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 2019

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the six months ended 30 June 2019**	2018	**Percentage change**
Revenue	**1,960**	1,978	-1%
Gross profit	**1,065**	1,054	+1%
Gross profit margin	**54%**	53%	
Profit for the period	**660**	672	-2%
Profit attributable to owners of the Company ("Owners")	**640**	638	+0.3%
EBITDA[1]	**1,185**	1,158	+2%
Basic earnings per share *(HK cents)*	**12.08**	12.03	+0.4%

(HK$'million)	**As at 30 June 2019**	As at 31 December 2018	**Percentage change**
Net assets	**17,379**	16,776	+4%
Equity per share attributable to Owners *(HK$)*	**3.01**	2.90	+4%
Current ratio[2]	**2.45 times**	2.58 times	-5%

To reward our shareholders, the board of directors has declared an interim dividend of HK8.5 cents per ordinary share for the six months ended 30 June 2019 (For the six months ended 30 June 2018: HK8.3 cents per ordinary share).

Notes:

1. EBITDA is defined as profit before income tax plus finance costs, share of loss of an associate, depreciation, amortisation and written off of property, plant and equipment.
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 2019. These interim results have been reviewed by the Company's Audit Committee and its auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue from contracts with customers	*4*	**1,959,940**	1,978,168
Cost of sales		**(895,424)**	(924,400)
Gross profit		**1,064,516**	1,053,768
Interest income		**70,522**	59,264
Other income and gains, net	*5*	**50,284**	21,554
Selling and distribution expenses		**(123,979)**	(106,385)
General and administrative expenses		**(80,418)**	(80,113)
Other operating expenses	*6*	**(109,961)**	(4,415)
Finance costs	*7*	**(4,606)**	–
Share of loss of an associate		**(175)**	(296)
Profit before income tax	*8*	**866,183**	943,377
Income tax expense	*9*	**(206,156)**	(271,867)
Profit for the period		**660,027**	671,510

	Note	Six months ended 30 June **2019** ***HK$'000*** **(Unaudited)**	 2018 *HK$'000* (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(13,686)**	(41,810)
Item that will not be reclassified to profit or loss:			
Fair value gain/(loss) on financial assets measured at fair value through other comprehensive income		**407,307**	(41,991)
Total comprehensive income for the period		**1,053,648**	587,709
Profit for the period attributable to:			
Owners of the Company		**640,388**	638,045
Non-controlling interests		**19,639**	33,465
Profit for the period		**660,027**	671,510
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,034,467**	555,443
Non-controlling interests		**19,181**	32,266
Total comprehensive income for the period		**1,053,648**	587,709
Earnings per share			
– Basic and diluted *(HK cents)*	*11*	**12.08**	12.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,696,173**	3,609,544
Prepaid lease payments		**–**	60,062
Land use rights		**63,320**	–
Right-of-use assets		**29,267**	–
Mining rights		**7,669,477**	7,751,953
Goodwill		**1,255,559**	1,255,559
Interest in an associate		**11,709**	11,880
Financial assets measured at fair value through other comprehensive income	*12*	**1,140,232**	654,053
Deposits, prepayments and other receivables		**515,027**	489,947
Deferred tax assets		**56,701**	22,752
Total non-current assets		**14,437,465**	13,855,750
Current assets			
Inventories		**138,649**	130,069
Trade receivables	*13*	**678,183**	669,837
Bills receivables	*13*	**1,458,519**	1,578,345
Deposits, prepayments and other receivables		**324,829**	319,677
Other financial asset		**234,000**	200,000
Pledged bank deposits		**226,957**	190,029
Time deposits with original maturity over three months		**1,150,228**	854,010
Cash and cash equivalents		**3,499,685**	3,453,325
Total current assets		**7,711,050**	7,395,292
Total assets		**22,148,515**	21,251,042

