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SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the year ended 31 December 2017**	2016	**Percentage change**
Revenue	**3,472**	1,810	+92%
Gross profit	**1,875**	607	+209%
Gross profit margin	**54%**	34%	
Non-cash net impairment loss on goodwill, mining rights and property, plant and equipment	**–**	(195)	
Before non-cash net impairment loss on goodwill, mining rights and property, plant and equipment (net of the correspondence deferred tax impact):			
Profit for the year	**1,183**	237	+399%
Profit attributable to owners of the Company ("Owners")	**1,081**	234	+362%
After non-cash net impairment loss on goodwill, mining rights and property, plant and equipment (net of the correspondence deferred tax impact):			
Profit for the year	**1,183**	68	+1640%
Profit attributable to Owners	**1,081**	112	+865%
EBITDA[1]	**2,028**	694	+192%
Basic earnings per share *(HK cents)*	**20.38**	2.11	+866%

(HK$'million)	**As at 31 December 2017**	2016	**Percentage change**
Net assets	**17,376**	15,666	+11%
Of which: Equity per share attributable to Owners *(HK$)*	**3.01**	2.74	+10%
Current ratio[2]	**2.87 times**	3.45 times	–17%

The board of directors (the "Board") has proposed a 2017 final dividend of HK7.2 cents (2016: HK3 cents) per ordinary share. To reward our shareholders, the Board has also declared a special dividend of HK6.3 cents (2016: nil) per ordinary share.

Notes:

1. EBITDA is defined as profit before income tax plus impairment loss on goodwill, mining rights and property, plant and equipment, reversal of impairment loss on mining right and property, plant and equipment, finance costs, change in fair value of derivative financial instruments, 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 2017 with comparative figures for the year ended 31 December 2016. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**3,471,922**	1,809,885
Cost of sales		**(1,596,518)**	(1,202,842)
Gross profit		**1,875,404**	607,043
Other operating income	*6*	**207,441**	107,188
Selling and distribution expenses		**(206,638)**	(167,412)
General and administrative expenses		**(202,034)**	(203,755)
Other operating expenses		**(23,961)**	(8,054)
Impairment loss on goodwill, mining rights and property, plant and equipment	*12(b)*	**–**	(595,854)
Reversal of impairment loss on mining rights and property, plant and equipment	*12(b)*	**–**	401,012
Finance costs	*7*	**(2,226)**	(490)
Change in fair value of derivative financial instruments		**–**	6,886
Share of loss of an associate		**(368)**	(2,308)
Profit before income tax	*8*	**1,647,618**	144,256
Income tax expense	*9*	**(465,034)**	(76,600)
Profit for the year		**1,182,584**	67,656

	Notes	2017 HK$'000	2016 HK$'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		**723,997**	(568,590)
Item that will not be reclassified to profit or loss:			
Fair value gain on financial assets measured at fair value through other comprehensive income		**155,062**	182,715
Total comprehensive income for the year		**2,061,643**	(318,219)
Profit for the year attributable to:			
Owners of the Company		**1,080,649**	111,795
Non-controlling interests		**101,935**	(44,139)
Profit for the year		**1,182,584**	67,656
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,881,310**	(211,723)
Non-controlling interests		**180,333**	(106,496)
Total comprehensive income for the year		**2,061,643**	(318,219)
		HK (Cents)	*HK (Cents)*
Earnings per share	*11*		
– Basic and diluted		**20.38**	2.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,171,773**	2,740,973
Prepaid lease payments		**50,781**	48,965
Mining rights		**8,275,967**	7,902,244
Goodwill	*12(a)*	**1,314,569**	1,233,703
Interest in an associate		**13,107**	12,641
Financial assets measured at fair value through other comprehensive income		**629,679**	474,617
Deposits, prepayments and other receivables		**584,543**	312,608
Deferred tax assets		**23,121**	21,016
Total non-current assets		**14,063,540**	12,746,767
Current assets			
Inventories		**195,983**	198,599
Trade receivables	*13*	**871,004**	869,556
Bill receivables	*13*	**1,426,791**	1,074,095
Deposits, prepayments and other receivables		**110,777**	114,293
Other financial assets		**–**	200,000
Pledged bank deposits		**162,083**	76,927
Time deposits with original maturity over three months		**1,540,808**	2,029,933
Cash and cash equivalents		**3,323,659**	1,794,286
Total current assets		**7,631,105**	6,357,689

	Notes	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade and bill payables	*14*	**612,507**	441,423
Other financial liability		**178,358**	–
Other payables and accruals		**1,498,032**	1,160,446
Amounts due to non-controlling interests of subsidiaries		**37,843**	6,472
Tax payables		**334,660**	234,836
Total current liabilities		**2,661,400**	1,843,177
Net current assets		**4,969,705**	4,514,512
Total assets less current liabilities		**19,033,245**	17,261,279
Non-current liabilities			
Deferred tax liabilities		**1,657,562**	1,595,586
Total non-current liabilities		**1,657,562**	1,595,586
Net assets		**17,375,683**	15,665,693
EQUITY			
Equity attributable to owners of the Company			
Share capital		**15,156,959**	15,156,959
Reserves		**777,853**	(637,935)
Total equity attributable to owners of the Company		**15,934,812**	14,519,024
Non-controlling interests		**1,440,871**	1,146,669
Total equity		**17,375,683**	15,665,693

Notes:

1. GENERAL INFORMATION

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

The principal 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 financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 22 March 2018.

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 (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange.

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 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 2016 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 2017 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.

