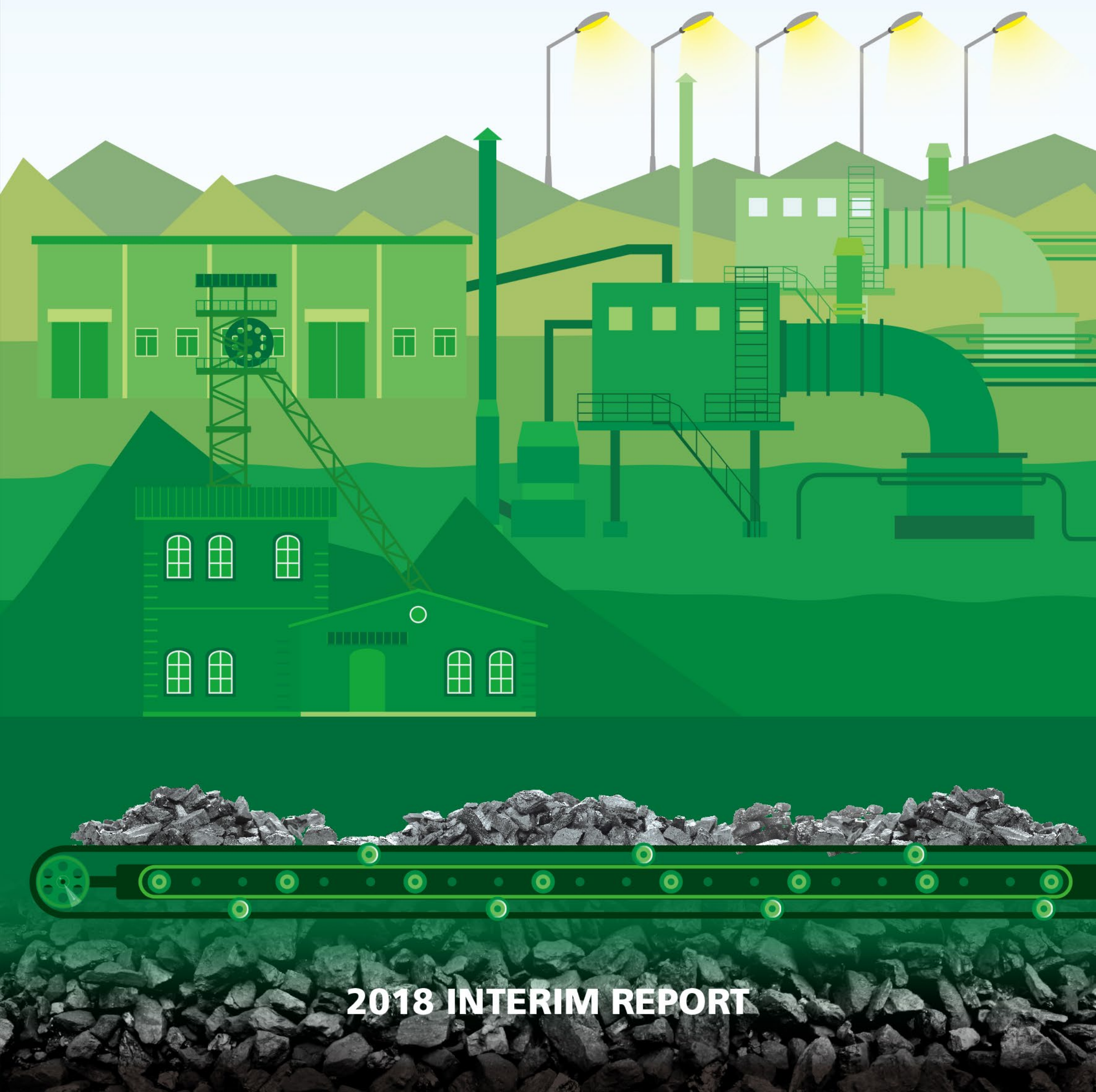
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 00639