	Notes	**30 June 2019** **HK$'000** **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Current liabilities			
Trade and bills payables	*14*	**737,972**	834,903
Lease liabilities		**5,900**	–
Other financial liability		**178,358**	178,358
Other payables and accruals		**1,310,352**	1,426,081
Borrowings	*15*	**121,927**	–
Dividend payable		**450,656**	–
Amounts due to non-controlling interests of subsidiaries		**73,697**	72,228
Tax payables		**265,367**	357,130
Total current liabilities		**3,144,229**	2,868,700
Net current assets		**4,566,821**	4,526,592
Total assets less current liabilities		**19,004,286**	18,382,342
Non-current liabilities			
Deferred tax liabilities		**1,600,719**	1,606,536
Lease liabilities		**24,769**	–
Total non-current liabilities		**1,625,488**	1,606,536
Net assets		**17,378,798**	16,775,806
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,156,959**	15,156,959
Reserves		**810,968**	227,157
Total equity attributable to owners of the Company		**15,967,927**	15,384,116
Non-controlling interests		**1,410,871**	1,391,690
Total equity		**17,378,798**	16,775,806

Notes:

1. GENERAL INFORMATION

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

The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group's operations during the six months ended 30 June 2019.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2019 (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 "Listing Rules"). The Consolidated Interim Financial Information does not include all the notes of the type normally included in an annual financial statements. Accordingly, the Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, 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, estimation 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 estimation.

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 2018.

The Consolidated Interim Financial Information was approved for issue by the board of directors on 22 August 2019.

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 2018, except for the adoption of the following standards and interpretations as of 1 January 2019:

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Annual improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty Over Income Tax Treatments
Amendments to HKAS 28	Long-term Interest in Associates in Joint Ventures
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

The impact of the adoption of HKFRS 16 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) Adoption of HKFRS 16

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balances on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.52%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	43,686
Discounted using the lessee's incremental borrowing rate at the date of initial application on 1 January 2019	(11,842)
Lease liabilities recognised as at 1 January 2019	31,844
Of which are:	
Current lease liabilities	5,816
Non-current lease liabilities	26,028
	31,844

The associated right-of-use assets (including land use rights which is presented as a separate line item in the condensed consolidated statement of financial position) were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to land and office premises.

Prepaid lease payment of HK$60,062,000 as at 1 January 2019 have been reclassified as land use rights being a part of the right-of-use assets of the Group.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increased by HK$31,844,000;
- lease liabilities – increased by HK$31,844,000;
- land use rights – increased by HK$60,062,000;
- prepaid lease payments – decreased by HK$60,062,000.

There was no net impact on retained earnings on 1 January 2019.

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying HKAS 17 and HK(IFRIC) – Int 4, Determining whether an arrangement contains a Lease.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various land and office premises. Lease contracts are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Until the 2018 financial year, leases of land and office premises were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, prepaid lease payments are reclassified as land use rights, other leases are recognised as right-of-use assets and a corresponding liabilities at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Impact of standards issued but not yet applied by the Group

None of the standards issued but not yet applied by the Group is expected to have significant effect on the Consolidated Interim Financial Information of the Group.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

Revenue from contracts with customers, which is also the Group's turnover, represents the sales value of coking coal products in the ordinary course of businesses which are recognised at a point in time. Revenue recognised is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of raw coking coal	**31,418**	395,819
Sales of clean coking coal	**1,928,522**	1,582,349
	1,959,940	1,978,168

The executive directors have been identified as the chief operating decision-maker of the Company. The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and 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 regard the Group's business as a single operating segment and review financial information accordingly. Therefore, no segment information is presented. The executive directors primarily use a measure of profit before income tax to assess the performance of the operating segment.

5. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from sales of by-products	**26,791**	17,022
Net foreign exchange gain	**19,213**	1,420
Others	**4,280**	3,112
	50,284	21,554

6. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Written off of property, plant and equipment *(Note)*	**103,427**	–
Loss on disposals of property, plant and equipment	**5,077**	1,731
Others	**1,457**	2,684
	109,961	4,415

Note: For undergoing the trial production of the lower coal seam of Jinjiazhuang Coal Mine, the wellhead of the upper coal seam was closed down at the same time. Thus, the related underground mining structures of the upper coal seam were written off during the six months ended 30 June 2019.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on discounted bills receivables	**3,889**	–
Interest expense on lease liabilities	**717**	–
	4,606	–

No borrowing costs were capitalised for the six months ended 30 June 2019 and 2018.

