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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 2018

FINANCIAL HIGHLIGHTS			
<i>(HK\$'million)</i>	For the six months ended		Percentage change
	30 June 2018	2017	
Revenue	1,978	1,918	+3%
Gross profit	1,054	1,156	-9%
Gross profit margin	53%	60%	
Profit for the period	672	745	-10%
Profit attributable to owners of the Company (“Owners”)	638	662	-4%
EBITDA ¹	1,158	1,235	-6%
Basic earnings per share (<i>HK cents</i>)	12.03	12.48	-4%
	As at 30 June 2018	As at 31 December 2017	Percentage change
<i>(HK\$'million)</i>			
Net assets	17,248	17,376	-1%
Of which: Equity per share attributable to Owners (<i>HK\$</i>)	2.98	3.01	-1%
Current ratio ²	2.43 times	2.87 times	-15%

To reward our shareholders, the board of directors has declared an interim dividend of HK8.3 cents per ordinary share for the six months ended 30 June 2018 (For the six months ended 30 June 2017: HK3 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 2018. These interim results have been reviewed by the Company’s Audit Committee and its auditor, PricewaterhouseCoopers.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	<i>Notes</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
		(Unaudited)	(Unaudited)
Revenue	4	1,978,168	1,917,743
Cost of sales		(924,400)	(761,720)
Gross profit		1,053,768	1,156,023
Interest income		59,264	35,548
Other income	5	21,554	42,569
Selling and distribution expenses		(106,385)	(109,176)
General and administrative expenses		(80,113)	(76,369)
Other operating expenses		(4,415)	(110)
Finance costs	6	–	(1,991)
Share of loss of an associate		(296)	(103)
Profit before income tax	7	943,377	1,046,391
Income tax expense	8	(271,867)	(301,426)
Profit for the period		671,510	744,965

	Six months ended 30 June	
	2018	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(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	(41,810)	386,595
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	(41,991)	1,843
Total comprehensive income for the period	587,709	1,133,403
Profit for the period attributable to:		
Owners of the Company	638,045	661,933
Non-controlling interests	33,465	83,032
Profit for the period	671,510	744,965
Total comprehensive income for the period attributable to:		
Owners of the Company	555,443	1,008,957
Non-controlling interests	32,266	124,446
Total comprehensive income for the period	587,709	1,133,403
	<i>HK(Cents)</i>	<i>HK(Cents)</i>
Earnings per share	<i>10</i>	
– Basic and diluted	12.03	12.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	<i>Notes</i>	30 June 2018	31 December 2017
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,274,889	3,171,773
Prepaid lease payments		63,822	50,781
Mining rights		8,186,940	8,275,967
Goodwill		1,314,569	1,314,569
Interest in an associate		12,822	13,107
Financial assets measured at fair value through other comprehensive income		587,688	629,679
Deposits, prepayments and other receivables		667,093	584,543
Deferred tax assets		23,537	23,121
Total non-current assets		14,131,360	14,063,540
Current assets			
Inventories		183,597	195,983
Trade receivables	<i>11</i>	965,266	871,004
Bill receivables	<i>11</i>	1,944,304	1,426,791
Deposits, prepayments and other receivables		153,674	110,777
Other financial asset		198,718	–
Pledged bank deposits		202,158	162,083
Time deposits with original maturity over three months		2,192,473	1,540,808
Cash and cash equivalents		2,326,211	3,323,659
Total current assets		8,166,401	7,631,105
Current liabilities			
Trade and bill payables	<i>12</i>	684,479	612,507
Other financial liability		178,358	178,358
Other payables and accruals		1,430,241	1,498,032
Dividend payable	<i>9</i>	715,748	–
Amounts due to non-controlling interests of subsidiaries		39,383	37,843
Tax payables		308,428	334,660
Total current liabilities		3,356,637	2,661,400
Net current assets		4,809,764	4,969,705
Total assets less current liabilities		18,941,124	19,033,245

	30 June 2018	31 December 2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Deferred tax liabilities	<u>1,693,480</u>	<u>1,657,562</u>
Total non-current liabilities	<u>1,693,480</u>	<u>1,657,562</u>
Net assets	<u>17,247,644</u>	<u>17,375,683</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	15,156,959	15,156,959
Reserves	<u>617,548</u>	<u>777,853</u>
Total equity attributable to owners of the Company	<u>15,774,507</u>	<u>15,934,812</u>
Non-controlling interests	<u>1,473,137</u>	<u>1,440,871</u>
Total equity	<u>17,247,644</u>	<u>17,375,683</u>

Notes:

1. GENERAL INFORMATION

Shougang Fushan Resources Group Limited (the “Company”) is a limited liability company incorporated and domiciled in Hong Kong. Its registered office address 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 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 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 (the “Consolidated 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 Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”).