3. ADOPTION OF HKFRSS

3.1 Adoption of new or revised HKFRSs – effective 1 January 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014 – 2016 Cycle	Amendments to HKFRS 12, Disclosure of Interest in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

3.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards[1]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
HKFRS 9 (2014)	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 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.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures
The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions
The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

HKFRS 9 (2014) – Financial Instruments
HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity as at 1 January 2018. Expected impacts of these new requirements on the Group's financial statements are as follows:

(a) Classification and measurement
The Group has early adopted HKFRS 9 (2010) and will continue to apply HKFRS 9 (2010). The classification and measurement requirements under HKFRS 9 are consistent with HKFRS 9 (2010) and thus will have no impact on the Group's financial statements.

(b) Impairment
The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset, the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

HKFRS 15 – Revenue from Contracts with Customers
The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes the existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer
– Step 2: Identify the performance obligations in the contract
– Step 3: Determine the transaction price
– Step 4: Allocate the transaction price to each performance obligation
– Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good in the contract. HKFRS 15 identifies 3 situations in which control of the promised good is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Group considered that the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs which is consistent with the current policy adopted by the Group. The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of coking coal.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group applies a policy of payments are received in advance on the sales of raw coking coal. The Group is in the process of assessing the implication of the significant financing component identified from the raw coking coal sales. Considered that the customer paid for the raw coking coal in advance and the timing of the transfer of the raw coking coal is at the discretion of the customer, significant financing component may not exist.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. Since the number of "open" contracts for sales of coking coal as at 31 December 2017 is limited, the Group expects that the transition adjustment to be made upon the initial adoption of HKFRS 15 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial results from 2018 onwards.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)
The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation
The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 16 – Leases
HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments
The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the above new or revised standards on the Group's results and financial position in the first year of application. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies or financial statements except for those stated above. Other new or revised HKFRSs that have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

4. REVENUE

The Group's principal activities are disclosed in note 1 to this result announcement. Revenue from the Group's principal activities recognised during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Sales of raw coking coal	**629,971**	191,408
Sales of clean coking coal	**2,841,951**	1,618,477
	3,471,922	1,809,885

5. SEGMENT INFORMATION

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 measurement policies of the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that change in fair value of derivative financial instruments, interest income, finance costs, share of result of an associate, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include property, plant and equipment, prepaid lease payments, mining rights, goodwill, inventories, receivables and operating cash and mainly exclude financial assets measured at fair value through other comprehensive income, deferred tax assets, interest in an associate and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and not allocated to a segment. These include tax payables, deferred tax liabilities and other financial liability.

The operating segment is monitored and strategic decisions are made on the basis of segment operating result. Reconciliation of segment revenue, profit or loss and assets and liabilities is as follows:

	Coking coal mining		Consolidated	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:				
Revenue from external customers	**3,471,922**	1,809,885	**3,471,922**	1,809,885
Segment profit	**1,597,779**	127,478	**1,597,779**	127,478
Interest income			**84,286**	74,476
Dividend income			**22,171**	–
Net exchange gain/(loss)			**16,910**	(12,509)
Employee costs			**(42,806)**	(33,764)
General and administrative expenses not allocated			**(16,380)**	(15,513)
Other operating expenses not allocated			**(11,748)**	–
Finance costs			**(2,226)**	(490)
Change in fair value of derivative financial instruments			**–**	6,886
Share of loss of an associate			**(368)**	(2,308)
Profit before income tax			**1,647,618**	144,256

	Coking coal mining		Corporate		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**226,038**	209,970	**428**	424	**226,466**	210,394
Amortisation of mining rights	**149,603**	147,374	**–**	–	**149,603**	147,374
Amortisation of prepaid lease payments	**1,415**	1,423	**–**	–	**1,415**	1,423
Impairment loss on goodwill, mining rights and property, plant and equipment	**–**	595,854	**–**	–	**–**	595,854
Reversal of impairment loss on mining rights and property, plant and equipment	**–**	(401,012)	**–**	–	**–**	(401,012)

	Coking coal mining		Corporate		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**15,963,761**	14,549,199	**200,510**	22,764	**16,164,271**	14,571,963
Interest in an associate	**–**	–	**13,107**	12,641	**13,107**	12,641
Deferred tax assets	**–**	–	**23,121**	21,016	**23,121**	21,016
Financial assets measured at fair value through other comprehensive income	**–**	–	**629,679**	474,617	**629,679**	474,617
Other financial assets	**–**	–	**–**	200,000	**–**	200,000
Time deposits with original maturity over three months	**–**	–	**1,540,808**	2,029,933	**1,540,808**	2,029,933
Cash and cash equivalents	**872,165**	123,711	**2,451,494**	1,670,575	**3,323,659**	1,794,286
Group assets					**21,694,645**	19,104,456
Segment liabilities	**2,100,130**	1,566,288	**48,252**	42,053	**2,148,382**	1,608,341
Deferred tax liabilities	**–**	–	**1,657,562**	1,595,586	**1,657,562**	1,595,586
Tax payables	**–**	–	**334,660**	234,836	**334,660**	234,836
Other financial liability	**–**	–	**178,358**	–	**178,358**	–
Group liabilities					**4,318,962**	3,438,763

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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**3,471,922**	1,809,885	**13,410,306**	12,250,348
Hong Kong	**–**	–	**434**	786
	3,471,922	1,809,885	**13,410,740**	12,251,134

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 3 customers of the Group's coking coal mining segment amounted to HK$892,213,000, HK$793,389,000 and HK$627,198,000, which represented 26%, 23% and 18% of the Group's revenue respectively. In last year, revenue from 3 customers of the Group's coking coal mining segment amounted to HK$605,626,000, HK$364,346,000 and HK$249,910,000, which represented 34%, 20% and 14% of the Group's revenue respectively.

