首 鋼 福 山 資 源 集 團 有 限 公 司

SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the year ended 31 December 2018**	2017	**Percentage change**
Revenue	**3,686**	3,472	+6%
Gross profit	**1,901**	1,875	+1%
Gross profit margin	**52%**	54%	
Profit for the year	**1,152**	1,183	-3%
Profit attributable to owners of the Company ("Owners")	**1,100**	1,081	+2%
EBITDA[1]	**2,028**	2,028	–
Basic earnings per share *(HK cents)*	**20.76**	20.38	+2%

(HK$'million)	**As at 31 December 2018**	2017	**Percentage change**
Net assets	**16,776**	17,376	-3%
Equity per share attributable to Owners *(HK$)*	**2.90**	3.01	-4%
Current ratio[2]	**2.58 times**	2.87 times	-10%

The board of directors has proposed a 2018 final dividend of HK8.5 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.

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017. These final results have been reviewed by the Audit Committee of the Company.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue from contracts with customers	*3*	**3,686,176**	3,471,922
Cost of sales		**(1,785,634)**	(1,596,518)
Gross profit		**1,900,542**	1,875,404
Other income and gains, net	*4*	**35,790**	123,155
Selling and distribution expenses		**(208,621)**	(206,638)
General and administrative expenses		**(205,351)**	(202,034)
Other operating expenses		**(6,437)**	(23,961)
Interest income		**124,445**	84,286
Finance costs	*5*	**–**	(2,226)
Share of loss of an associate		**(659)**	(368)
Profit before income tax	*6*	**1,639,709**	1,647,618
Income tax expense	*7*	**(487,781)**	(465,034)
Profit for the year		**1,151,928**	1,182,584

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(585,649)**	723,997
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets measured at fair value through other comprehensive income		**24,374**	155,062
Total comprehensive income for the year		**590,653**	2,061,643
Profit for the year attributable to:			
Owners of the Company		**1,100,488**	1,080,649
Non-controlling interests		**51,440**	101,935
Profit for the year		**1,151,928**	1,182,584
Total comprehensive income for the year attributable to:			
Owners of the Company		**605,105**	1,881,310
Non-controlling interests		**(14,452)**	180,333
Total comprehensive income for the year		**590,653**	2,061,643
Earnings per share			
– Basic and diluted (HK cents)	*9*	**20.76**	20.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,609,544**	3,171,773
Prepaid lease payments		**60,062**	50,781
Mining rights		**7,751,953**	8,275,967
Goodwill		**1,255,559**	1,314,569
Interest in an associate		**11,880**	13,107
Financial assets measured at fair value through other comprehensive income		**654,053**	629,679
Deposits, prepayments and other receivables		**489,947**	584,543
Deferred tax assets		**22,752**	23,121
Total non-current assets		**13,855,750**	14,063,540
Current assets			
Inventories		**130,069**	195,983
Trade receivables	*10*	**669,837**	871,004
Bills receivables	*10*	**1,578,345**	1,426,791
Deposits, prepayments and other receivables		**319,677**	110,777
Other financial asset		**200,000**	–
Pledged bank deposits		**190,029**	162,083
Time deposits with original maturity over three months		**854,010**	1,540,808
Cash and cash equivalents		**3,453,325**	3,323,659
Total current assets		**7,395,292**	7,631,105
Total assets		**21,251,042**	21,694,645

	Notes	**2018** *HK$'000*	2017 *HK$'000*
Current liabilities			
Trade and bills payables	*11*	**834,903**	612,507
Other financial liability		**178,358**	178,358
Other payables and accruals		**1,426,081**	1,498,032
Amounts due to non-controlling interests of subsidiaries		**72,228**	37,843
Tax payables		**357,130**	334,660
Total current liabilities		**2,868,700**	2,661,400
Net current assets		**4,526,592**	4,969,705
Total assets less current liabilities		**18,382,342**	19,033,245
Non-current liabilities			
Deferred tax liabilities		**1,606,536**	1,657,562
Total non-current liabilities		**1,606,536**	1,657,562
Net assets		**16,775,806**	17,375,683
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,156,959**	15,156,959
Reserves		**227,157**	777,853
Total equity attributable to owners of the Company		**15,384,116**	15,934,812
Non-controlling interests		**1,391,690**	1,440,871
Total equity		**16,775,806**	17,375,683

Notes:

1. GENERAL INFORMATION

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

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

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

The financial statements for the year ended 31 December 2018 were approved for issue by the board of directors (the "Board") of the Company on 21 March 2019.