2018 INTERIM REPORT

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CORPORATE INFORMATION

Board of Directors	Ding Rucai *(Chairman)* Li Shaofeng *(Managing Director)* So Kwok Hoo *(Deputy Managing Director)* Chen Zhaoqiang *(Deputy Managing Director)* Liu Qingshan *(Deputy Managing Director)* Leung Shun Sang, Tony *(Non-executive Director)* Chang Cun *(Non-executive Director)* Kee Wah Sze *(Independent Non-executive Director)* Choi Wai Yin *(Independent Non-executive Director)* Chan Pat Lam *(Independent Non-executive Director)* Japhet Sebastian Law *(Independent Non-executive Director)*
Executive Committee	Ding Rucai *(Chairman)* Li Shaofeng So Kwok Hoo Chen Zhaoqiang Liu Qingshan
Audit Committee	Choi Wai Yin *(Chairman)* Kee Wah Sze Chan Pat Lam Japhet Sebastian Law
Nomination Committee	Ding Rucai *(Chairman)* Kee Wah Sze Choi Wai Yin Chan Pat Lam Japhet Sebastian Law
Remuneration Committee	Japhet Sebastian Law *(Chairman)* Ding Rucai Leung Shun Sang, Tony Kee Wah Sze Choi Wai Yin Chan Pat Lam

CORPORATE INFORMATION (continued)

Company Secretary	Kong Ling Yan
Auditor	PricewaterhouseCoopers
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office and Principal Place of Business	6th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Stock Code	00639
Website	www.shougang-resources.com.hk

FINANCIAL HIGHLIGHTS

(HK$'000)	**For the six months ended 2018**	For the six months ended 2017	Percentage change
Revenue	**1,978,168**	1,917,743	+3%
Gross profit	**1,053,768**	1,156,023	-9%
Gross profit margin	**53%**	60%	
Profit for the period	**671,510**	744,965	-10%
Profit attributable to owners of the Company ("Owners")	**638,045**	661,933	-4%
EBITDA[1]	**1,157,666**	1,235,395	-6%
Basic earnings per share (HK cents)	**12.03**	12.48	-4%
Interim dividend per share (HK cents)	**8.30**	3.00	+177%

(HK$'000)	**As at 30 June 2018**	As at 31 December 2017	Percentage change
Total assets	**22,297,761**	21,694,645	+3%
of which: Cash and cash equivalents and time deposits with original maturity over three months	**4,518,684**	4,864,467	-7%
Unpledged bill receivables	**1,662,673**	1,136,540	+46%
Total liabilities	**(5,050,117)**	(4,318,962)	+17%
of which: Dividend payable	**(715,748)**	–	
Current ratio[2]	**2.43 times**	2.87 times	-15%
Gearing ratio[3]	**0.00%**	0.00%	
Total equity	**17,247,644**	17,375,683	-1%
of which: Equity attributable to Owners	**15,774,507**	15,934,812	-1%
Net assets per share attributable to Owners (HK$)	**2.98**	3.01	-1%

Notes:

1. EBITDA is defined as profit before income tax plus finance costs, share of loss of an associate, depreciation and amortisation.
2. Current ratio is computed from total current asset divided by total current liabilities.
3. Gearing ratio is computed from total borrowings divided by total equity.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

pwc

羅兵咸永道

TO THE BOARD OF DIRECTORS OF
SHOUGANG FUSHAN RESOURCES GROUP LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 7 to 38, which comprise the condensed consolidated statement of financial position of Shougang Fushan Resources Group Limited (the "Company") and its subsidiaries as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information are not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 August 2018

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018. These interim results have been reviewed by the Company's Audit Committee and its auditor, PricewaterhouseCoopers.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** *HK$'000* (Unaudited)	2017 *HK$'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		**(41,810)**	386,595
Item that will not be reclassified to profit or loss:			
Fair value (loss)/gain on financial assets measured at fair value through other comprehensive income		**(41,991)**	1,843
Total comprehensive income for the period		**587,709**	1,133,403
Profit for the period attributable to:			
Owners of the Company		**638,045**	661,933
Non-controlling interests		**33,465**	83,032
Profit for the period		**671,510**	744,965
Total comprehensive income for the period attributable to:			
Owners of the Company		**555,443**	1,008,957
Non-controlling interests		**32,266**	124,446
Total comprehensive income for the period		**587,709**	1,133,403
		HK(Cents)	*HK(Cents)*
Earnings per share	*10*		
– Basic and diluted		**12.03**	12.48