The preparation of Consolidated 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 Consolidated 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 2017.

The Consolidated Interim Financial Information are unaudited, but have been reviewed by our auditor, PricewaterhouseCoopers, 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 HKICPA.

The Consolidated Interim Financial Information was approved for issue by the board of directors on 23 August 2018.

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 Consolidated Interim Financial Information has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2017, except for the adoption of the following standards and interpretations as of 1 January 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

The impact of the adoption of HKFRS 9 (2014) and HKFRS 15 and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

(i) Impact of adoption on financial statements – HKFRS 9 (2014) and HKFRS 15 (collectively, the “New HKFRSs”)

(a) Adoption of HKFRS 9 (2014)

HKFRS 9 (2014) replaces the provisions of HKFRS 9 (2010) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 (2014) Financial Instruments from 1 January 2018 does not result in significant changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3(ii) below. In accordance with the transitional provisions in HKFRS 9 (2014) (7.2.15) and (7.2.26), comparative figures have not been restated.

In 2012, the Group has early adopted HKFRS 9 (2010). The classification and measurement requirements under HKFRS 9 (2010) on the financial assets held by the Group as at 1 January 2018 are consistent with HKFRS 9 (2014) and thus have no impact on the Group's financial statements. There is a new impairment model which requires the recognition of impairment provisions based on expected credit losses, detailed as follows:

Impairment of financial assets

The Group has three types of financial assets that are subject to the new expected credit loss model of HKFRS 9 (2014):

- Trade receivables
- Bills receivables
- Other financial assets at amortised cost

The Group is required to revise its impairment methodologies under the HKFRS 9 (2014) for each of these classes of assets. The Group has assessed the impact of the change in impairment methodology on its retained profits and equity is insignificant.

Trade receivables and bills receivables

The Group applies the HKFRS 9 (2014) simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and bills receivables.

To measure the expected credit losses, trade receivables and bills receivables have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables and bills receivables, according to their respective risk characteristics.

Trade receivables and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied to the trade receivables and bills receivables as at 1 January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. The Group has assessed the expected credit loss model apply to the other receivables as at 1 January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(b) *Adoption of HKFRS 15*

HKFRS 15 replaces the provision of HKAS 18 “Revenue” (“HKAS 18”) that relate to the recognition, classification and measurement of revenue and costs.

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the Consolidated Interim Financial Information. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The impact on the Group’s financial position by the application of HKFRS 15 as compared to HKAS 18 that was previously in effect before the adoption of HKFRS 15 is as follows:

	As at 1 January 2018		
	As previously stated	Reclassification under HKFRS 15	Restated
	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)
Consolidated statement of financial position (extract):			
Other payables and accruals – Contract liabilities	–	133,286	133,286
Other payables and accruals – Advance receipts from customers	133,286	(133,286)	–
	<u>133,286</u>	<u>(133,286)</u>	<u>–</u>

The adoption of HKFRS 15 has no material impact to the Group’s net assets as at 31 December 2017 and the results, earnings per share (basic and diluted) and cash flows for the six months ended 30 June 2017.

(ii) **Changes in accounting policies upon adopting of the New HKFRSs**

(a) *HKFRS 9 – Financial instruments*

Investments and other financial assets

In 2012, the Group has early adopted HKFRS 9 (2010) and the accounting policies on classification and measurement requirements under HKFRS 9 (2010) on the financial assets held by the Group as at 1 January 2018 are consistent with HKFRS 9 (2014).

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and leased receivables, the Group applies the simplified approach permitted by the HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group applies the three-stage model permitted by HKFRS 9, which requires impairment of financial assets to be recognised in stages:

- Stage 1 – as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).
- Stage 2 – if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.
- Stage 3 – if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

The net impairment losses on financial assets, including reversals of impairment losses or impairment gains, are shown separately in the condensed consolidated statement of profit or loss and other comprehensive income.

