**	1.79	-0.45	-25%
Average realised selling price (inclusive of VAT):					
Clean coking coal	RMB/tonne	**1,938**	1,973	-35	-2%

Note： No sales of raw coking coal for the six months ended 30 June 2024 (1H 2023: nil).

For the six months ended 30 June 2024, the Group produced approximately 2.25 million tonnes ("Mt") (1H 2023: approximately 2.66 Mt) of raw coking coal, representing a year-on-year ("YoY") decrease of 15% and also produced approximately 1.29 Mt (1H 2023: approximately 1.86 Mt) of clean coking coal, representing a YoY decrease of 31% as a result of the drop in production volume of raw coking coal for washing and recovery rate.

The Three Mines operated smoothly under planned during the Period Under Review. As disclosed in the annual report 2023 of the Company, the Xingwu Coal Mine, is transiting production from the upper coal seam to the lower coal seam in the first half of 2024. During this transition period, Xingwu Coal Mine has temporarily suspended production in the first half of 2024 and resumed normal production by mid of July 2024. Accordingly, the reduction of raw coking coal production volume from Xingwu Coal Mine and the negative changes of coal qualities led to a decline in the production volume of raw and clean coking coal for the Period Under Review, with corresponding decreases in clean coking coal sales volume.

In line with the decrease in production volume of clean coking coal, the sales volume of clean coking coal decreased by 25% YoY for the Period Under Review. Due to the change of clean coking coal inventory level as at 30 June 2024, the decrease in sales volume of clean coking coal was less than the decrease in production volume of clean coking coal. For the six months ended 30 June 2024 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.

The Group has taken proactive measures to mitigate the impact of coal price fluctuations and change of coal qualities. Although the sales volume of low-sulfur clean coking coal significantly dropped by 91% YoY due to the effect from Xingwu Coal Mine as disclosed above, the Group's average realised selling price (inclusive of value added tax "VAT") of clean coking coal only reduced by 2% YoY to Renminbi ("RMB") 1,938/tonne (1H 2023: RMB1,973/tonne). The average benchmark market selling prices of clean coking coal slightly increased by approximately 3% YoY in the first half of 2024. In terms of its sales volume, sales of low-sulfur and medium-high sulfur clean coking coal accounted for 3% and 97% (1H 2023: 24% and 76%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2024.

FINANCIAL REVIEW

For the six months ended 30 June 2024, the Group recorded a revenue of approximately Hong Kong Dollars ("HK$") 2,498 million, representing a decrease of approximately HK$944 million or 27% YoY as compared with that of approximately HK$3,442 million for the Last Period. The drop in revenue was mainly driven by the drop in sales volume of clean coking coal by 25% YoY and average realised selling prices of clean coking coal by 2% YoY respectively and the depreciation in average exchange rate of RMB to HK$ by approximately 1.5% YoY for the Period Under Review.

For the six months ended 30 June 2024, the total revenue to the top five customers accounted for 73% (1H 2023: 70%) of the Group's revenue. Of which, the total revenue and sales volume to the largest customer, Shougang Group Co., Limited together with its subsidiaries, accounted for 51% (1H 2023: 42%) of the Group's revenue and for 48% (1H 2023: 41%) of the Group's sales volume.

For the six months ended 30 June 2024, gross profit margin was 56% while 65% for the Last Period. The drop in gross profit margin during the Period Under Review was mainly due to the decrease in realised selling prices and recovery rate YoY as disclosed above.

For the six months ended 30 June 2024, the Group recorded a net profit of approximately HK$983 million representing a decrease of 35% YoY, and profit attributable to the owners of the Company (the "Owners") of approximately HK$837 million, representing a decrease of 32% YoY. During the Period Under Review, the decrease in the Group's net profit by 35% YoY was mainly attributable to the drop in gross profit by approximately HK$827 million or 37% YoY. In addition, as a result of the drop in thermal coal market prices, income from sales of coal related by-products decreased by approximately HK$22 million YoY. On the other hand, (i) due to the drop in sales volume of clean coking coal by 25% YoY as well as the drop in the proportion of sales by train together with cost efficiency measures, selling and distribution expenses decreased by approximately HK$74 million YoY; (ii) the interest income was increased by approximately HK$11 million YoY; and (iii) the reduction in net foreign exchange loss of approximately HK$42 million YoY during the Period Under Review. All of which are contributed positive profit to the Group.