2. BASIS OF PREPARATION

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

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

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of final results for the year ended 31 December 2018 do not constitute the Company's statutory annual consolidated financial statements for those years 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 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 and will deliver the financial statements for the year ended 31 December 2018 in due course.

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

(a) Adoption of new or amended standards and interpretations – effective 1 January 2018

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

The impact of the adoption of HKFRS 9 (2014) and HKFRS 15 are disclosed below in note 2(c). The other standards did not have any impact on the Group's accounting policies and are not expected to significantly affect the current or future periods.

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

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

Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual improvements to HKFRSs 2015 – 2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continue to be permitted.

None of the new and amended standards and interpretations issued but not yet applied by the Group is expected to have a significant effect on the financial statements 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 consolidated 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.

Impact
The standard will affect primarily the accounting for the Group's operating leases.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$43,686,000 see note 12(a) of this result announcement. For these lease commitments the Group expects to recognise lease commitments of approximately HK$31,844,000 as right-of-use assets on 1 January 2019 and lease liabilities of the same amount, net current assets will be HK$4,617,000 lower due to the presentation of a portion of the liability as a current liability.

Date of adoption by the Group
The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 (2014) and HKFRS 15 on the Group's financial statements.

(i) 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.

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). However, under HKFRS 9 (2014), 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 measured at amortised cost

The Group is required to revise its impairment methodologies under the HKFRS 9 (2014) for each of these classes of assets:

<u>Trade receivables and bills receivables</u>
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 measured at amortised cost

Other financial assets measured at amortised cost include other financial asset, deposits and 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 material impact of the Group's consolidated financial statements and the opening loss allowance is not restated in this respect.

(ii) *Adoption of HKFRS 15*

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 financial statements. In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

Presentation of liabilities related to contracts with customers

The Group has changed the presentation of certain amounts in the consolidated statement of financial position to reflect the terminology of HKFRS 15: advance receipts from customers is reclassified as contract liabilities included in other payables and accruals.

The impact on the Group's financial position by the application of HKFRS 15 is as follows:

	As previously stated *HK$'000*	**Reclassification under HKFRS 15** *HK$'000*	**Restated** *HK$'000*
As at 1 January 2018			
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)**	**–**
As at 31 December 2018			
Consolidated statement of financial position (extract):			
Other payables and accruals – Contract liabilities	**–**	**133,929**	**133,929**
Other payables and accruals – Advance receipts from customers	**133,929**	**(133,929)**	**–**

The adoption of HKFRS 15 has no material impact to the Group's net assets as at 1 January 2018 and the results, earnings per share (basic and diluted) and cash flows for the year ended 31 December 2018.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

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

	2018	2017
	HK$'000	*HK$'000*
Sales of raw coking coal	**592,720**	629,971
Sales of clean coking coal	**3,093,456**	2,841,951
	3,686,176	3,471,922

The executive directors has been identified as 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 for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. The Group has identified one reportable segment as follows:

Coking coal mining: Mining and exploration of coal resources and production of raw and clean coking coal in the PRC

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

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

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**3,686,176**	3,471,922	**13,178,829**	13,410,306
Hong Kong	**–**	–	**116**	434
	3,686,176	3,471,922	**13,178,945**	13,410,740

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

During the year, revenue from top three customers of the Group's coking coal mining segment amounted to HK$892,739,000, HK$826,383,000 and HK$471,557,000, which represented 24%, 22% and 13% of the Group's revenue. In last year, the respective revenue from top three customers of the Group's coking coal mining segment amounted to HK$627,198,000, HK$793,389,000 and HK$892,213,000, which represented 18%, 23% and 26% of the Group's revenue.