6. OTHER OPERATING INCOME

	2017	2016
	HK$'000	*HK$'000*
Dividend income	**22,171**	–
Interest income	**84,286**	74,476
Income from sales of scrapped products	**44,620**	32,712
Net exchange gain	**56,364**	–
	207,441	107,188

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest charged on discounted bill receivables	**2,226**	490

No borrowing costs were capitalised for the years ended 31 December 2017 and 2016.

8. PROFIT BEFORE INCOME TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**1,575**	1,550
– other services	**475**	431
Cost of inventories recognised as expenses	**1,596,518**	1,202,842
Amortisation of:		
– prepaid lease payments	**1,415**	1,423
– mining rights	**149,603**	147,374
Depreciation of property, plant and equipment	**226,466**	210,394
Employee costs (including directors' emoluments)	**543,595**	456,776
Operating lease charges in respect of land and buildings	**7,378**	7,116
Provision for litigation settlement	**–**	939
Net exchange (gain)/loss	**(56,364)**	42,027
Loss on disposals of property, plant and equipment	**9,758**	6,364

9. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax – PRC income tax		
– Current year	**511,637**	135,858
– Over provision in respect of prior years	**(2,532)**	(449)
Deferred tax		
– Current year	**(44,071)**	(58,501)
– Prior years	**–**	(308)
	465,034	76,600

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in Hong Kong in 2017 and 2016.

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

The Group is also subject to withholding tax at the rate of 5% (2016: 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.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2017 HK$'000	2016 HK$'000
Profit before income tax	**1,647,618**	144,256
Tax calculated at the rates applicable to the tax jurisdiction concerned	**399,107**	36,031
Tax effect of non-deductible expenses	**6,977**	28,595
Tax effect of non-taxable income	**(23,713)**	(13,593)
Tax effect of unused tax losses not recognised	**9,998**	26,324
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	**75,197**	–
Over provision in respect of prior years	**(2,532)**	(757)
Income tax expense	**465,034**	76,600

10. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
2016 final dividend of HK3 cents (2016: 2015 final dividend of HK5 cents) per ordinary share	**159,055**	265,092
2017 interim dividend of HK3 cents (2016: nil) per ordinary share	**159,055**	–
2017 special dividend of nil (2016: HK15 cents) per ordinary share	**–**	795,276
	318,110	1,060,368

On 22 March 2018, the board of directors 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 is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed and special dividend declared after 31 December 2017 have not been recognised as a liability as at 31 December 2017.

On 23 March 2017, the board of directors proposed a final dividend of HK3 cents per ordinary share to the owners of the Company in respect of the year ended 31 December 2016. This final dividend was approved by shareholders at the annual general meeting held on 26 May 2017 and total dividend of HK$159,055,000 was paid on 5 July 2017. This final dividend proposed after 31 December 2016 had not been recognised as a liability as at 31 December 2016.

11. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share	**1,080,649**	111,795
	'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 HK20.38 cents (2016: HK2.11 cents), based on the profit for the year attributable to owners of the Company of HK$1,080,649,000 (2016: HK$111,795,000) and weighted average number of ordinary shares as set out above for basic earnings per share.

The Company's share options were all lapsed during last year and there were no potential ordinary shares following the lapse. Therefore, the diluted earnings per share for the year was calculated based on the profit of HK$1,080,649,000 (2016: HK$111,795,000) for the year and on the weighted average of 5,301,837,842 (2016: 5,301,837,842) ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic earnings per share in current year.

12. GOODWILL/IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT/REVERSAL OF IMPAIRMENT LOSS ON MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount of goodwill

	2017	2016
	HK$'000	*HK$'000*
Gross carrying amount at 1 January	**2,125,852**	2,191,726
Exchange retranslation	**80,866**	(65,874)
Gross carrying amount at 31 December	**2,206,718**	2,125,852
Less:		
Accumulated impairment losses at 1 January	**(892,149)**	(832,436)
Impairment loss	**–**	(59,713)
Accumulated impairment losses at 31 December	**(892,149)**	(892,149)
Net carrying amount at 31 December	**1,314,569**	1,233,703

The carrying amount of goodwill was allocated as follows:

	2017	2016
	HK$'000	*HK$'000*
Xingwu	**750,219**	703,331
Jinjiazhuang	**–**	–
Zhaiyadi	**543,639**	509,661
Jinshan Energy Group Limited	**20,711**	20,711
Net carrying amount at 31 December	**1,314,569**	1,233,703

(b) Impairment loss on goodwill, mining rights and property, plant and equipment/Reversal of impairment loss on mining rights and property, plant and equipment

Resulted from the improvement in the oversupply of coking coal due to the implementation of policies of reducing the capacity of coal mines and restriction on coal production volume in the PRC, together with the flooding in Australia in March 2017, the average market price of raw coking coal increased by 79% in 2017 when compared with that in 2016. The Group reassessed its estimates on the recoverable amounts of cash-generating units ("CGUs") of the coking coal mining segment. During the year ended 31 December 2017, no impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income (2016: net impairment loss of HK$194,842,000 was recognised).

The recoverable amounts of CGUs have been determined based on value-in-use calculations, which are based on certain key assumptions including discount rates, growth rates, expected changes in direct costs and remaining reserves. The recoverable amounts as at 31 December 2017 were measured by an independent valuer, Asset Appraisal Limited, a member of the Hong Kong Institute of Surveyors.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the CGUs.