For the Period Under Review, basic earnings per share was HK17.00 cents (1H 2023: HK24.40 cents).

For the Period Under Review, the Group recorded EBITDA of approximately HK$1,666 million (1H 2023: approximately HK$2,373 million) and generated a positive cash flow of approximately HK$1,180 million (1H 2023: approximately HK$2,721 million) from our operating activities.

As at 30 June 2024, the Group continues to maintain a healthy financial position and has free bank balances and cash of approximately HK$9,220 million (As at 31 December 2023: approximately HK$7,945 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$1,180 million during the Period Under Review and the retention of approximately HK$887 million for the payment of 2023 final dividend in July 2024.

Cost of sales

For the Period Under Review, cost of sales was approximately HK$1,092 million, representing a decrease of approximately HK$118 million or 10% YoY, as compared with that of approximately HK$1,210 million for the Last Period. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales as a result of the drop in sales volume of clean coking coal by 25% YoY; partially offset by the increase 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	
	2024	2023	Amount	Percentage
Production cost of raw coking coal	**453**	400	+53	+13%
Less: Depreciation and amortisation	**(96)**	(74)	+22	+30%
Cash production cost of raw coking coal	**357**	326	+31	+10%
Less: Uncontrollable costs [Note 1]	**(90)**	(90)	–	–
Total	**267**	236	+31	+13%
Processing cost for clean coking coal	**50**	40	+10	+25%
of which, depreciation	**(9)**	(6)	+3	+50%

Note 1: Included resources tax and levies.

Included in cost of sales, amortisation of mining rights was approximately HK$104 million for the six months ended 30 June 2024, representing a decrease of approximately HK$17 million or 14% YoY, as compared with that of approximately HK$121 million for the Last Period. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage volume of raw coking coal for sales and the depreciation in average exchange rate of RMB to HK$ by approximately 1.5% during the Period Under Review.

The increase in unit production cost of raw coking coal by 13% YoY was mainly due to the drop in production volume of raw coking coal by 15% during the Period Under Review.

The Group has taken proactive measures to ensure safe production and improve cost efficiency to maximum the profits. However, the tax rate on uncontrollable resources tax of clean coking coal has increased from 6.5% to 9% on its selling prices since April 2024. The resources tax and levies under uncontrollable costs are remained the same as last period even the average realised selling prices of clean coking coal dropped by 2% YoY.

The unit processing cost of clean coking coal increased by 25% YoY as a result of the decrease in production volume of clean coking coal by 31% YoY.

Gross profit and gross profit margin

As a result of the reasons above, gross profit was approximately HK$1,406 million for the six months ended 30 June 2024, representing a decrease of approximately HK$827 million or 37% YoY as compared with that of approximately HK$2,233 million for the Last Period. Gross profit margin was 56% for the Period Under Review and 65% for the Last Period.

Interest income

During the Period Under Review, interest income was approximately HK$95 million, representing an increase of approximately HK$11 million or 13% YoY as compared with approximately HK$84 million for the Last Period. The increase in interest income was the result of the increase in deposit 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$53 million, representing a significant increase of approximately HK$21 million or 66% YoY as compared with approximately HK$32 million for the Last Period. Excluding the impact of net foreign exchange loss of approximately HK$1,000 (1H 2023: approximately HK$42 million) during the Period Under Review, other income and gains, net was decreased by approximately HK$21 million YoY, was mainly attributable to the decrease in income from sales of coal related by-products by approximately HK$22 million YoY as a result of the drop in market prices of thermal coal during the Period Under Review.

During the Period Under Review, the Group recorded a decrease in net foreign exchange loss of approximately HK$42 million as a result of there is no change in RMB to HK$ exchange rate as at 30 June 2024 when compared with that as at 31 December 2023. During the Last Period, there is a depreciation in RMB to HK$ exchange rate of 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$58 million, representing a significant decrease of approximately HK$74 million or 56% YoY as compared with that of approximately HK$132 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 decrease in sales volume of clean coking coal by 25% YoY as well as the drop in the proportion of sales by train together with cost efficiency measures for the Period Under Review.