4. OTHER INCOME AND GAINS, NET

	2018 HK$'000	2017 HK$'000
Dividend income	**36,624**	22,171
Income from sales of scrapped products	**26,579**	44,620
Net foreign exchange (loss)/gain	**(28,164)**	56,364
Others	**751**	–
	35,790	123,155

5. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest charged on discounted bills receivables	**–**	2,226

No borrowing costs were capitalised for the years ended 31 December 2018 and 2017.

6. PROFIT BEFORE INCOME TAX

	2018 HK$'000	2017 HK$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration		
– audit services	**1,550**	1,575
– other services	**542**	475
Cost of inventories sold	**1,785,634**	1,596,518
Amortisation of:		
– prepaid lease payments	**1,778**	1,415
– mining rights	**153,437**	149,603
Depreciation of property, plant and equipment	**232,613**	226,466
Staff costs (including directors' emoluments)	**611,816**	543,595
Operating lease charges in respect of land and buildings	**7,725**	7,378
Loss on disposals of property, plant and equipment	**3,427**	9,758

7. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax – PRC income tax		
– Current year	**463,525**	511,637
– Over provision in respect of prior years	**(753)**	(2,532)
Deferred tax		
– Current year	**25,009**	(44,071)
	487,781	465,034

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits arising in Hong Kong for 2018 and 2017.

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 ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), 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% (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.

8. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2017 special dividend of HK6.3 cents (2017: nil) per ordinary share	**334,016**	–
2017 final dividend of HK7.2 cents (2017: 2016 final dividend of HK3 cents) per ordinary share	**381,732**	159,055
2018 interim dividend of HK8.3 cents (2017: HK3 cents) per ordinary share	**440,053**	159,055
	1,155,801	318,110

On 21 March 2019, the Board proposed a final dividend of HK8.5 cents per ordinary share totalling HK$450,656,000 to the owners of the Company in respect of the year ended 31 December 2018. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2018 has not been recognised as a liability as at 31 December 2018.

On 22 March 2018, the Board proposed a final dividend of HK7.2 cents per ordinary share and declared a special dividend of HK6.3 cents per ordinary share totalling HK$715,748,000 to the owners of the Company in respect of the year ended 31 December 2017. The final dividend was approved by shareholders at the annual general meeting held on 18 May 2018 and was paid on 12 July 2018. The final dividend proposed and special dividend declared after 31 December 2017 has not been recognised as a liability as at 31 December 2017.

9. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share	**1,100,488**	1,080,649
	'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

Basic earnings per share is HK20.76 cents (2017: HK20.38 cents), based on the profit for the year attributable to owners of the Company of HK$1,100,488,000 (2017: HK$1,080,649,000) and weighted average number of ordinary shares as set out above for basic earnings per share.

No share options had been granted under the 2012 share option scheme since its adoption. Accordingly, as at 31 December 2018 and 2017, there was no share option outstanding and the Company did not have any dilutive potential ordinary shares during years ended 31 December 2018 and 2017.

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**887,290**	1,098,851
Less: Provision for impairment loss	**(217,453)**	(227,847)
	669,837	871,004
Bills receivables	**1,578,345**	1,426,791
	2,248,182	2,297,795

Trade receivables generally have credit terms ranging from 60 to 90 days (2017: 60 to 90 days) and no interest is charged. Bills receivables are expiring within one year. As at 31 December 2018 and 2017, all of the trade and bills receivables are denominated in RMB.

As at 31 December 2018, bills receivables included an amount of RMB292,531,000 (equivalent to HK$330,560,000) (2017: RMB111,992,000 (equivalent to HK$132,599,000)) which was pledged for bills payables of RMB290,878,000 (equivalent to HK$328,692,000) (2017: RMB111,992,000 (equivalent to HK$132,599,000)) (note 11).

The Group endorsed certain of its bills 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 bills receivables.

The endorsement transactions do not meet the requirements for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bills receivables. As at 31 December 2018, bills receivables of RMB122,622,000 (equivalent to HK$138,563,000) (2017: RMB133,152,000 (equivalent to HK$157,652,000)) 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 bills receivables are collected or the Group settles any losses suffered by the creditors.