(b) *HKFRS 15 – Revenue from Contracts with Customers*

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the standalone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

Sales of coking coal products

Revenue is recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered and accepted as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) **Impact of standards and interpretations issued but not yet applied by the Group**

None of the standards and interpretations issued but not yet applied by the Group is expected to have a significant effect on the Consolidated Interim Financial Information of the Group, except for the following set out below:

HKFRS 16 – Leases

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The new standard will result in an increase in assets and financial liabilities in the consolidated statement of financial position. As for the financial performance impact in the consolidated statements of profit and loss and other comprehensive income, the operating lease expenses will decrease, while depreciation and amortisation and the interest expense will increase. The Group's future aggregate minimum lease payments under non-cancellable operating leases as at 30 June 2018 are HK\$40,968,000 (Less than one year is HK\$4,253,000, more than one year and less than five years is HK\$9,499,000 and more than five years is HK\$27,216,000). Other than the increase in assets and financial liabilities in the consolidated statement of financial position and the financial performance impact in the consolidated statements of profit or loss and other comprehensive income as mentioned above, the directors of the Company expect that the adoption of HKFRS 16 will not have significant impact on the financial position and financial performance of the Group.

Mandatory application date

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the sales value of coking coal products in the ordinary course of business. Revenue recognised is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
Sales of coking coal products	<u>1,978,168</u>	<u>1,917,743</u>

The chief operating decision-maker has been identified as the executive directors 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 for their review of the performance of those components. The executive directors regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented.

5. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Income from sales of scrapped products	17,022	18,147
Net exchange gain	1,420	24,422
Others	3,112	–
	<u>21,554</u>	<u>42,569</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charged on discounted bill receivables	–	1,991

No borrowing costs were capitalised for the six months ended 30 June 2018 and 2017.

7. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	924,400	761,720
Amortisation of:		
– prepaid lease payments	923	694
– mining rights	92,335	74,008
Depreciation of property, plant and equipment	120,735	112,208
Employee costs (including directors' emoluments)	274,986	229,224
Net exchange gain	(1,420)	(24,422)
Operating lease charges in respect of land and buildings	4,054	3,632
	<u>924,400</u>	<u>761,720</u>

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	254,588	261,438
Deferred tax	17,279	39,988
	<u>271,867</u>	<u>301,426</u>

No provision for Hong Kong Profits Tax has been made in the Consolidated Interim Financial Information as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2018 and 2017.

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

The Group is also subject to withholding tax at the rate of 5% (Six months ended 30 June 2017: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

9. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividend: HK8.3 cents per ordinary share (Six months ended 30 June 2017: HK3 cents per ordinary share)	440,053	159,055

An interim dividend of HK8.3 cents per ordinary share (Six months ended 30 June 2017: HK3 cents per ordinary share) has been declared after 30 June 2018 (Six months ended 30 June 2017: 30 June 2017) which have not been recognised as liabilities as at the reporting date.

Interim dividend for the six months ended 30 June 2018 is expected to be paid on or about 19 October 2018 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 10 September 2018. As at 30 June 2018, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2017: 5,301,837,842).

A final dividend of HK7.2 cents per ordinary share totalling Hong Kong Dollars (“HK\$”) 381,732,000 for the year ended 31 December 2017 was approved at the annual general meeting held on 18 May 2018 and a special dividend of HK\$6.3 cents per ordinary share totalling HK\$334,016,000 for the year ended 31 December 2017 was approved by the board of directors on 22 March 2018. The 2017 final dividend and special dividend has been recognised as a liability as at 30 June 2018 and is paid on 12 July 2018.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	638,045	661,933
	'000 shares	'000 shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	5,301,837	5,301,837

11. TRADE AND BILL RECEIVABLES

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	1,193,113	1,098,851
<i>Less: Provision for impairment loss</i>	(227,847)	(227,847)
	<u>965,266</u>	871,004
Bill receivables	1,944,304	1,426,791
	<u>2,909,570</u>	<u>2,297,795</u>

Ageing analysis of net trade and bill receivables, based on invoice and bill dates, is as follows:

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
1 to 3 months	1,652,067	1,580,812
4 to 6 months	1,134,293	436,035
7 to 12 months	113,308	279,764
Over 1 year	9,902	1,184
	<u>2,909,570</u>	<u>2,297,795</u>

Trade receivables generally have credit terms ranging from 60 to 90 days and no interest is charged.