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**3,274,889**	3,171,773
Prepaid lease payments		**63,822**	50,781
Mining rights		**8,186,940**	8,275,967
Goodwill		**1,314,569**	1,314,569
Interest in an associate		**12,822**	13,107
Financial assets measured at fair value through other comprehensive income	12	**587,688**	629,679
Deposits, prepayments and other receivables		**667,093**	584,543
Deferred tax assets		**23,537**	23,121
Total non-current assets		**14,131,360**	14,063,540
Current assets			
Inventories		**183,597**	195,983
Trade receivables	13	**965,266**	871,004
Bill receivables	13	**1,944,304**	1,426,791
Deposits, prepayments and other receivables		**153,674**	110,777
Other financial asset	14	**198,718**	–
Pledged bank deposits	15	**202,158**	162,083
Time deposits with original maturity over three months	16	**2,192,473**	1,540,808
Cash and cash equivalents	16	**2,326,211**	3,323,659
Total current assets		**8,166,401**	7,631,105
Current liabilities			
Trade and bill payables	17	**684,479**	612,507
Other financial liability		**178,358**	178,358
Other payables and accruals		**1,430,241**	1,498,032
Dividend payable	9	**715,748**	–
Amounts due to non-controlling interests of subsidiaries		**39,383**	37,843
Tax payables		**308,428**	334,660
Total current liabilities		**3,356,637**	2,661,400

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Net current assets		**4,809,764**	4,969,705
Total assets less current liabilities		**18,941,124**	19,033,245
Non-current liabilities			
Deferred tax liabilities		**1,693,480**	1,657,562
Total non-current liabilities		**1,693,480**	1,657,562
Net assets		**17,247,644**	17,375,683
EQUITY			
Equity attributable to owners of the Company			
Share capital	*18*	**15,156,959**	15,156,959
Reserves		**617,548**	777,853
Total equity attributable to owners of the Company		**15,774,507**	15,934,812
Non-controlling interests		**1,473,137**	1,440,871
Total equity		**17,247,644**	17,375,683

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained profits	Security investment reserve	Translation reserve	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017 (Audited)	15,156,959	448,068	570,393	279,401	(1,900,219)	(35,578)	14,519,024	1,146,669	15,665,693
Profit for the period (Unaudited)	–	–	–	661,933	–	–	661,933	83,032	744,965
Other comprehensive income for the period:									
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	345,181	345,181	41,414	386,595
– Fair value gain on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	1,843	–	1,843	–	1,843
Total comprehensive income for the period (Unaudited)	–	–	–	661,933	1,843	345,181	1,008,957	124,446	1,133,403
Transfer 27% equity interest of Jinshan Energy Group Limited ("Jinshan") (Unaudited)	–	–	44,120	–	–	(5,394)	38,726	141,095	179,821
Obligation to repurchase the 27% equity interest of Jinshan (Unaudited)	–	–	(186,138)	–	–	–	(186,138)	–	(186,138)
2016 final dividends approved (note 9) (Unaudited)	–	–	–	(159,055)	–	–	(159,055)	–	(159,055)
Appropriations to other reserves (Unaudited)	–	–	(22,036)	22,036	–	–	–	–	–
At 30 June 2017 (Unaudited)	15,156,959	448,068	406,339	804,315	(1,898,376)	304,209	15,221,514	1,412,210	16,633,724

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2018

	Equity attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Retained profits	Security investment reserve	Translation reserve	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018 (Audited)	15,156,959	448,068	401,704	1,068,611	(1,745,157)	604,627	15,934,812	1,440,871	17,375,683
Profit for the period (Unaudited)	–	–	–	638,045	–	–	638,045	33,465	671,510
Other comprehensive income for the period:									
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	(40,611)	(40,611)	(1,199)	(41,810)
– Fair value loss on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	(41,991)	–	(41,991)	–	(41,991)
Total comprehensive income for the period (Unaudited)	–	–	–	638,045	(41,991)	(40,611)	555,443	32,266	587,709
2017 special dividends declared (note 9) (Unaudited)	–	–	–	(334,016)	–	–	(334,016)	–	(334,016)
2017 final dividends approved (note 9) (Unaudited)	–	–	–	(381,732)	–	–	(381,732)	–	(381,732)
Appropriations to other reserves (Unaudited)	–	–	67,140	(67,140)	–	–	–	–	–
At 30 June 2018 (Unaudited)	15,156,959	448,068	468,844	923,768	(1,787,148)	564,016	15,774,507	1,473,137	17,247,644

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	**943,377**	1,046,391
Adjustments for:		
Amortisation of prepaid lease payments	**923**	694
Amortisation of mining rights	**92,335**	74,008
Depreciation of property, plant and equipment	**120,735**	112,208
Finance costs	**–**	1,991
Share of loss of an associate	**296**	103
Interest income	**(59,264)**	(35,548)
Loss on disposal of property, plant and equipment	**1,731**	–
Net foreign exchange gain	**(1,420)**	(24,422)
Operating profit before working capital changes	**1,098,713**	1,175,425
Decrease in inventories	**12,386**	43,655
Increase in trade and bill receivables	**(611,776)**	(600,171)
(Increase)/Decrease in deposits, prepayments and other receivables	**(18,604)**	22,734
(Decrease)/Increase in trade and bill payables	**(7,942)**	53,136
(Decrease)/Increase in other payables and accruals	**(21,432)**	106,247
Increase in amounts due to non-controlling interests of subsidiaries	**1,540**	1,494
Cash generated from operations	**452,885**	802,520
Income tax paid	**(261,278)**	(256,216)
Net cash from operating activities	**191,607**	546,304