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately -14.4% to 3% (2016: 3% to 25%) and with average discount rate of 12.88% (2016: 12.87%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (2016: 3%). Cash flow projections during the budget period for each of the above cash-generating unit ("CGU") are based on the budgeted revenue and expected gross margin during the budget period and the same inflation rate of 3% (2016: 3%) during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inflation rate, have been determined based on market information, past performance and management's expectations for the market development.

The license periods of the mining rights held by the Group range from 2 to 30 years which are shorter than the estimated useful lives of the coal mines estimated by the Group, management is of the opinion that the Group is able to renew the license of the mining rights from the relevant authority continuously and at minimal charges.

There was no impairment loss on goodwill, mining rights and property, plant and equipment incurred during the year as the recoverable amount of Xingwu's, Jinjiazhuang's and Zhaiyadi's CGUs equal to or higher than its carrying amount. During the 2016 interim period, an impairment loss of HK$595,854,000 was recognised in the consolidated statement of profit or loss and other comprehensive income of which HK$401,012,000 was reversed in the consolidated statement of profit or loss and other comprehensive income at the last reporting date. The impairment loss on goodwill, mining rights and property, plant and equipment in last year was incurred for Jinjiazhuang's and Xingwu's CGU.

For the year ended 31 December 2016, the carrying amount of Jinjiazhuang's CGU was determined to be higher than its recoverable amount and an impairment loss of HK$135,129,000 was recognised. The impairment loss was first allocated to goodwill and then allocated to other assets of the unit, including mining rights and property, plant and equipment, pro-rata on the basis of the carrying amount to these assets. Given that the goodwill of Jinjiazhuang had been fully impaired during the year ended 31 December 2015, the impairment loss of HK$135,129,000 was allocated to other assets during the year ended 31 December 2016. Accordingly, the carrying amount of mining rights and property, plant and equipment, were reduced by HK$102,833,000 and HK$32,296,000 for the year ended 31 December 2016 respectively which were included in "impairment loss on goodwill, mining rights and property, plant and equipment" and "reversal of impairment loss on mining rights and property, plant and equipment" in the consolidated statement of profit or loss and other comprehensive income. The key assumptions in the last year were the discount rate of 12.2% per annum and the growth rates, covering a 5-year period, of approximately 3% to 25%.

As of 30 June 2016, the carrying amount of Xingwu's CGU was determined to be higher than its recoverable amount and an impairment loss of HK$59,713,000 was recognised which was fully allocated to goodwill. This impairment loss on goodwill was not reversed even though the recoverable amount of Xingwu's CGU was higher than its carrying amount as of 31 December 2016. The key assumptions used in the last interim period were the discount rate of 12.26% per annum and the growth rates, covering a 5-year period, of approximately -17% to 27%.

The above impairment losses of HK$194,842,000 in aggregate were included in "impairment loss on goodwill, mining rights and property, plant and equipment" and "reversal of impairment loss on mining rights and property, plant and equipment" in the consolidated statement of profit or loss and other comprehensive income in last year.

(c) Sensitivity analysis

Apart from the considerations described in determining the value-in-use of the CGUs above, the directors are not aware of any other probable changes that would necessitate changes in its key estimates. However, the estimated recoverable amount of the Group's CGUs is particularly sensitive to the long term growth rate applied.

The recoverable amount of Xingwu's CGU exceeds its carrying amount by HK$809,244,000. The key assumptions are the discount rate of 13.1% and the growth rate of approximately -14.4% to 3%. If the discount rate increased by 1.46% or the growth rate reduced by 2.14%, the carrying amount of Xingwu's CGU would be equal to its recoverable amount.

The recoverable amount of Zhaiyadi's CGU exceeds its carrying amount by HK$1,674,375,000. The key assumptions are the discount rate of 13.15% and the growth rate of approximately -14.4% to 3%. If the discount rate increased by 3.95% or the growth rate reduced by 1.69%, the carrying amount of Zhaiyadi's CGU would be equal to its recoverable amount.

13. TRADE AND BILL RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,098,851**	1,083,161
Less: Provision for impairment loss	**(227,847)**	(213,605)
	871,004	869,556
Bill receivables	**1,426,791**	1,074,095
	2,297,795	1,943,651

Trade receivables generally have credit terms ranging from 60 to 90 days (2016: 60 to 90 days) and no interest is charged.

The carrying amount of trade and bill receivables is considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, are expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2017, bill receivables included an amount of RMB111,992,000 (HK$132,599,000 equivalent) (2016: RMB105,254,000 (HK$116,832,000 equivalent)) which was pledged for bill payables of RMB111,992,000 (HK$132,599,000 equivalent) (2016: RMB105,254,000 (HK$116,832,000 equivalent)) (note 14).

As at 31 December 2017, the Group endorsed certain of its bill receivables with full recourse to creditors. In the event of default by the debtors, the Group is obliged to pay the creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its endorsed bill receivables.

The endorsement transactions do not meet the requirements for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bill receivables. As at 31 December 2017, bill receivables of RMB133,152,000 (HK$157,652,000 equivalent) (2016: RMB13,565,000 (HK$15,058,000 equivalent)) continue to be recognised in the Group's consolidated financial statements although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade payables and other payables until the related bill receivables are collected or the Group settles any losses suffered by the creditors. As at 31 December 2017, bill receivables endorsed to trade creditors and other creditors amounted to RMB25,192,000 (HK$29,827,000 equivalent) (2016: RMB3,500,000 (HK$3,885,000 equivalent)) (note 14) and RMB107,960,000 (HK$127,825,000 equivalent) (2016: RMB10,065,000 (HK$11,173,000 equivalent)) respectively.