As at 30 June 2018, bill receivables included an amount of Renminbi (“RMB”) 142,228,000 (HK\$168,398,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK\$132,599,000 equivalent)) (note 12) which was pledged for bill payables of RMB141,354,000 (HK\$167,363,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK\$132,599,000 equivalent)).

As at 30 June 2018, the Group endorsed certain of its bill receivables with full recourse to creditors. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bill receivables.

The endorsement transactions do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bill receivables. At 30 June 2018, bill receivables of RMB95,636,000 (HK\$113,233,000 equivalent) (As at 31 December 2017: RMB133,152,000 (HK\$157,652,000 equivalent)) continue to be recognised in the Group's consolidated financial statements although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade payables and other payables until the related bill receivables are collected or the Group settles any losses suffered by the creditors. At 30 June 2018, bill receivables endorsed to trade creditors and other creditors amounted to RMB11,000,000 (HK\$13,024,000 equivalent) (As at 31 December 2017: RMB25,192,000 (HK\$29,827,000 equivalent)) (note 12) and RMB84,636,000 (HK\$100,209,000 equivalent) (As at 31 December 2017: RMB107,960,000 (HK\$127,825,000 equivalent)) respectively.

As these bill receivables have been legally transferred to the creditors, the Group does not have the authority to determine the disposition of the bill receivables.

12. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2018 is as follows:

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
1 to 3 months	298,518	347,336
4 to 6 months	340,288	221,864
7 to 12 months	21,073	17,617
Over 1 year	24,600	25,690
	<u>684,479</u>	<u>612,507</u>

As at 30 June 2018, bill payables amounted to RMB363,535,000 (HK\$430,425,000 equivalent) (As at 31 December 2017: RMB247,312,000 (HK\$292,817,000 equivalent)) were partially secured by the pledged bank deposits of RMB168,487,000 (HK\$199,489,000 equivalent) (As at 31 December 2017: RMB135,820,000 (HK\$160,811,000 equivalent) and bill receivables of RMB142,228,000 (HK\$168,398,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK\$132,599,000 equivalent)) (note 11).

As at 30 June 2018, included in trade payables of RMB11,000,000 (HK\$13,024,000 equivalent) (As at 31 December 2017: RMB25,192,000 (HK\$29,827,000 equivalent)) (note 11) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKFRS 9. The corresponding financial assets are included in bill receivables.

13. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2018, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within one year	4,253	6,486
In the second to fifth years	9,499	14,558
After the fifth year	27,216	28,403
	<u>40,968</u>	<u>49,447</u>

The Group leases a number of land and buildings under operating leases arrangement. The leases run for an initial period of 2 to 34 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) Capital commitments

	30 June 2018	31 December 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Commitments for the:		
– Acquisition of property, plant and equipment	397,824	216,566
– Exploration and design fees for a potential mining project	8,856	8,856
	<u>406,680</u>	<u>225,422</u>

14. 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 CONSOLIDATED INTERIM FINANCIAL INFORMATION

The financial information relating to the year ended 31 December 2017 that is included in this Consolidated 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 2017 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 HK8.3 cents per ordinary share for the six months ended 30 June 2018 (2017: interim dividend of HK3 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on 10 September 2018 (Monday). 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 September 2018 (Monday) for registration. The interim dividend is expected to be paid on or about 19 October 2018 (Friday).

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) for the six months period 30 June 2018 (the "period under review") together with that of the same period of 2017 is summarised as follows:

	Unit	Six months ended		Change		2017FY	Change Percentage
		30 June 2018	2017	Quantity/ Amount	Percentage		
<i>Production volume :</i>							
Raw coking coal	Mt	2.35	1.99	+0.36	+18%	3.98	
Clean coking coal	Mt	1.17	0.95	+0.22	+23%	2.03	
<i>Sales volume :</i>							
Raw coking coal	Mt	0.51	0.73	-0.22	-30%	0.93	
Clean coking coal	Mt	1.10	1.00	+0.10	+10%	2.07	
<i>Average realised selling price (inclusive of VAT) :</i>							
Raw coking coal	RMB/tonne	733	703	+30	+4%	684	+7%
Clean coking coal	RMB/tonne	1,366	1,467	-101	-7%	1,386	-1%

For the six months ended 30 June 2018, the Group produced approximately 2.35 million tonnes (“Mt”) (Six months ended 30 June 2017: approximately 1.99 Mt) of raw coking coal, representing a year-on-year (“YoY”) increase of 18% and also produced approximately 1.17 Mt (Six months ended 30 June 2017: approximately 0.95 Mt) of clean coking coal, representing a YoY increase of 23% as a result of increase in production volume of raw coking coal by approximately 0.36 Mt and reduction of sales volume of raw coking coal by approximately 0.22 Mt. Benefit from the cancellation on the 276 working days restriction policy since May 2017 and upgrading in mining technology, our raw coal production volume was increased by 18% YoY during the period under review.