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging:		
Cost of inventories sold	**895,424**	924,400
Amortisation of:		
– prepaid lease payments	**–**	923
– mining rights	**84,448**	92,335
Depreciation of property, plant and equipment	**122,358**	120,735
Depreciation of land use rights	**905**	–
Depreciation of right-of-use assets	**2,596**	–
Staff cost (including directors' emoluments)	**316,112**	274,986

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**250,036**	254,588
Deferred tax	**(43,880)**	17,279
	206,156	271,867

No provision for Hong Kong profits tax has been made in the Consolidated Interim Financial Information as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2019 and 2018.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's 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 2018: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

10. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend: HK8.5 cents per ordinary share (Six months ended 30 June 2018: HK8.3 cents per ordinary share)	**450,656**	440,053

Interim dividend of HK8.5 cents per ordinary share (Six months ended 30 June 2018: HK8.3 cents per ordinary share) has been declared after 30 June 2019 (Six months ended 30 June 2018: 30 June 2018) which have not been recognised as liabilities as at the reporting date.

Interim dividend for the six months ended 30 June 2019 is expected to be paid on or about 30 October 2019 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 19 September 2019. As at 30 June 2019, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2018: 5,301,837,842).

A final dividend of HK8.5 cents per ordinary share totalling Hong Kong Dollars ("HK$") 450,656,000 for the year ended 31 December 2018 was approved at the annual general meeting held on 16 May 2019. The 2018 final dividend has been recognised as a liability as at 30 June 2019 and is paid on 11 July 2019.

11. 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	**640,388**	638,045
	'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

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

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Equity securities, at fair value		
– listed in Australia	**914,377**	483,407
– listed in Hong Kong	**225,855**	170,646
	1,140,232	654,053
Unlisted equity interest *	**–**	–
	1,140,232	654,053

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

13. TRADE AND BILLS RECEIVABLES

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Trade receivables	**895,636**	887,290
Less: Provision for impairment loss	**(217,453)**	(217,453)
	678,183	669,837
Bills receivables	**1,458,519**	1,578,345
	2,136,702	2,248,182

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 90 days	**678,183**	382,432
91 to 180 days	**–**	287,405
181 to 365 days	**–**	–
Over 365 days	**–**	–
	678,183	669,837

Trade receivables generally have credit terms ranging from 60 to 90 days (As at 31 December 2018: 60 to 90 days) and no interest is charged. Bills receivables are expiring within one year (As at 31 December 2018: one year). As at 30 June 2019 and 31 December 2018, all of the trade and bills receivables are denominated in RMB.

As at 30 June 2019, bills receivables included an amount of RMB291,296,000 (equivalent to HK$329,164,000) (As at 31 December 2018: RMB292,531,000 (equivalent to HK$330,560,000)) which was pledged for bills payables of RMB257,188,000 (equivalent to HK$290,622,000) (As at 31 December 2018: RMB290,878,000 (equivalent to HK$328,692,000)) (note 14).

As at 30 June 2019, the Group discounted and endorsed certain of its bills receivables with full recourse to financial institutions and creditors. In the event of default by the debtors, the Group is obliged to pay the financial institutions and creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its discounted and endorsed bills receivables.

The discounting and 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 discounted and endorsed bills receivables. As at 30 June 2019, bills receivables of RMB172,752,000 (equivalent to HK$195,209,000) (As at 31 December 2018: RMB122,622,000 (equivalent to HK$138,563,000)) continue to be recognised in the Group's consolidated financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing, trade payables and other payables until the related bills receivables are collected or the Group settles any losses suffered by the financial institutions and creditors.

As at 30 June 2019, the bills receivables discounted to financial institutions and bills receivables endorsed to trade creditors and other creditors amounted to RMB107,900,000 (equivalent to HK$121,927,000) (As at 31 December 2018: nil) (note 15), RMB5,257,000 (equivalent to HK$5,940,000) (As at 31 December 2018: RMB19,500,000 (equivalent to HK$22,035,000)) (note 14) and RMB59,595,000 (equivalent to HK$67,342,000) (As at 31 December 2018: RMB103,122,000 (equivalent to HK$116,528,000)) respectively.