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

At each reporting date, trade and bill receivables are individually assessed for impairment review purpose. The individually impaired receivables, if any, are recognised, based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade and bill 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 receivables directly. As at 31 December 2017, ageing analysis of net trade and bill receivables, based on the invoice and bill dates, is as follows:

	2017	2016
	HK$'000	*HK$'000*
1 to 3 months	**1,580,812**	1,112,874
4 to 6 months	**436,035**	681,213
7 to 12 months	**279,764**	149,564
Over 1 year	**1,184**	–
	2,297,795	1,943,651

Movement in the provision for impairment of trade receivables is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**213,605**	225,151
Exchange retranslation	**14,242**	(11,546)
At 31 December	**227,847**	213,605

As at 31 December 2017, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Current	**2,106,044**	1,668,729
Less than 3 months past due	**12,334**	139,397
4 to 6 months past due	**28,564**	113,180
More than 6 months but less than 12 months past due	**149,669**	22,345
Over one year	**1,184**	–
	191,751	274,922
	2,297,795	1,943,651

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the balances are considered fully recoverable.

14. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2016: 30 to 180 days). Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2017 is as follows:

	2017	2016
	HK$'000	*HK$'000*
1 to 3 months	**347,336**	249,163
4 to 6 months	**221,864**	125,195
7 to 12 months	**17,617**	26,768
Over 1 year	**25,690**	40,297
	612,507	441,423

As at 31 December 2017, bill payables amounted to RMB247,312,000 (HK$292,817,000 equivalent) (2016: RMB200,724,000 (HK$222,804,000 equivalent)) were secured by the pledged bank deposits of RMB135,820,000 (HK$160,811,000 equivalent) (2016: RMB68,800,000 (HK$76,368,000 equivalent)) and bill receivables of RMB111,992,000 (HK$132,599,000 equivalent) (2016: RMB105,254,000 (HK$116,832,000 equivalent)) (note 13).

As at 31 December 2017, included in trade payables of RMB25,192,000 (HK$29,827,000 equivalent) (2016: RMB3,500,000 (HK$3,885,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements. The corresponding financial assets are included in bill receivables (note 13).

15. COMMITMENTS

(a) Operating lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**6,486**	6,315
In the second to fifth years	**14,558**	17,750
After the fifth years	**28,403**	29,076
	49,447	53,141

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 3 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

	2017	2016
	HK$'000	*HK$'000*
Commitments for the:		
– Acquisition of property, plant and equipment	**216,566**	182,763
– Exploration and design fees for a potential mining project	**8,856**	8,303
	225,422	191,066

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board has proposed a final dividend of HK7.2 cents per ordinary share for the year ended 31 December 2017 (2016: HK3 cents per ordinary share) and has declared a special dividend of 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 Friday, 1 June 2018. The proposed final dividend and the declared special dividend together with the interim dividend of HK3 cents per ordinary share (2016 interim dividend: nil, 2016 special dividend: HK15 cents per ordinary share) will make a total dividend of HK16.5 cents per ordinary share for the year ended 31 December 2017 (2016: HK18 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 18 May 2018 (the "AGM"), the final dividend and the special dividend are expected to be paid on or about Thursday, 12 July 2018. In order to qualify for the proposed final dividend and the declared special 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 Friday, 1 June 2018 for registration.

After taken into consideration of the Group's operational and developmental requirements, abundant cash balance and, in particular, the desire to enhance shareholder value, the Board would extend sincere gratitude towards the support from the shareholders by way of declaration of the special dividend. However, the declaration of special dividend should not be construed as a commitment by the Company to declare a similar special dividend in the future or on a regular basis.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018 (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 Friday, 11 May 2018 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) for the year ended 31 December 2017 (the "year under review") together with that of the same period of 2016 is summarised as follows:

	Unit	For the year ended 31 December **2017**	2016	Change Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**3.98**	3.85	+0.13	+3%
Clean coking coal	Mt	**2.03**	2.32	–0.29	–13%
Sales volume:					
Raw coking coal	Mt	**0.93**	0.48	+0.45	+94%
Clean coking coal	Mt	**2.07**	2.12	–0.05	–2%
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**684**	398	+286	+72%
Clean coking coal	RMB/tonne	**1,386**	769	+617	+80%

For the year ended 31 December 2017, the Group produced approximately 3.98 million tonnes ("Mt") (2016: approximately 3.85 Mt) of raw coking coal, representing a year-on-year ("YoY") increase of 3% and also produced approximately 2.03 Mt (2016: approximately 2.32Mt) of clean coking coal, representing a YoY decrease of 13% as a result of significant increase in sales volume of raw coking coal by approximately 0.45 Mt. Benefit from the cancellation on the 276 working days restriction policy since May 2017 being offset the negative effect of temporarily suspension of normal production in Jinjiazhuang Coal Mine in the second half of 2017, our raw coking coal production volume was increased by 3% YoY in 2017 eventually. Due to the construction for exchange upper and lower coal seams of Jinjiazhuang Coal Mine since the second half of 2016, its raw coking coal production volume declined from approximately 0.65 Mt in 2016 to approximately 0.47 Mt during the year under review. Due to the fact that the infrastructure for extending Jinjiazhuang Coal Mine's mining to lower coal seams under comprehensive construction that is expected to be completed by end of 2018, Jinjiazhuang Coal Mine has stopped normal production, however still produced limited construction coal during the construction period since the second half of 2017. It should be noted that in coal mining industry, it is not uncommon for a coal mine to stop production for a period for construction work. The construction work is actually beneficial to the production of Jinjiazhuang Coal Mine in the long run.