In line with the increase in production volume of clean coking coal, the sales volume of clean coking coal also increased by 10% YoY even though sales volume of raw coking coal dropped by 30% YoY during the period under review. This falls in line with the Group’s long term strategy to concentrate on clean coking coal sales. Sales of raw and clean coking coal accounted for 20% and 80% of the Group’s turnover respectively for the six months ended 30 June 2018. They accounted for 26% and 74% respectively for the six months ended 30 June 2017.

China’s economy continued to recover steadily in the first half of 2018 which is benefiting the Group’s coking coal business. The market price of coking coal remained relatively high in the first half of 2018. Except for No.2 clean coking coal, the average prices of other types of coking coal was increased YoY. For the six months ended 30 June 2018, the Group’s average realised selling price (inclusive of value added tax “VAT”) of raw coking coal increased by 4% YoY to Renminbi (“RMB”) 733/tonne when compared with that of the same period of 2017 (Six months ended 30 June 2017 : RMB703/tonne) and the Group’s average realised selling price (inclusive of VAT) of clean coking coal dropped by 7% YoY to RMB1,366/tonne when compared with that of the same period of 2017 (Six months ended 30 June 2017: RMB1,467/tonne). The rise in average realised selling prices of our coking coal was not as high as market because of the increase in selling proportion of semi-hard coking coal with lower selling price in the period under review. In terms of its sales volume, all raw coking coal sales were semi-hard coking coal for the six months ended 30 June 2018 (Six months ended 30 June 2017: sales volume of raw hard coking coal and semi-hard coking coal accounted for 36% and 64% of the total sales volume of raw coking coal respectively). Also, sales volume of No.1 and No.2 clean coking coal accounted for 29% and 71% (Six months ended 30 June 2017 : 51% and 49%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2018. In terms of its sales volume, ex-factory prices and C&F prices of clean coking coal accounted for 72% and 28% of the total clean coking coal sales volume respectively for the six months ended 30 June 2018. They accounted for 63% and 37% of the total clean coking coal sales volume respectively for the six months ended 30 June 2017.

FINANCIAL REVIEW

For the six months ended 30 June 2018, the Group recorded a turnover of approximately Hong Kong Dollars (“HK\$”) 1,978 million, representing an increase of approximately HK\$60 million or 3% YoY as compared with that of approximately HK\$1,918 million for the same period of 2017. The increase in turnover was due to the increase in overall sales volume of coal products even though the positive effect was partially offset by the drop of the Group’s realised selling prices of clean coking coal.

For the six months ended 30 June 2018, the total turnover to the top five customers accounted for 74% (Six months ended 30 June 2017: 70%) of the Group’s turnover. Of which, the total turnover to the largest customer accounted for 26% (Six months ended 30 June 2017: 23%) of the Group’s turnover.

For the six months ended 30 June 2018, gross profit margin was 53% while 60% for the same period in 2017. Gross profit was decreased by approximately HK\$102 million or 9% YoY. The drop in gross profit margin was mainly due to the decrease in average realised selling price of clean coking coal for the six months period ended 30 June 2018 by 7% YoY as explained above under “Business Review”.

For the six months ended 30 June 2018, the Group recorded a net profit of approximately HK\$672 million and profit attributable to the owners of the Company (the “Owner”) of approximately HK\$638 million. Decrease in profit for the period under review is primarily attributable to the drop in gross profit by approximately HK\$102 million YoY as stated above.

During the period under review, basic earnings per share was HK12.03 cents (Six months ended 30 June 2017: HK12.48 cents).