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

14. TRADE AND BILLS PAYABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade payables	**237,231**	317,726
Bills payables	**500,741**	517,177
	737,972	834,903

The Group was granted by its suppliers credit period ranging between 30 to 180 days (As at 31 December 2018: 30 to 180 days). As at 30 June 2019 and 31 December 2018, all of the trade and bills payables are denominated in RMB. Based on the invoice dates, ageing analysis of trade payables as at 30 June 2019 is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Up to 90 days	**164,514**	231,896
91 to 180 days	**30,591**	47,123
181 to 365 days	**22,198**	16,211
Over 365 days	**19,928**	22,496
	237,231	317,726

As at 30 June 2018, bills payables amounted to RMB443,134,000 (equivalent to HK$500,741,000) (As at 31 December 2018: RMB457,629,000 (equivalent to HK$517,121,000)) were secured by the pledged bank deposits of RMB193,320,000 (equivalent to HK$218,452,000) (As at 31 December 2018: RMB166,752,000 (equivalent to HK$188,430,000)) and bills receivables of RMB291,296,000 (equivalent to HK$329,164,000) (As at 31 December 2018: RMB292,531,000 (equivalent to HK$330,560,000)) (note 13).

As at 30 June 2019, included in trade payables is a balance of RMB5,257,000 (equivalent to HK$5,940,000 equivalent) (As at 31 December 2018: RMB19,500,000 (equivalent to HK$22,035,000)) 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 13).

15. BORROWINGS

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Asset-backed financing	**121,927**	–

This represents the financing obtained in invoice discounting transactions which do not meet the de-recognition requirements. The corresponding financial assets are included in bills receivables (note 13).

16. CAPITAL COMMITMENTS

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Commitments for the:		
– Acquisition of property, plant and equipment	**224,111**	194,767
– Exploration and design fees for a potential mining project	**8,452**	8,452
	232,563	203,219

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

The financial information relating to the year ended 31 December 2018 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 Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong 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 Hong Kong Companies Ordinance (Cap. 622).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.5 cents per ordinary share for the six months ended 30 June 2019 (2018: interim dividend of HK8.3 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on 19 September 2019 (Thursday). 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 19 September 2019 (Thursday) for registration. The interim dividend is expected to be paid on or about 30 October 2019 (Wednesday).

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 period ended 30 June 2019 (the "period under review") together with that of the same period of 2018 is summarised as follows:

		Six months ended 30 June		Change	
	Unit	**2019**	2018	Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**2.24**	2.35	-0.11	-5%
Clean coking coal	Mt	**1.38**	1.17	+0.21	+18%
Sales volume:					
Raw coking coal	Mt	**0.03**	0.51	-0.48	-94%
Clean coking coal	Mt	**1.34**	1.10	+0.24	+22%
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**955**	733	+222	+30%
Clean coking coal	RMB/tonne	**1,424**	1,366	+58	+4%

For the six months ended 30 June 2019, the Group produced approximately 2.24 million tonnes ("Mt") (Six months ended 30 June 2018: approximately 2.35 Mt) of raw coking coal, representing a year-on-year ("YoY") decrease of 5% and also produced approximately 1.38 Mt (Six months ended 30 June 2018: approximately 1.17 Mt) of clean coking coal, representing a YoY increase of 18% as a result of reduction of sales volume of raw coking coal by approximately 0.48 Mt. Resulted from the implementation of new production restriction policies such as limitation of number of working platforms, our raw coal production volume was decreased by 5% YoY during the period under review. Construction of the lower coal seam of Jinjiazhuang Coal Mine had been completed by the end of 2018 and has been undergoing the trial production during the period under review and the respective mine is still temporary suspended its normal production. The Group obtained the respective safety and production license in August 2019 and then it will resume normal production soon.