As at 31 December 2018, bills receivables endorsed to trade creditors and other creditors amounted to RMB19,500,000 (equivalent to HK$22,035,000) (2017: RMB25,192,000 (equivalent to HK$29,827,000)) (note 11) and RMB103,122,000 (equivalent to HK$116,528,000) (2017: RMB107,960,000 (equivalent to HK$127,825,000)) respectively.

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

As at 31 December 2018, ageing analysis of net trade receivables, based on the invoice dates, is as follows:

	2018	2017
	HK$'000	*HK$'000*
1 to 3 months	**382,432**	686,665
4 to 6 months	**287,405**	6,106
7 to 12 months	**–**	178,233
Over 1 year	**–**	–
	669,837	871,004

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

The Group does not hold any collateral over these balances.

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

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

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**227,847**	213,605
Exchange differences	**(10,394)**	14,242
At 31 December	**217,453**	227,847

11. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**317,726**	319,690
Bills payables	**517,177**	292,817
	834,903	612,507

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2017: 30 to 180 days). As at 31 December 2018 and 2017, all of the trade and bills payables are denominated in RMB.

Based on the invoice dates, ageing analysis of trade payables as at 31 December 2018 is as follows:

	2018	2017
	HK$'000	*HK$'000*
1 to 3 months	**231,896**	217,579
4 to 6 months	**47,123**	58,804
7 to 12 months	**16,211**	17,617
Over 1 year	**22,496**	25,690
	317,726	319,690

As at 31 December 2018, bills payables amounted to RMB457,629,000 (equivalent to HK$517,121,000) (2017: RMB247,312,000 (equivalent to HK$292,817,000)) were secured by the pledged bank deposits of RMB166,752,000 (equivalent to HK$188,430,000) (2017: RMB135,820,000 (equivalent to HK$160,811,000)) and bills receivables of RMB292,531,000 (equivalent to HK$330,560,000) (2017: RMB111,992,000 (equivalent to HK$132,599,000)) (note 10).

As at 31 December 2018, included in trade payables is a balance of RMB19,500,000 (equivalent to HK$22,035,000) (2017: RMB25,192,000 (equivalent to HK$29,827,000)) which represents bills receivables endorsed to trade creditors which do not meet the de-recognition requirements. The corresponding financial assets are included in bills receivables (note 10).

12. COMMITMENTS

(a) Operating lease commitments

At 31 December 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**6,023**	6,486
Later than 1 year but not later than 5 years	**12,821**	14,558
Later than 5 years	**24,842**	28,403
	43,686	49,447

The Group leases a number of land and buildings and other assets 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

	2018	2017
	HK$'000	*HK$'000*
Commitments for the:		
– Acquisition of property, plant and equipment	**194,767**	216,566
– Exploration and design fees for a potential mining project	**8,452**	8,856
	203,219	225,422

FINAL DIVIDEND

The Board has proposed a final dividend of HK8.5 cents per ordinary share for the year ended 31 December 2018 (2017 final dividend: HK7.2 cents per ordinary share, 2017 special dividend: HK6.3 cents per ordinary share), payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 3 June 2019. The proposed final dividend together with the interim dividend of HK8.3 cents per ordinary share will make a total dividend of HK16.8 cents per ordinary share for the year ended 31 December 2018 (2017 total dividend: HK16.5 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Thursday, 16 May 2019 (the "AGM"), the final dividend is expected to be paid on Thursday, 11 July 2019. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 3 June 2019 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 10 May 2019 to Thursday, 16 May 2019 (both days inclusive) to determine the entitlement to attend and vote at the AGM. During such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 9 May 2019 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine, collectively referred to as the "Three Mines"), for the year ended 31 December 2018 (the "year under review") together with that of the same period of 2017 is summarised as follows:

		For the year ended 31 December		Change	
	Unit	**2018**	2017	Quantity/ Amount	Percentage
Production volume :					
Raw coking coal	Mt	**4.07**	3.98	+0.09	+2%
Clean coking coal	Mt	**2.12**	2.03	+0.09	+4%
Sales volume :					
Raw coking coal	Mt	**0.74**	0.93	–0.19	–20%
Clean coking coal	Mt	**2.10**	2.07	+0.03	+1%
Average realised selling price (inclusive of VAT) :					
Raw coking coal	RMB/tonne	**786**	684	+102	+15%
Clean coking coal	RMB/tonne	**1,451**	1,386	+65	+5%

For the year ended 31 December 2018, the Group produced approximately 4.07 million tonnes ("Mt") (2017: approximately 3.98 Mt) of raw coking coal, representing a year-on-year ("YoY") increase of 2% and also produced approximately 2.12 Mt (2017: approximately 2.03 Mt) of clean coking coal, representing a YoY increase of 4% as a result of reduction of sales volume of raw coking coal by approximately 0.19 Mt and increase in production volume of raw coking coal by approximately 0.09 Mt. Benefited from the cancellation of the 276 working days restriction policy since May 2017 and the upgrade in mining technology, the raw coking coal production volume of the Group was increased by 2% YoY in 2018 even though one of the Three Mines, Jinjiazhuang Coal Mine, suspended its production because of under construction in progress during the year under review.

In line with the increase in production volume of clean coking coal, the sales volume of clean coking coal also increased by 1% YoY even though sales volume of raw coking coal dropped by 20% YoY during the year under review. This is 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 16% and 84% of the Group's turnover respectively for the year ended 31 December 2018. They accounted for 18% and 82% respectively for the same period in 2017.

Although the growth of China's economy slowed down in 2018, the continuous implementation of the Supply-side Structural Reform in the coal sector has benefited the Group's coking coal business. The market price of coking coal remained at relatively high level in 2018. For the year ended 31 December 2018, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal increased by 15% YoY to Renminbi ("RMB") 786/tonne when compared with that of the same period of 2017 (2017: RMB684/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal also increased by 5% YoY to RMB1,451/tonne when compared with that of the same period of 2017 (2017: RMB1,386/tonne). In terms of sales volume, sales of hard and semi-hard raw coking coal accounted for 11% and 89% (2017: 29% and 71%) of the total raw coking coal sales volume respectively for the year ended 31 December 2018. In addition, sales of No. 1 and No. 2 clean coking coal accounted for 46% and 54% (2017: 47% and 53%) of the total clean coking coal sales volume respectively for the year ended 31 December 2018.

FINANCIAL REVIEW

For the year ended 31 December 2018, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 3,686 million, representing an increase of approximately HK$214 million or 6% YoY as compared with that of approximately HK$3,472 million for the same period of 2017. The increase in turnover was mainly driven by the rise in average realised selling prices of raw and clean coking coal by 15% and 5% YoY respectively.

For the year ended 31 December 2018, the total turnover to the top five customers accounted for 72% (2017: 76%) of the Group's turnover. Of which, the total turnover to the largest customer accounted for 24% (2017: 26%) of the Group's turnover.

For the year ended 31 December 2018, gross profit margin was 52% while 54% for the same period in 2017. Gross profit was increased by approximately HK$26 million or 1% YoY.

For the year ended 31 December 2018, the Group recorded a net profit of approximately HK$1,152 million and profit attributable to the owners of the Company (the "Owner") of approximately HK$1,100 million. Save for considerable profits generated from well-managed coking coal business for the year of 2018, the Group also recorded an increase in interest income by approximately HK$40 million YoY and the increase in dividend income from financial assets by approximately HK$14 million YoY. However, net foreign exchange gain of approximately HK$56 million for the last year turned to net foreign exchange loss of approximately HK$28 million for the year under review as a result of the depreciation in RMB exchange rate by 4.56% when compared with that as at 31 December 2017 (2017: appreciation in RMB exchange rate as at 31 December 2017 by 6.67% when compared with that as at 31 December 2016) as at reporting date on 31 December 2018 affected the annual results of 2018.

During the year under review, basic earnings per share was HK20.76 cents (2017: HK20.38 cents).