The Group recorded EBITDA of approximately HK\$1,158 million (Six months ended 30 June 2017: approximately HK\$1,235 million) and generated a positive cash flow of approximately HK\$192 million (Six months ended 30 June 2017: approximately HK\$546 million) from our operating activities during the period under review. As at 30 June 2018, the Group continues to maintain a healthy free cash balance of approximately HK\$4,519 million (As at 31 December 2017: approximately HK\$4,864 million). The decrease in cash balance is mainly due to the increase in capital expenditure for the construction of lower coal seams of Jinjiazhuang Coal Mine and subscription of other financial assets amounting to HK\$199 million during the period under review.

Cost of Sales

During the period under review, cost of sales was approximately HK\$924 million, representing an increase of approximately HK\$162 million or 21% YoY, as compared with that of approximately HK\$762 million for the same period of 2017. Cost of sales was increased in line with overall sales volume of coal products as explained above under “Business Review” and the rise in average RMB to HKD exchange rate by approximately 8%. In addition, it is also because unit production costs was increased as a result of the implementation of certain environmental policies and also increase in material cost and repair and maintenance expenses as stated below during the period under review. Increase in repair and maintenance expenses by RMB9/tonne YoY due to the restore of repair and maintenance projects delayed since the low tide of coal industry in prior years.

The unit production costs are summarised as follow:

	Unit	Six months ended		Change		2017FY	Change Percentage
		30 June 2018	2017	Amount	Percentage		
Production cost of raw coking coal	RMB/tonne	304	295	+9	+3%	316	-4%
<i>Less: Uncontrollable costs –</i>							
<i>resources tax and levies</i>	RMB/tonne	(58)	(71)	-13	-18%	(60)	-3%
Sub-total	RMB/tonne	246	224	+22	+10%	256	-4%
<i>of which, depreciation and</i>							
<i>amortisation</i>	RMB/tonne	(60)	(66)	-6	-9%	(65)	-8%
Processing cost for clean							
coking coal	RMB/tonne	52	49	+3	+6%	55	-5%
<i>of which, depreciation</i>	RMB/tonne	(14)	(16)	-2	-13%	(15)	-7%

Included in cost of sales, amortisation of mining rights was approximately HK\$92 million for the six months ended 30 June 2018, representing an increase of approximately HK\$18 million or 24% YoY, as compared with that of approximately HK\$74 million for the same period of 2017. The increase in amortisation of mining rights was mainly due to the increase in overall sales volume of coal products as explained above under “Business Review” during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK\$1,054 million for the six months period ended 30 June 2018, representing a decrease of approximately HK\$102 million or 9% as compared with that of approximately HK\$1,156 million for the same period of 2017. During the period under review, gross profit margin was 53% compared with 60% for the same period of 2017. The drop in gross profit margin was mainly due to the drop in average realised selling price of clean coking coal by 7% YoY even though partially offset by the increase in average realised selling price of raw coking coal by 4% YoY as explained above under “Business Review”, and the increase in unit production costs of raw coking coal as mentioned above under “Cost of Sales”.

Interest Income

During the period under review, interest income was approximately HK\$59 million, representing an increase of approximately HK\$23 million or 64% YoY as compared with approximately HK\$36 million of the same period in 2017. Interest income increased in line with higher yield earned as a result of effective cash management.

Other Income

During the period under review, other income was approximately HK\$22 million, representing a decrease of approximately HK\$21 million or 49% YoY as compared with approximately HK\$43 million of the same period in 2017. The decrease in other income was mainly attributable to the decrease in non-recurrent net foreign exchange gain from approximately HK\$24 million for the six months ended 30 June 2017 to approximately HK\$1 million for the six months ended 30 June 2018. The drop in net foreign exchange gain was due to the closing RMB exchange rate as at 30 June 2018 is close to that as at 31 December 2017 (Six months ended 30 June 2017: appreciation of RMB as at 30 June 2017 by approximately 3.51% when compared with that as at 31 December 2016).

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK\$106 million, representing a decrease of approximately HK\$3 million or 3% YoY as compared with that of approximately HK\$109 million for the same period of 2017. Because of implementation of certain environmental related policies to discourage the mean of coal transportation by vehicles, the sales volume of clean coking coal at C&F price decreased from approximately 368,000 tonnes for the six months ended 30 June 2017 to approximately 306,000 tonnes for the six months ended 30 June 2018. Thus, the sales related transportation expenses reduced accordingly.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK\$80 million for the six months ended 30 June 2018, representing an increase of approximately HK\$4 million or 5% YoY as compared with approximately HK\$76 million for the same period of 2017. The increase was mainly resulted from the rise in average RMB exchange rate which increase the amount of RMB-denominated expenses when translated into HK\$. In fact, the general and administrative expenses would be reduced by approximately HK\$1 million YoY instead because of the continuous effective cost control.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK\$4 million. Other operating expenses included loss on disposal of old property, plant and equipment during the period under review.