In line with the increase in production volume of clean coking coal, the sales volume of clean coking coal also increased by 22% YoY even though sales volume of raw coking coal significantly dropped by 94% YoY during the period 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 2% and 98% of the Group's turnover respectively for the six months ended 30 June 2019. They accounted for 20% and 80% respectively for the six months ended 30 June 2018.

In the first half of 2019, the coal market was relatively stable and the average market prices of coking coal rose YOY. For the six months ended 30 June 2019, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal significantly increased by 30% YoY to Renminbi ("RMB") 955/tonne when compared with that of the same period of 2018 (Six months ended 30 June 2018: RMB733/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal also increased by 4% YoY to RMB1,424/tonne when compared with that of the same period of 2018 (Six months ended 30 June 2018: RMB1,366/tonne). The rise in average realised selling prices of our raw coking coal was higher than market because of the increase in selling proportion of hard raw coking coal with higher selling price during the period under review. In terms of its sales volume, sales of hard and semi-hard raw coking coal accounted for 45% and 55% (Six months ended 30 June 2018: all are semi-hard raw coking coal) of the total raw coking coal sales volume respectively for the six months ended 30 June 2019. In addition, sales of No.1 and No.2 clean coking coal accounted for 31% and 69% (Six months ended 30 June 2018: 29% and 71%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2019.

FINANCIAL REVIEW

For the six months ended 30 June 2019, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 1,960 million, representing a decrease of approximately HK$18 million or 1% YoY as compared with that of approximately HK$1,978 million for the same period of 2018. The decrease in turnover was mainly as a result of the depreciation in average RMB to HK$ exchange rate by approximately 6%. Excluding the effect on the depreciation in exchange rate, turnover in RMB was increased by 5% which was driven by the rise in average realised selling prices of raw and clean coking coal by 30% YoY and 4% YoY respectively even though was partially offset by the effect on the drop in overall sales volume of coal products during the period under review.

For the six months ended 30 June 2019, the total turnover to the top five customers accounted for 76% (Six months ended 30 June 2018: 74%) of the Group's turnover. Of which, the total turnover to the largest customer, which is also the substantial shareholder of the Company, accounted for 36% (Six months ended 30 June 2018: 26%) of the Group's turnover.

For the six months ended 30 June 2019, gross profit margin was 54% while 53% for the same period in 2018. Gross profit was increased by approximately HK$11 million or 1% YoY. The rise in gross profit margin was due to the rise in average realised selling prices of coking coal products for the six months period ended 30 June 2019 as explained above under "Business Review" and the change in costs as explained below under "Cost of Sales".

For the six months ended 30 June 2019, the Group recorded a net profit of approximately HK$660 million and profit attributable to the owners of the Company (the "Owner") of approximately HK$640 million. Suffered from the depreciation of RMB average exchange rate by approximately 6% YoY, the net profit and profit attributable to the Owners derived from the Group's coal business, which RMB is its functional currency, reduced by approximately HK$41 million and HK$35 million YoY respectively. Excluding this exchange rate impact, the Group would record a net profit of approximately HK$701 million and profit attributable to Owners of approximately HK$675 million, increased by approximately HK$29 million and HK$37 million YoY respectively. During the period under review, save for the actual growth of coal business, the Group also recorded (i) an increase in net foreign exchange gain of approximately HK$18 million as a result of the additional exchange gain arised from the exchange of RMB into other currencies at the good time; and (ii) the increase in interest income by approximately HK$11 million as a result of effective cash management. However, one-off written off of property, plant and equipment mainly in relation to the underground mining structures of the upper coal seam of Jinjiazhuang Coal Mine upon its closure was made which led to the reduction of net profit and profit attributable to the Owners amounted to approximately HK$69 million and HK$45 million respectively. Thus, affected the increment of profit during the period under review.

During the period under review, basic earnings per share was HK12.08 cents (Six months ended 30 June 2018: HK12.03 cents).

The Group recorded EBITDA of approximately HK$1,185 million (Six months ended 30 June 2018: approximately HK$1,158 million) and generated a positive cash flow of approximately HK$786 million (Six months ended 30 June 2018: approximately HK$192 million) from our operating activities during the period under review. As at 30 June 2019, the Group continues to maintain a healthy financial position and has free bank balances and cash of approximately HK$4,650 million (As at 31 December 2018: approximately HK$4,307 million). The increase in bank balances and cash is mainly due to the significant increase in cash flow generated from our operating activities to meet the needs in investing activities during the period under review.