The Group recorded EBITDA of approximately HK$2,028 million (2017: approximately HK$2,028 million) and generated a positive cash flow of approximately HK$1,643 million (2017: approximately HK$1,536 million) from our operating activities during the year under review. As at 31 December 2018, the Group continues to maintain a healthy financial position and has free cash balance of approximately HK$4,307 million (2017: approximately HK$4,864 million). The decrease in cash balance is mainly due to the increase in dividend payments to owners of the Company and the payments for construction of the lower coal seams of Jinjiazhuang Coal Mine during the year under review.

Cost of Sales

During the year under review, cost of sales was approximately HK$1,786 million, representing an increase of approximately HK$189 million or 12% YoY, as compared with that of approximately HK$1,597 million for the same period of 2017. The increase in cost of sales was due to the rise in average RMB to HKD exchange rate by approximately 2% and the increase in actual usage volume of raw coking coal for sales. In addition, it is attributable to the increase in unit production costs as a result of the implementation of certain environmental policies and also the increase in staff cost in accordance with market trend during the year under review.

Included in cost of sales, amortisation of mining rights was approximately HK$153 million for the year ended 31 December 2018, representing an increase of approximately HK$3 million or 2% YoY, as compared with that of approximately HK$150 million for the same period of 2017. The increase in amortisation of mining rights was mainly due to the increase in actual usage volume of raw coking coal for sales and the rise in average RMB to HK$ exchange rate YoY during the year under review.

The unit production costs are summarised as follows:

		For the year ended 31 December		Change	
	Unit	**2018**	2017	Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**337**	316	+21	+7%
Less: Uncontrollable costs – resources tax and levies	RMB/tonne	**(61)**	(60)	+1	+2%
Subtotal	RMB/tonne	**276**	256	+20	+8%
of which, depreciation and amortisation	*RMB/tonne*	**(62)**	(65)	–3	–5%
Processing cost of clean coking coal	RMB/tonne	**61**	55	+6	+11%
of which, depreciation	*RMB/tonne*	**(15)**	(15)	–	–

The increase in unit production cost of raw coking coal by 7% YoY was resulted from (i) the increase in staff costs by RMB10/tonne YoY mainly due to salary increment according to the labor market and in turn increase in various staff social insurances expenses; and (ii) the increase in usage of safety fund, maintenance fee and environmental restoration protection fund by RMB13/tonne YoY due to the implementation of certain environmental policies during the year under review. In addition, the unit processing cost of clean coking coal also increased by 11% YoY as a result of the increase in staff costs, transportation costs and material costs.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$1,901 million for the year ended 31 December 2018, representing an increase of approximately HK$26 million or 1% YoY as compared with that of approximately HK$1,875 million for the same period of 2017. During the year under review, gross profit margin was 52% compared with 54% for the same period of 2017.

Other Income and Gains, Net

During the year under review, other income and gains, net was approximately HK$36 million, representing a significant decrease of approximately HK$87 million or 71% YoY as compared with approximately HK$123 million of the same period in 2017. Excluding the impact of net foreign exchange loss of approximately HK$28 million (2017: net foreign exchange gain of approximately HK$56 million) during the year under review, other income and gains, net decreased by approximately HK$3 million, and was mainly attributable to drop in income from sales of scrapped products by approximately HK$18 million or 40% YoY as a result of the decrease in scrapped products arising from the production of clean coking coal. The above decrease was partially offset by the increase in dividend income amounted to approximately HK$14 million or 65% YoY generated from financial assets during the year under review.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$209 million, representing an increase of approximately HK$2 million or 1% YoY as compared with that of approximately HK$207 million for the same period of 2017. The increase was mainly as a result of the rise in average RMB to HK$ exchange rate by approximately 2%.

General and Administrative Expenses

During the year under review, general and administrative expenses were approximately HK$205 million for the year ended 31 December 2018, representing an increase of approximately HK$3 million or 1% YoY as compared with approximately HK$202 million for the same period of 2017. The increase was mainly resulted from the rise in average RMB to HK$ exchange rate which increase the amount of RMB-denominated expenses when translated into HK$ and the increase in staff social insurances expenses in line with market salary increment during the year under review.