Finance Costs

During the period under review, due to the effective capital management, there was no finance cost (Six months ended 30 June 2017: approximately HK\$2 million). Finance costs were derived from the early redemption of bill receivables of the Group during the six months ended 30 June 2017. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2017: nil).

Income Tax Expense

During the period under review, it was recorded income tax expense of approximately HK\$272 million (Six months ended 30 June 2017: approximately HK\$301 million) of which approximately HK\$27 million (Six months ended 30 June 2017: approximately HK\$42 million) represented the provision of withholding tax of 5% on the dividend to be declared from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC subsidiaries") in accordance with the relevant tax regulations in the PRC. Income tax expense decreased which was in line with the drop in profits arising from the major PRC subsidiaries incorporated in PRC during the period under review. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%.

Owner's Attributable Profit

By reasons of the foregoing and the rise in average RMB exchange rate, the profit attributable to the Owner during the period under review was approximately HK\$638 million, a slight drop of approximately HK\$24 million YoY, while approximately HK\$662 million for the six months period ended 30 June 2017.

Material Investments and Acquisitions

During the six months ended 30 June 2018, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2018, 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 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 mine and vegetation damage etc. All coal mines of the Group have obtained necessary permission and approval from the relevant Chinese regulators.

As disclosed in 2017 Annual Report, the Group's Xingwu Coal Mine has happened electromechanical incident in the early of March 2018 that was confirmed arising from non-compliance in operation of machinery by an individual under independent investigation. According to the relevant rules and regulations in the Mainland, our coal mines suspended production for a short period for checking and resumed production afterwards. As the Group has adjusted its production plan immediately, the Group produced raw coking coal of approximately 2.35 Mt, representing an increase of 18% YoY. It is the solid evidence to proof that the aforesaid incident would neither cause the Group's significant economic loss nor significant negative effect on the operation and production of the Group for the year of 2018.

During the period under review, except certain infrastructure for Jinjiazhuang Coal Mine under construction and the aforesaid event, all coal mines of the Group operated smoothly as planned.

Charges on Assets

As at 30 June 2018, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 30 June 2018, bank deposits of approximately HK\$199 million and bill receivables of approximately HK\$168 million were used for securing bills facilities of approximately HK\$366 million.

Contingent Liabilities

As at 30 June 2018, there were no guarantees given by the Group.

Gearing Ratio

As at 30 June 2018, the Group had no borrowings. The gearing ratio of the Group was 0%.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2018, other than assets and liabilities denominated in Australian Dollars (“AUD”) and RMB, the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2018, AUD was depreciated by approximately 5% and RMB were remained stable, when compared to that as at 31 December 2017. The aggregate carrying amount of assets denominated in AUD represented approximately 2% of the Group’s net assets value as at 30 June 2018. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position of the Group. In other words, as the average RMB exchange rate during the period under review was approximately 4% higher than the closing RMB exchange rate as at 30 June 2018, the differences in the average and closing rates in RMB led to an exchange loss of approximately HK\$42 million (other than the net foreign exchange gain recognised in profit or loss stated above) being recognised in the other comprehensive income upon translation of its net assets in the financial statements of foreign operations in the PRC for the period ended 30 June 2018.

Liquidity and Financial Resources

As at 30 June 2018, the Group’s current ratio (current assets divided by current liabilities) was approximately 2.43 times and the Group’s cash and bank deposits amounted to approximately HK\$4,721 million, of which approximately HK\$199 million was deposited to secure bills facilities of approximately HK\$199 million. The Group continued to maintain a healthy net cash balance.

The Group has total bill receivables amounting to approximately HK\$1,944 million (of which approximately HK\$113 million represented endorsed bill receivables and approximately HK\$168 million was used for securing bills facilities of approximately HK\$167 million) as at 30 June 2018 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bill receivables of approximately HK\$1,663 million, the Group’s free cash resources would have approximately HK\$6,185 million as at 30 June 2018.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2018, the share capital of the Company was approximately HK\$15,157 million, represented approximately 5,302 million shares in number. During the period under review, there is no change in number and amount of issued shares.