Cost of Sales

During the period under review, cost of sales was approximately HK$895 million, representing a decrease of approximately HK$29 million or 3% YoY, as compared with that of approximately HK$924 million for the same period of 2018. The reduction in cost of sales was due to the change in exchange rate.

Included in cost of sales, amortisation of mining rights was approximately HK$84 million for the six months ended 30 June 2019, representing a decrease of approximately HK$8 million or 9% YoY, as compared with that of approximately HK$92 million for the same period of 2018. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage volume of raw coking coal for sales YoY and the change of exchange rate during the period under review.

The unit production costs are summarised as follows:

Unit: RMB/tonne

	Six months ended 30 June		Change			Change
	2019	2018	Amount	Percentage	2018FY	Percentage
Production cost of raw coking coal	**321**	304	+17	+6%	337	-5%
Less: Depreciation and amortisation	**(67)**	(60)	+7	+12%	(62)	+8%
Cash production cost of raw coking coal	**254**	244	+10	+4%	275	-8%
Less: Uncontrollable costs – resources tax and levies	**(59)**	(58)	+1	+2%	(61)	-3%
Sub-total	**195**	186	+9	+5%	214	-9%
Processing cost for clean coking coal	**47**	52	-5	-10%	61	-23%
of which, depreciation	**(11)**	(14)	-3	-21%	(15)	-27%

The increase in unit production cost and cash production cost of raw coking coal by 6% YoY and 4% YoY respectively was resulted from the decrease in raw coking coal production volume by 5% YoY and general inflation during the period under review. In addition, the increase in unit production cost was due to the increase in electricity by approximately RMB4/tonne YoY because of new environmental policy requires the provision of heat during winter season by electricity in 2019 instead of coal in the past. On the other hand, the unit processing cost of clean coking coal decreased by 10% YoY as a result of the increase in clean coking coal production volume by 18% YoY.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$1,065 million for the six months ended 30 June 2019, representing an increase of approximately HK$11 million or 1% YoY as compared with that of approximately HK$1,054 million for the same period of 2018. During the period under review, gross profit margin was 54% while 53% for the same period of 2018.

Interest income

During the period under review, interest income was approximately HK$71 million, representing an increase of approximately HK$12 million or 20% YoY as compared with approximately HK$59 million for the same period in 2018. The increase in interest income was mainly the result of the higher yield earned under the effective cash management during the period under review.

Other Income and Gains, Net

During the period under review, other income and gains, net was approximately HK$50 million, representing a significant increase of approximately HK$28 million or 127% YoY as compared with approximately HK$22 million of the same period in 2018. The increase in other income and gains, net is mainly attributable to increase in income from sales of by-products by approximately HK$10 million or 57% YoY as a result of the increase in by-products being produced in the process of production of clean coal products and the increase in selling prices because of direct sales to end-users; and the increase in net foreign exchange gain by approximately HK$18 million as a result of the additional exchange gain arised from the exchange of RMB into other currencies at the good time.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$124 million, representing an increase of approximately HK$18 million or 17% YoY as compared with that of approximately HK$106 million for the same period of 2018. Selling and distribution expenses mainly include the transportation costs for sales of clean coking coal by train and vehicles. The increase was mainly due to the increase in sales volume of clean coking coal by trains and vehicles by approximately 202,000 tonnes during the period under review.

General and Administrative Expenses

During the period under review, general and administrative expenses remained stable at approximately HK$80 million (Six months ended 30 June 2018: approximately HK$80 million).

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$110 million, representing a significant increase of approximately HK$106 million or 2650% YoY as compared with approximately HK$4 million for the same period of 2018. The significant increase in other operating expenses is mainly due to the written off of carrying amount of the related underground mining structures of the upper coal seam of Jinjiazhuang Coal Mine amounting to approximately HK$103 million. For undergoing the trial production of the lower coal seam of Jinjiazhuang Coal Mine, the wellhead of the upper coal seam was closed down at the same time. Thus, the related underground mining structures of the upper coal seam were written off during the six months ended 30 June 2019.