Other Operating Expenses

During the year under review, other operating expenses were approximately HK$6 million, representing a decrease of approximately HK$18 million or 75% YoY as compared with approximately HK$24 million for the same period of 2017. Other operating expenses included loss on disposal of old property, plant and equipment during the year under review. The decrease in other operating expenses was mainly due to a due diligence professional fee of approximately HK$12 million for a potential acquisition during the year ended 31 December 2017.

Interest Income

During the year under review, interest income was approximately HK$124 million, representing a significant increase of approximately HK$40 million or 48% YoY as compared with approximately HK$84 million for the same period in 2017. The significant increase in interest income was the result of the higher yield earned in effective cash management for the year under review.

Finance Costs

During the year under review, due to more effective capital management, there was no finance cost (2017: approximately HK$2 million). Finance costs were incurred on early redemption of bills receivables of the Group for the year ended 31 December 2017. During the year under review, no borrowing costs were capitalised in the construction in progress (2017: nil).

Income Tax Expense

During the year under review, income tax expense was approximately HK$488 million (2017: approximately HK$465 million) of which approximately HK$65 million (2017: approximately HK$75 million) represented the provision of withholding tax of 5% on the dividend to be declared from the Group's major subsidiaries incorporated in the PRC ("major PRC Subsidiaries") in accordance with the relevant tax regulations in the PRC. Income tax expense increased slightly in line with the increase in profits arising from the major PRC subsidiaries incorporated in PRC during the year 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, the profit attributable to the Owner during the year under review was approximately HK$1,100 million, representing an increase of HK$19 million or 2% YoY, while approximately HK$1,081 million for the year ended 31 December 2017.

Material Investments and Acquisitions

During the year ended 31 December 2018, the Group had no material investments and acquisitions.

Material Disposals

During the year ended 31 December 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 in 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. 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 4.07 Mt, representing an increase of 2% 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 year 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 31 December 2018, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 31 December 2018, bank deposits of approximately HK$188 million and bills receivables of approximately HK$331 million were used for securing bills facilities of approximately HK$517 million.

Contingent Liabilities

As at 31 December 2018, there were no guarantees given by the Group.

Gearing Ratio

As at 31 December 2018, the Group had no borrowings. The gearing ratio of the Group was 0%.

Exposure to Fluctuations in Exchange Rates

As at 31 December 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 31 December 2018, AUD and RMB depreciated by approximately 9% and approximately 5%, respectively, when compared to that as at 31 December 2017. The aggregate carrying amount of assets denominated in AUD represented approximately 3% of the Group's net assets value as at 31 December 2018. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position of the Group. On the other hand, as the net assets value denominated in RMB represented approximately 75% of the Group's net assets value as at 31 December 2018, the depreciation in RMB also led to exchange loss of approximately HK$586 million (other than the Foreign Exchange Loss recognised in profit or loss stated above) recognised in the other comprehensive income upon translation of financial statements of foreign operations in the PRC for the year ended 31 December 2018. Nevertheless, the above exposure to fluctuation in exchange rates did not have any material impact on the financial position of the Group.

Liquidity and Financial Resources

As at 31 December 2018, the Group's current ratio (total current assets divided by total current liabilities) was approximately 2.58 times and the Group's cash and bank deposits amounted to approximately HK$4,497 million, of which approximately HK$188 million was deposited to secure bills facilities of same amount. The Group continued to maintain a healthy net cash balance.

The Group has total bills receivables amounting to approximately HK$1,578 million (of which approximately HK$139 million represented endorsed bills receivables and approximately HK$331 million was used for securing bills facilities of approximately HK$329 million) as at 31 December 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 bills receivables of approximately HK$1,108 million, the Group's free cash resources would have approximately HK$5,417 million as at 31 December 2018.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 31 December 2018, the share capital of the Company was approximately HK$15,157 million, represented approximately 5,302 million shares in number. During the year under review, there is no change in number and amount of issued shares. The Group had no borrowings as at 31 December 2018.

EMPLOYEES

As at 31 December 2018, the Group had 20 Hong Kong employees and 5,105 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 to PRC employees. The Group has a share option scheme. During the year under review, no share option was granted or exercised.