EMPLOYEES

As at 30 June 2018, the Group had 20 Hong Kong employees and 5,153 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides mandatory and voluntary provident fund schemes for its employees in Hong Kong and the state-sponsored retirement plan for its employees in the PRC. The Group also provides training courses to PRC employees. The Group has a share option scheme. During the period under review, no share option was granted or exercised.

FUTURE PROSPECTS

According to the United Nations' latest report in May 2018, world economic growth rate is now forecasted to reach 3.2% both in 2018 and 2019, an upward revision by 0.2 and 0.1 percentage point respectively. In such way, the global economy has shown its strong momentum in recovery.

China, as the world's second largest economy, has achieved a YoY growth rate of 6.8% in terms of gross domestic products ("GDP") during the first half of 2018. More specifically, the YoY growth rate for the first and second quarter of 2018 in this regard was 6.8% and 6.7% respectively, which represents a steadily medium-high growth rate of 6.7% to 6.9% in the past twelve consecutive quarters, therefore, it is well estimated that China's annual GDP growth rate target of 6.5% for 2018 could be attained successfully. In April 2018, the World Bank uplifted the forecast for China's YoY GDP growth to 6.5% from its earlier prediction of 6.4% at the beginning of this year based on the facts that China's GDP growth rate of 2017 was beyond expectation. So did Asian Development Bank which increased its estimation of China's GDP growth rate for 2018 from 6.4% predicted at the end of last year to 6.6% at the same period. This conveys the message that China's economy has every opportunity to sustain its status of being steady for the better.

Meanwhile, national industrial capacity utilisation rate was 76.7% for the first half of 2018, representing a YoY growth rate of 0.3 percentage points, and capacity utilisation rates for the steel and coal industry were 77.7% and 72.1% respectively, which represents a YoY growth rate of 3 and 5.5 percentage points respectively. All above imply that China's industries, especially the steel and coal industries, structure has been optimising and upgrading with its supply and demand in balance.

The national manufacturing investment, real estate investment and infrastructure investment would still be important driving forces for the development of China's steel industry over a period of time. During the first half of this year, the growth rate of national manufacturing investment has been accelerating for three consecutive months, and such trend is expected to be sustained till the end of this year; as leading indicators of the real estate investment, the growth rates of new housing construction area and land acquisition fee were both accelerating as well, which suggests that the real estate investment for the second half of this year is hopefully to sustain a high level of growth, however, outcomes will always be headed by the governmental policies in real-time manner; as the Public-Private Partnership projects been cleaned up and completion of compliance programmes been sped up, the infrastructure investment is also expected to be steady for the second half of this year. In the meantime, the supply and demand pattern of the steel industry in China will maintain stable during the second half of this year attributed to the national cutting capacity target set by the Central Government at the beginning of this year, which was "crude steel capacity is to be cut by 30 million tonnes within 2018 to fulfill the ceiling task of cutting 150 million tonnes of steel capacity during the thirteenth 'Five Year Plan period'". Under such circumstances, the coking coal industry, as the upper stream of the steel industry, will benefit from it and from its industry-wide systematically cutting and optimising production as before. As a result, the coking coal price is of greater possibility to remain at a comparatively high level continuously. However, we should also keep an eye on the Sino-US trade friction, which has brought more uncertainties on economic development, especially to the imports and exports, which might insert uncertain influence on the price trend of steel and coking coal in the future.

With regard to the progressing of lower coal seams construction project in our Jinjiazhuang Coal Mine, it is estimated that the whole project is to be completed by the end of 2018 with its capacity returning to normal gradually in 2019, and the profitability of our Group would be further strengthened thereafter. As being recognised as the Excellent Enterprise with Advanced Capacity by the Shanxi Provincial Government for years, our Group will enhance the management in operating safety, exploiting technology, energy conservation and environmental protections to increase production efficiency and control production cost. Looking into the second half of 2018, our Group will set a higher objective in terms of corporate governance to explore more potential values and comparative advantages to maximise the returns of our shareholders.

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 2018.

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 during the six months ended 30 June 2018.

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 for their hard work and dedication throughout the period.

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

Hong Kong, 23 August 2018

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Li Shaofeng (Managing Director), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Chang Cun (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).