Finance Costs

During the period under review, finance costs were approximately HK$5 million (Six months ended 30 June 2018: nil). The finance costs amounted to approximately HK$4 million were derived from the early redemption of bills receivables of the Group for the short-term financing during the period under review. The remaining balance was the interest expense on lease liabilities recognised under the adoption of HKFRS 16. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2018: nil).

Income Tax Expense

During the period under review, it was recorded income tax expense of approximately HK$206 million (Six months ended 30 June 2018: approximately HK$272 million). Income tax expense mainly includes the enterprise income tax calculated at a tax rate of 25% for the Group's major subsidiaries incorporated in the PRC ("major PRC Subsidiaries") and the provision of withholding tax of 5% on the dividend to be declared from the major PRC Subsidiaries in accordance with the relevant tax regulations in the PRC. Income tax expense decreased in line with the decrease in profits arising from the major PRC subsidiaries incorporated in the PRC and the drop in the provision of withholding tax during the period under review; and the written back over-provision of withholding tax amounting to approximately HK$17 million in the prior years.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owner during the period under review was approximately HK$640 million, a slightly increase of HK$2 million or 0.3% YoY, while approximately HK$638 million for the six months ended 30 June 2018.

Material Investments and Acquisitions

During the six months ended 30 June 2019, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2019, 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 vegetation damage etc. All coal mines of the Group have obtained necessary permission and approval from the relevant Chinese regulators.

During the period under review, except infrastructure and construction of the lower seam for Jinjiazhuang Coal Mine under acceptance check of work, all coal mines of the Group operated smoothly as planned.

Charges on Assets

As at 30 June 2019, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 30 June 2019, bank deposits of approximately HK$218 million and bills receivables of approximately HK$329 million were used for securing bills facilities of approximately HK$501 million.

Contingent Liabilities

As at 30 June 2019, there were no guarantees given by the Group.

Gearing Ratio

As at 30 June 2019, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 0.7%. Other than the early redemption of bills receivables as asset-backed financing amounting to approximately HK$122 million, the Group had no other borrowings.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2019, 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 2019, AUD depreciated by approximately 1% and RMB remained unchanged respectively, when compared to that as at 31 December 2018. The aggregate carrying amount of assets denominated in AUD represented approximately 5% of the Group's net assets value as at 30 June 2019. 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 average RMB exchange rate during the period under review was approximately 2% lower than the closing RMB exchange rate as at 30 June 2019, the differences in the average and closing rates in RMB led to an exchange loss of approximately HK$14 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 2019.

Liquidity and Financial Resources

As at 30 June 2019, the Group's current ratio (total current assets divided by total current liabilities) was approximately 2.45 times and the Group's cash and bank deposits amounted to approximately HK$4,877 million, of which approximately HK$218 million was deposited to secure bills facilities of approximately HK$210 million. The Group continued to maintain a healthy net cash balance.

The Group has total bills receivables amounting to approximately HK$1,459 million (of which approximately HK$195 million represented discounted and endorsed bills receivables and approximately HK$329 million was used for securing bills facilities of approximately HK$291 million) as at 30 June 2019 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$935 million, the Group's free cash resources would have approximately HK$5,594 million as at 30 June 2019.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2019, 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.

As at 30 June 2019, save for asset-backed financing denominated in RMB amounting to approximately HK$122 million, the Group had no borrowings.

EMPLOYEES

As at 30 June 2019, the Group had 20 Hong Kong employees and 5,013 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 period under review, no share option was granted or exercised.