The Production and Safety Permit of Jinjiazhuang Coal Mine (the "Permit") expired on 17 October 2017 and has been renewed on 8 December 2017. The delay in the renewal of the Permit is a result of unexpected changes in the policies in the People's Republic of China (the "PRC") for renewal of Mining Permit which in turn is a pre-requisite for application for renewal of the Permit. Under such new policies, applications for renewal of Mining Permit would need to go through relatively complicated and prolonged procedures than before. As a result, Jinjiazhuang Coal Mine as well as many other coal mines in Shanxi could not successfully apply for renewal of the Permit on time during this period. As Jinjiazhuang Coal Mine has stopped normal production because of extending its mining to lower coal seams under construction in progress before the Permit's expiry date, its production has not been interrupted as a result of the cancellation of the Permit temporarily. Thus, there is no loss in production volume and no violation of production, and also no material financial impact on the Group arose from this temporary cancellation. Nevertheless, we have taken active works to renew the Permit successfully on 8 December 2017.

Because of the significant increase in sales volume of raw coking coal, production volume of clean coking coal dropped by 13% YoY during the year under review. However, sales volume of clean coking coal slightly dropped by 2% YoY during the year under review as a result of lower inventory level as at 31 December 2017 when compared to that of the last year end. In order to speed up the payback period, sales volume of raw coking coal significant climbed by 94% YoY during the year under review as a result of a good effort of our sales team. Sales of raw and clean coking coal accounted for 18% and 82% of the Group's turnover respectively for the year ended 31 December 2017. They accounted for 11% and 89% respectively of the same period 2016.

China's economy continued to recover beyond expectations in 2017 and the country's supply-side reforms achieved remarkable effects, in turn benefiting the Group's coking coal business. The market price of coking coal rose volatility and repeatedly in 2017. For the year ended 31 December 2017, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal significantly increased by 72% YoY to Renminbi ("RMB") 684/tonne when compared with that of the same period of 2016 (2016: RMB398/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal also significantly increased by 80% YoY to RMB1,386/tonne when compared with that of the same period of 2016 (2016: RMB769/tonne). The increase in average realised selling prices of our coal products were in line with the rise in market coal prices even the upside effect was partially offset by the increase in selling proportion of semi-hard coking coal with lower selling price during the year under review. In terms of its sales volume, sales of raw hard coking coal and raw semi-hard coking coal accounted for 29% and 71% (2016: accounted for 62% and 38%) of the total raw coking coal sales volume respectively for the year ended 31 December 2017. In addition, sales of No.1 and No.2 clean coking coal accounted for 47% and 53% (2016: 59% and 41%) of the total clean coking coal sales volume respectively for the year ended 31 December 2017.

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded a turnover of approximately Hong Kong Dollars (“HK$”) 3,472 million, representing a substantial increase of approximately HK$1,662 million or 92% as compared with that of approximately HK$1,810 million for the same period of 2016. The substantial increase in turnover was mainly driven by a significant increase in average realised selling prices of raw and clean coking coal by 72% YoY and 80% YoY respectively.

For the year ended 31 December 2017, the total turnover to the top five customers accounted for 76% (2016: 83%) of the Group’s turnover. Of which, the total turnover to the largest customer accounted for 26% (2016: 34%) of the Group’s turnover.

For the year ended 31 December 2017, gross profit margin was 54% while 34% for the same period in 2016. Significant increase in gross profit margin was mainly due to the substantial rise in average realised selling prices as explained above under “Business Review”. Gross profit was substantially increased by approximately HK$1,268 million or 209% YoY.

For the year ended 31 December 2017, the Group recorded a net considerable profit of approximately HK$1,183 million and profit attributable to the owners of the Company (the “Owner”) of approximately HK$1,081 million. Substantial increase in profit in 2017 is primarily attributable to (i) the substantial increase in gross profit by approximately HK$1,268 million YoY as stated above; (ii) based on the current coking coal prices with a positive market sentiment, no provision of non-cash impairment loss made on goodwill, mining rights and property, plant and equipment is required for the year under review. However, for the same period of last year, a non-cash net impairment loss on goodwill, mining rights and property, plant and equipment (the “Impairment”) amounted to approximately HK$195 million was recognised even the reversal of the related deferred tax liabilities amounted to approximately HK$26 million as income, the net effect on the Impairment was attributable to the reduction of net profit and profit attributable to the Owners amounted to approximately HK$169 million and approximately HK$122 million respectively; (iii) turnaround from net foreign exchange loss of approximately HK$42 million for the year ended 31 December 2016 to net foreign exchange gain (the “Foreign Exchange Gain/Loss”) of approximately HK$56 million for the year under review due to the appreciation of RMB by 6.67% as at 31 December 2017 (2016: depreciation of RMB by 5.13%); and (iv) dividend income amounted to approximately HK$22 million (2016: nil) from financial assets measured at fair value through other comprehensive income.

During the year under review, basic earnings per share was HK20.38 cents (2016: HK2.11 cents).

The Group recorded EBITDA of approximately HK$2,028 million (2016: approximately HK$694 million) and generated a positive cash flow of approximately HK$1,536 million (2016: approximately HK$222 million) from our operating activities during the year under review. The Group continues to maintain a healthy free cash balance of approximately HK$4,864 million (2016: approximately HK$3,824 million). The substantial increase in cash balance is mainly due to the substantial increase in cash flow generated from our operating activities during the year under review.