General and administrative expenses

For the Period Under Review, general and administrative expenses were approximately HK$96 million, representing a slightly increase of approximately HK$5 million or 5% as compared with that of approximately HK$91 million for the Last Period.

Other operating expenses

During the Period Under Review, other operating expenses were approximately HK$5 million, representing an increase of approximately HK$2 million or 67% YoY as compared with approximately HK$3 million for the Last Period. During the Period Under Review, other operating expenses included charitable donations amounting to approximately HK$1.1 million (1H 2023: approximately HK$0.03 million).

Finance costs

For the Period Under Review, finance costs were approximately HK$0.8 million (1H 2023: approximately HK$1.4 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$411 million (1H 2023: approximately HK$602 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 decrease in income tax expense was in line with the drop in profits 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$837 million, representing a decrease of approximately HK$396 million or 32% YoY, while approximately HK$1,233 million for the six months ended 30 June 2023.

Material investments and acquisitions

During the six months ended 30 June 2024, the Group had no material investments and acquisitions.

Material disposals

During the six months ended 30 June 2024, 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 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.

For the Period Under Review, Jinjiazhuang Coal Mine have been awarded the level I workplace safety standard issued by the National Mine Safety Administration, the upper coal seam of Xingwu Coal Mine and Zhaiyadi Coal Mine 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 Provincial Energy Bureau.

For the Period Under Review, all coal mines of the Group, except the production transition from upper to lower coal seam of Xingwu Coal Mine as mentioned above, operated smoothly and have good safety record. Xingwu Coal Mine successfully obtained the lower seam of coal safety production permit on 10 July 2024, and resumed normal production in mid-July. With the commencement of normal production for the lower coal seam of Xingwu Coal Mine, the Group’s raw coking coal production volume is expected to gradually increase in the second half of 2024.

Charges on assets

As at 30 June 2024, save for disclosed below, none of the Group’s assets was charged or subject to any encumbrance.

As at 30 June 2024, bank deposits of approximately HK$431 million was used for securing bills facilities. As at 30 June 2024, bills facilities of approximately HK$287 million has been utilised.

Contingent liabilities

As at 30 June 2024, there were no guarantees given by the Group and the Group has no material contingent liabilities.

Gearing ratio

As at 30 June 2024, the Group had no borrowings. Thus, the gearing ratio of the Group was 0% (As at 31 December 2023: 0%).

Exposure to fluctuations in exchange rates

As at 30 June 2024, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations when compared to that as at 31 December 2023. As at 30 June 2024, there is no change on the exchange rate of RMB to HK$ and the exchange rate of AUD to HK$ was depreciated by approximately 2.7% when compared to that as at 31 December 2023. As at 30 June 2024, 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 2024, the Group's current ratio (total current assets divided by total current liabilities) was approximately 3.44 times and the Group's cash and bank deposits amounted to approximately HK$10,094 million, of which approximately HK$431 million was deposited to secure bills facilities of approximately HK$287 million and approximately HK$442 million was restricted bank deposits for land reclamation and environmental restoration fund. The Group continued to maintain a healthy net cash balance. The Group's free cash resources would have approximately HK$9,221 million as at 30 June 2024.

Capital structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2024, the share capital of the Company was approximately HK$15,157 million, represented approximately 4,927 million shares in number. During the Period Under Review, there is no change in number and amount of issued shares. As at 30 June 2024, the Group had no borrowings.

EMPLOYEES

As at 30 June 2024, the Group had 4,155 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 2024 ("1H 2024"), the global situation evolved rapidly, with leadership changes in several countries, particularly new developments in the U.S. presidential election, changes in international trade rules, and regional armed conflicts, all contributing to increase global economic instability. Consequently, in the first half of the year, China's economic growth showed a trend of high growth initially followed by a slowdown, but overall gross domestic product ("GDP") growth still maintained a level of 5%.