FUTURE PROSPECTS

According to the world economic outlook update issued by the International Monetary Fund ("IMF") in January 2019, the global economic growth rate is projected to reach 3.5% in 2019 and 3.6% in 2020 respectively, a downward revision by 0.2 and 0.1 percentage point below the last October's projection. The global economy has shown signs of slow down compared to 2018, partly because of the negative effects of the escalating trade dispute between the USA and China and the potential politic-economic uncertainty in Europe due to Brexit.

China has achieved a GDP growth rate of 6.6% in 2018, slightly higher than the targeted growth rate of 6.5% early that year. However, the Chinese government's infrastructure spending in 2018 lagged behind expectation and both sales of land and property units softened in the second half of 2018. IMF also has lowered China's economic growth rate to 6.2% in 2019, reflecting a weakening economic sentiment as the Sino-US trade dispute blurred and Chinese economy cooled. Therefore, Chinese government has shifted to loose monetary and economic policies in response to a more challenging internal and external environment and heightened trade tensions. They have cut reserve requirement ratios, reduced taxes and fees sharply, increased export tax rebates, and accelerated issuance of special purpose local government bonds to bolster infrastructure spending. Several significant infrastructure construction projects like railway, light-rail and roads have been approved and carried out since August 2018, while some local governments cancelled its transfer restriction on new purchased housing under the "One City One Policy" instruction. It is believed that more economic stimulus would be announced and these will contribute to the healthy development of the overall economic demand in 2019.

Coking coal industry is highly correlated with the business atmosphere of steel industry and its downstream sectors such as property and infrastructure industries etc. With the demand stabilised in the coming year, we expect the overall demand for steel remain solid on the Chinese government's recent infrastructure stimulus, while real-estate under construction will continue to contribute to steel demand, together with tighter environmental and safety controls in coal mining industry, which will be a strong support for coking coal price in China.

In 2018, China has completed the capacity reduction target of 150 million tonnes in steel industry and of 500 million tonnes in coal industry outlined in the 13th Five-Year Plan. Under this circumstance, the coking coal industry will not only benefit from central government economic stimulus, but also keep enjoying the advantages brought by the industry-wide capacity reduction campaign and the supply-side structural reform as before. As a result, it is likely that coking coal prices will remain at a high level continuously. However, the on-going Sino-US trade friction, Brexit risk, the Chinese economic restructuring and global economic slowdown will continue to add uncertainties and pressure on global economic development and investment incentive, which might insert unknown influence on the price trend of coking coal and steel in the future.

As to our Group, construction of the lower coal seams of Jinjiazhuang Coal Mine has been completed and the respective mine has entered into the trial production by the end of 2018. Also, construction of the lower coal seams of Xingwu Coal Mine has still been on going in 2019 without interruption of its normal production as scheduled. Our Group expects the coal production capacity will gradually return to the total approved production capacity of 5.25 Mt per annum after Jinjiazhuang Coal Mine will be resumed production in second half of 2019.

Our Group has been selected by Shanxi Provincial Government as "Excellent Enterprise with Advanced Capacity" for years, we will keep enhancing occupational safety, applying emerging technology, improving energy efficiency and securing environmental protections for better production efficiency and cost control. Aiming to improve our production efficiency and make mining operation safer, our Group has been experimenting fully automated mining system since last year. This operational transformation can save labor cost in long run and strengthen the employee skillsets. Looking into 2019, our Group will continue strict corporate governance and generate more values and comparative advantages to maximise the returns of our shareholders.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the financial year ended 31 December 2018, save for the deviations from code provision A.4.1 as follow:

Under code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive directors of the Company ("Non-executive Directors") and independent non-executive directors of the Company ("Independent Non-executive Directors") is appointed for a specific term, but according to the Articles of Association of the Company ("Articles of Association"), any director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every director of the Company is subject to retirement by rotation at least once every 3 years.

Since the Non-executive Directors and Independent Non-executive Directors are also subject to retirement by rotation and re-election by shareholders at annual general meeting pursuant to the Articles, the Board therefore considers that such requirements are sufficient to meet the underlying objective of the said code provision.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2018 annual report containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 21 March 2019

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).