Cost of Sales

During the year under review, cost of sales was approximately HK$1,597 million, representing an increase of approximately HK$394 million or 33%, as compared with that of approximately HK$1,203 million for the same period of 2016. The increase in cost of sales was mainly due to the increase in actual usage volume of raw coking coal for sales and the increase in unit production costs mainly as a result of the increase in uncontrollable resources tax and levies and the rise in prices of materials and services as stated below during the year under review.

Included in cost of sales, amortisation of mining rights was approximately HK$150 million for the year ended 31 December 2017, representing an increase of approximately HK$3 million or 2%, as compared with that of approximately HK$147 million for the same period of 2016. The increase in amortisation of mining rights was mainly due to the increase in actual usage volume of raw coking coal for sales during the year under review.

The unit production costs are summarised as follow:

		For the year ended 31 December		Change	
	Unit	**2017**	2016	Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**316**	257	+59	+23%
Less: Uncontrollable costs – resources tax and levies	RMB/tonne	**(60)**	(35)	+25	+71%
Subtotal	RMB/tonne	**256**	222	+34	+15%
of which, depreciation and amortisation	*RMB/tonne*	**(65)**	(65)	–	–
Processing cost for clean coking coal	RMB/tonne	**55**	46	+9	+20%
of which, depreciation	*RMB/tonne*	**(15)**	(13)	+2	+15%

Due to the substantial increase in average realised selling prices of raw and clean coking coal, resources tax which is charged on the basis of the selling price of coking coal, and levies of city constructional tax and additional educational surcharge, which is charged on the basis of the VAT, sharp increased by RMB25/tonne YoY, during the year under review. Excluding the effect on the increased in these uncontrollable costs, unit of production cost of raw coking coal increased by 15% YoY resulted from (i) the increase in staff costs by RMB11/tonne YoY due to the pay rise after the recovery of coal market in order to maintain the competitive advantages in the labour market; and (ii) the increase in material cost due to the rise in average prices of materials by approximately 30-50% YoY and also included one-off provision made on obsolescent spare parts and consumables with carrying amount of approximately RMB25 million during the year under review. In addition, the unit processing cost of clean coking coal also increased by 20% YoY as a result of the decrease in production volume of clean coking coal by 13% YoY and the increase in labour and material costs as stated above.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$1,875 million for the year ended 31 December 2017, representing a significant increase of approximately HK$1,268 million or 209% as compared with that of approximately HK$607 million for the same period of 2016. During the year under review, gross profit margin was 54% compared with 34% for the same period of 2016. The increase in gross profit margin was mainly due to the substantial rise in average realised selling prices of raw and clean coking coal by 72% YoY and 80% YoY respectively for the year ended 31 December 2017 as explained above under "Business Review".

Other Operating Income

During the year under review, other operating income was approximately HK$207 million, representing a significant increase of approximately HK$100 million or 93% as compared with approximately HK$107 million of the same period in 2016. The significant increase in other operating income was mainly attributable to (i) the recorded net foreign exchange gain of approximately HK$56 million (2016: net foreign exchange loss of approximately HK$42 million recognised in general and administrative expenses) as a result of the appreciation of RMB as at 31 December 2017 by approximately 6.67% when compared with that as at 31 December 2016 (2016: depreciation of RMB as at 31 December 2016 by approximately 5.13% when compared with that as at 31 December 2015); (ii) income from sales of scrapped products increased by approximately HK$12 million or 36% YoY as a result of the increase in coal prices; (iii) increase in interest income by approximately HK$10 million or 13% YoY as a result of the higher yield earned in effective cash management; and (iv) dividend income amounted to approximately HK$22 million (2016: nil) from financial assets measured at fair value through other comprehensive income during the year under review.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$207 million, representing an increase of approximately HK$40 million or 24% as compared with that of approximately HK$167 million for the same period of 2016. The increase was mainly as a result of the increase in transportation costs arising from the rise in price of transportation services and the increase in sales volume of clean coking coal at C&F from approximately 589,000 tonnes for the year ended 31 December 2016 to approximately 688,000 tonnes for the year under review.

General and Administrative Expenses

During the year under review, general and administrative expenses would be approximately HK$202 million for the year ended 31 December 2017, representing a decrease of approximately HK$2 million or 1% as compared with approximately HK$204 million for the same period of 2016.

Net Impairment loss on Goodwill, Mining Rights and Property, Plant and Equipment

In the view of the coal market recovering beyond expectations and current coking coal market prices with an optimistic market sentiment, after assessment, no non-cash impairment loss on goodwill, mining rights and property, plant and equipment was recognised by the Group during the year under review (2016: approximately HK$195 million non-cash net impairment loss made on goodwill, mining rights and property, plant and equipment). Details of which are disclosed in note 12(b) on this result announcement.

Other Operating Expenses

During the year under review, other operating expenses were approximately HK$24 million, representing an increase of approximately HK$16 million or 200% as compared with approximately HK$8 million for the same period of 2016. The increase is mainly attributable to the due diligence professional fees of approximately HK$12 million (2016: nil) for the potential acquisition project during the year under review.

Finance Costs

During the year under review, finance costs were approximately HK$2 million (2016: approximately HK$1 million). Finance costs were derived from the early redemption of bill receivables of the Group. During the year under review, no borrowing costs were capitalised in the construction in progress (2016: nil).

Income Tax Expense

During the year under review, it was recorded income tax expense of approximately HK$465 million (2016: approximately HK$77 million) of which approximately HK$75 million (2016: nil) 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 substantially increased which was in line with the substantial 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%. During the year under review, there is no reversal of deferred tax liabilities arising from impairment loss on mining rights as income tax credit (2016: approximately HK$26 million).