Downstream infrastructure and exports continued to support steel demand. In 1H 2024, infrastructure investment grew by 5.4%, and steel exports increased by 24% to 53.4 million tonnes. The manufacturing industry also benefited from policy support, with growth momentum of automobile and shipbuilding continued. In the first half of the year, new real estate construction areas decreased by approximately 24%, and completed areas fell by approximately 22%, indicating that the real estate market is still in inventory adjustment, with steel demand remaining sluggish. In 1H 2024, crude steel production increased slightly by 0.2% YoY, basically remained flat, while pig iron production decreased by 3.3% YoY. Since May this year, the central government has introduced several targeted policies for the real estate sector, including lifting purchase restrictions, lowering loan interest rates, and reducing the threshold for home purchases and other measures to stimulate demand. These measures, combined with earlier supply-side improvement policies such as controlling the pace of land supply and establishing refinancing for affordable housing, are expected to help the real estate market gradually recover from its low level.

Coking coal prices have been impacted by weak demand, with the government implementing crude steel production controls. The real estate industry remains constrained in the short-term by low new construction starts, low completions, and land acquisition contractions, etc. Coking coal's downstream enterprises continue to maintain low inventory strategies, while upstream producers face inventory pressure, leading to tension on both sides of the coking coal market. On the other hand, due to further strengthening of coal mine safety supervision, the scale of coking coal production is limited, providing some support for coal prices.

In 1H 2024, Shanxi Province produced approximately 590 million tonnes of raw coal, achieving 45% of the annual target, while nationwide raw coal production decreased by nearly 2% in the first half of the year. Although Shanxi Province is currently encouraging mines to increase production, and most local mines, except those affected by accidents, have resumed operations, recent sporadic safety incidents have created uncertainty about the increase in production. Specifically for coking coal, the national supply of clean coking coal in 1H 2024 decreased by 8% YoY, with Shanxi's supply experiencing a 12% drop, suppressing the overall domestic supply in the 2024 market. However, the rapid increase in overseas coking coal imports, particularly from Mongolia, has somewhat offset the impact of the decline in domestic coking coal production on the market supply-demand balance.

As we step into the second half of 2024, China's export situation is expected to change in response to the constantly evolving international geopolitical environments and trade policies. Domestically, following several key central policy meetings, policies aimed at stabilising the real estate market and supporting the real economy have been introduced, which are anticipated to boost downstream demand. In the second quarter, the Chinese government issued ultra-long-term government bonds with maturities of 20, 30, and 50 years to support major national strategies and the construction of key security capabilities. This move is intended to expand domestic demand and promote the consumption of major commodities, such as automobiles and home appliances. The demand for special bonds in 2024 is approximately 5.9 trillion yuan, with local governments screening and approving about 38,000 special bond projects, ensuring the implementation of these bonds and supporting infrastructure project development.

The Third Plenary Session focuses on developing high-quality new productivity. New infrastructure, such as 5G networks, data centers and the industrial internet, will become the new direction for future development. These advancements will not only lead to infrastructure growth but also drive digital transformation across various industries. Intelligent construction will help enhance safety levels and efficiency in the industry. In February this year, the Group's Zhaiyadi Coal Mine awarded a provincial-level intermediate intelligent rating, and the other two mines are also progressing towards the goal of becoming "Smart Mines". We will closely follow new technological and technical development trends in the industry to achieve industrial upgrading.

The production transition from upper to lower seam at Xingwu Coal Mine, a subsidiary of our Group, was completed in July and has resumed production, gradually returning to normal operation. Our Company has always aimed for safe and efficient production, strictly adhering to local production regulations, and enhancing employee safety and technical training to ensure smooth production operations. At the same time, we are vigorously emphasising both cost reduction and revenue generation, enhancing efficiency, continuously creating more value for shareholders, employees and society.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed the unaudited interim results for the six months ended 30 June 2024. In addition, the independent auditor of the Company, PricewaterhouseCoopers, has reviewed the unaudited interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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 2024.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in part 2 of Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2024.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 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 2024.

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 2024 interim report containing all the information required under the Listing Rules will only be despatched to those shareholders of the Company who have selected to receive the printed version of corporate communication, and the electronic copy of the interim report will also be made available for review 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, 29 August 2024

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 (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), and Mr. Chen Jianxiong (Independent Non-executive Director).