FUTURE PROSPECTS

China's gross domestic product ("GDP") growth rate in the first half of 2019 was 6.3%, of which the growth rate in the first quarter was 6.4% and the growth rate in the second quarter was 6.2%. Although GDP growth has slowed down in the second quarter, it is still within the expected target of the economic growth of 6–6.5% set out at the beginning of this year by the State Council. Since August 2018, in response to the uncertain internal and external economic challenges, the central government has begun to loosen monetary and fiscal policies, including lowering the deposit reserve ratio, substantially reducing taxes and levies, and increasing export tax rebates. For real estate sector, the central government has eased some former restrictive policies. Moreover, it has also accelerated the issuance of special local government bonds to enlarge the amount of infrastructure investment. In the first half of 2019, the cumulative manufacturing investment and infrastructure investment have increased by 3% and 4.1% YoY respectively. There was a short blooming in Chinese real estate market in the first half of the year, the cumulative real estate investment and new start construction area have increased by 10.9% and 10.1% YoY respectively in the first half of the year, maintaining double-digit growth momentum.

Driven by downstream demand, in the first half of the year, the steel industry capacity utilisation rate grew at 2.5% YoY to 80.2% and the coal industry capacity utilisation rate reached 69.6%, dropped slightly by 2.5% YoY. The Chinese steel industry maintained a strong growth momentum in the first half of the year. China's pig iron and crude steel production volume increased by 7.9% and 10.0% YoY respectively. Coking coal sector, as the upstream sector of steel industry, has also been benefited from the blooming of steel industry. For the first half of the year, the national coking coal production volume increased by only 2.8% YoY and the coking coal imports increased drastically by 22.2% YoY. However, the overall supply growth was obviously inferior to demand growth. As a result, the price of coking coal products remained at a relatively high level in the first half of 2019.

Meanwhile, in the first half of 2019, the world's economic instability has suddenly increased. The Sino-US trade friction has become more and more confusing, the Federal Reserve has cut interest rate for the first time in ten years, and the newly elected UK Prime Minister has greatly increased the chance of hard Brexit etc. All of these would bring the global political and economic situations now under tremendous pressure in the second half of the year. International Monetary Fund has adjusted the forecast of world economic growth in 2019 and 2020 to 3.2% and 3.5% respectively, which are 0.3 and 0.1 percentage points lower than the forecast at the beginning of the year.

Sino-US trade dispute has intensified and the downward pressure for China's economy has increased. Recently, the Chinese government held a meeting to set the tone for the stabilisation of economic and growth target in the second half of 2019, including continuing tax and levies cut, stimulating domestic consumption and stabilising manufacturing investment. On the other hand, under the "Houses for living not for speculation" principal, the Chinese government indicated that there will be no stimulus measure for real estate sector in short term. In terms of infrastructural investment, the Chinese government announced that it will accelerate the transformation and introduce new infrastructures to old urban areas. At the same time, it will also expand the funding sources for infrastructure projects through various channels.

We believe that the Chinese government will implement different polices to stimulate infrastructural and manufacturing investment while stabilise the real estate sector in the second half of the year. Accordingly, the overall demand of steel industry will remain stable. For coking coal sector, it is estimated that the release of new capacity is very limited. Import of coking coal is also affected by international political atmosphere from time to time. Under the development trend of large scale blast furnace, the supply of high-quality coking coal will be still in shortage. Therefore, we expect coking coal product price would remain stable in a relatively high range in the remaining of 2019. Without a doubt, under the Sino-US trade war and the turbulence in current global political and economic situation, there are still many uncertainties and pressures on global economic growth and investment sentiment, which may have unknown negative impact on future coking coal and steel price trends.

For our Group, lower seam construction of the Jinjiazhuang Coal Mine has been completed inspections and obtained the safety and production license in August. Meanwhile, lower seam construction of the Xingwu Coal Mine is also progressing in an orderly manner. After the Jinjiazhuang Coal Mine is officially put into normal production in the second half of 2019, our annual raw coal output will gradually return to 5 million tonnes or above. At the same time, we will continue to adhere to safe production, cost reduction and efficiency promotion, and to explore internal potential, introduce and develop new technologies and new processing flow and strive to bring greater return to shareholders, employees and society.

AUDIT COMMITTEE

The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2019. In addition, the independent auditor of the Company, Pricewaterhousecoopers, has reviewed the unaudited interim financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2019.

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 Listing Rules during the six months ended 30 June 2019, 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.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The 2019 interim report containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 22 August 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), 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).