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owner during the year under review was approximately HK$1,081 million, a sharp increase of HK$969 million YoY, while approximately HK$112 million for the year ended 31 December 2016.

Material Investments and Acquisitions

During the year ended 31 December 2017, the Group had no material investments and acquisitions.

Material Disposals

During the year ended 31 December 2017, the Group had no material disposals.

Charges on Assets

As at 31 December 2017, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 31 December 2017, bank deposits of approximately HK$161 million and bill receivables of approximately HK$133 million were used for securing bills facilities of approximately HK$293 million.

Contingent Liabilities

As at 31 December 2017, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 31 December 2017, the Group had no borrowings. The gearing ratio of the Group was 0%.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2017, 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 2017, AUD and RMB were appreciated by approximately 8.52% and approximately 6.67% respectively, when compared to that as at 31 December 2016. The aggregate carrying amount of assets denominated in AUD represented approximately 3% of the Group's net assets value as at 31 December 2017. 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 74% of the Group's net assets value as at 31 December 2017, the appreciation in RMB led to exchange gain of approximately HK$724 million (other than the Foreign Exchange Gain 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 2017.

Liquidity and Financial Resources

As at 31 December 2017, the Group's current ratio (total current assets divided by total current liabilities) was approximately 2.87 times and the Group's cash and bank deposits amounted to approximately HK$5,027 million, of which approximately HK$161 million was deposited to secure bills facilities of same amount. The Group continued to maintain a healthy net cash balance.

The Group has total bill receivables amounting to approximately HK$1,427 million (of which approximately HK$158 million represented discounted or endorsed bill receivables and approximately HK$133 million was used for securing bills facilities of same amount) as at 31 December 2017 that were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bill receivables of approximately HK$1,136 million, the Group's free cash resources would have approximately HK$6,002 million as at 31 December 2017.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 31 December 2017, 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.

EMPLOYEES

As at 31 December 2017, the Group had 21 Hong Kong employees and 5,059 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

The International Monetary Fund (the "IMF") improved its estimate of annual global economic growth rate by 0.2 percentage points to 3.9% in January 2018, which is also the most significant amplification since 2011. Therefore it is indicated its acknowledgement of the continual recovery trend of the world economy. In particular, the IMF lifted its estimation of China's annual economic growth rate in 2018, one of the largest economies nowadays, from 6.5%, the previous prediction, to 6.6% by 0.1 percentage point, representing its confidence in the improving economic fundamentals of China.

Simultaneously, the Supply-side Structural Reform which aims to generate new momentum for economic development in China is advancing as planned. Benefitting from the above reform, during the first two years of the "13th Five-Year Plan", over 115 million tonnes of the steel capacity has been cut, approaching the upper limit 100 to 150 million tonnes of the comprehensive target. Moreover, the rate of the national industrial capacity utilisation amounted to the highest level in nearly five years. It is predicted that the structure of the steel and coal industries in China will be increasingly optimised as the cutting of capacity would be enhanced further by the Central Government in 2018. More specifically in the coal industry, it is expected that the task which was proposed in 2016: "In the coming three to five years, nearly 500 million tonnes of capacity will be further cut, and another task of reduction and restructure of approximately 500 million tonnes" will be accomplished in 2018. In addition, The National Development and Reform Commission of China and The People's Government of Shanxi Province respectively issued the policies of "Opinions on Further Promoting the Merger, Reorganisation, Restructuring and Upgrading of Coal Enterprises" at the end of 2017, and "Opinions of Implementation on Reduction and Reorganisation of Coal Enterprises" at the beginning of 2018, both of which confirm the development direction in terms of optimising the supply and demand status of the coal industry in the coming year. Thus, the market price of the coal products is expected to remain at a relatively high range position.

The Group's Xingwu Coal Mine has happened electromechanical incident in which one person was killed in the early of March 2018. According to the preliminary investigation being performed by the third party, this incident was directly resulted from non-compliance in operation of machinery by an individual. Currently, the relevant government authorities has classified this incident as a general incident initially. We have taken the relevant aftermath works actively and the respective machinery did not have material damage. According to the relevant rules and regulations in the Mainland, Xingwu Coal Mine currently suspends production approximately for 1 month for comprehensive checking. Our other operating coal mine, Zhaiyadi Coal Mine, had closed approximately for 1 week for inspection and already re-started its production normally. As the Group has adjusted its production plan, 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.

The Group will spare more effort on the construction works in lower coal seams of Jinjiazhuang Coal Mine in order to further maximise its potentials; therefore, production has been impacted temporarily. The completion of construction work mentioned above is expected to be finishing within 2018 and the production capacity will be gradually returned to normal as scheduled. In 2018, the Group being recognised as an Excellent Enterprise with Advanced Capacity by the Shanxi Provincial Government for years, will continue to firmly maintain the technical knowhow in the exploitation of resources in old mining areas and Gob-side entry retainment, and endeavor to develop new technologies to increase production efficiency and cut production costs as well. We will also spare more efforts towards training workers on their mindsets in respect of safety and recycling to maintain a sound record of safe production and environment-friendly behaviors.

In the new year, we will maintain our edge in management and operations, and at the same time, explore opportunities for growth to maximise returns for our shareholders.

SCOPE OF WORK OF BDO LIMITED

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 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited 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 (the "CG 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 2017. Details of the Company's compliance with the provisions of the CG Code during the year will be set out in the Corporate Governance Report in the Company's 2017 annual report.

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, 22 March 2018

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Li Shaofeng (Managing Director), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Dong Yansheng (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).