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2018

	Notes	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(291,700)**	(141,685)
Payments to acquire other financial asset		**(198,718)**	–
Proceeds from disposal of property, plant and equipment		**15**	–
Increase in pledged bank deposits		**(40,074)**	(117,582)
(Increase)/Decrease in time deposits with original maturity over three months		**(651,665)**	857,044
Interest received		**34,971**	32,561
Net cash (used in)/from investing activities		**(1,147,171)**	630,338
Cash flows from financing activities			
Finance costs paid		**–**	(1,969)
Net cash used in financing activities		**–**	(1,969)
Net (decrease)/increase in cash and cash equivalents		**(955,564)**	1,174,673
Cash and cash equivalents at 1 January		**3,323,659**	1,794,286
Effect of foreign exchange rates changes on cash and cash equivalents		**(41,884)**	28,957
Cash and cash equivalents at 30 June		**2,326,211**	2,997,916
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash	*16*	**2,326,211**	2,997,916

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products. There were no significant changes in the Group's operations during the six months ended 30 June 2018.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2018 (the "Consolidated Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange. The Consolidated Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of Consolidated Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Consolidated Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

The Consolidated Interim Financial Information are unaudited, but have been reviewed by our auditor, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The Consolidated Interim Financial Information has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2017, except for the adoption of the following standards and interpretations as of 1 January 2018:

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

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

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

(a) Adoption of HKFRS 9 (2014)

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) Adoption of HKFRS 9 (2014) (continued)

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

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

Impairment of financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) Adoption of HKFRS 9 (2014) (continued)

Impairment of financial assets (continued)

Trade receivables and bill receivables

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

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

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

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

Other financial assets at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Adoption of HKFRS 15

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

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the Consolidated Interim Financial Information. The new accounting policies are set out in note 3(ii)(b). In accordance with the transitional provisions in HKFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) HKFRS 9 – Financial instruments

Investments and other financial assets

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

Impairment

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

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

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

Stage 1 – as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2 – if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3 – if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(a) HKFRS 9 – Financial instruments (continued)

Impairment (continued)

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

(b) HKFRS 15 – Revenue from Contracts with Customers

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Sales of coking coal products

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

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

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

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

HKFRS 16 – Leases

Nature of change

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

The accounting for lessors will not significantly change.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

HKFRS 16 – Leases (continued)

Impact

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

Mandatory application date

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

5. OTHER INCOME

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

6. FINANCE COSTS

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

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

7. PROFIT BEFORE INCOME TAX

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

8. INCOME TAX EXPENSE

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

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 2018 and 2017.

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

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

9. DIVIDENDS

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

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

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

A final dividend of HK7.2 cents per ordinary share totalling Hong Kong Dollars ("HK$") 381,732,000 for the year ended 31 December 2017 was approved at the annual general meeting held on 18 May 2018 and a special dividend of HK6.3 cents per ordinary share totalling HK$334,016,000 for the year ended 31 December 2017 was approved by the board of directors on 22 March 2018. The 2017 final dividend and special dividend has been recognised as a liability as at 30 June 2018 and is paid on 12 July 2018.

10. EARNINGS PER SHARE

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

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

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of HK$229,504,000 (Six months ended 30 June 2017: HK$141,966,000) mainly in relation to the additions of mining equipment and construction in progress for exchange upper and lower coal seams of Jinjiazhuang Co Mine. Property, plant and equipment with net carrying amount of HK$1,746,000 was disposed during the six months ended 30 June 2018 (Six months ended 30 June 2017: nil).

The Group's buildings are situated in the PRC and are held on leases of between 10 to 50 years. As at 30 June 2018, the Group is still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of Renminbi ("RMB") 118,282,000 (HK$140,046,000 equivalent) (As at 31 December 2017: RMB122,788,000 (HK$145,381,000 equivalent). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Equity securities, at fair value		
– listed in Australia	**411,306**	448,995
– listed in Hong Kong	**176,382**	180,684
	587,688	629,679
Unlisted equity investment *	**–**	–
	587,688	629,679

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

13. TRADE AND BILL RECEIVABLES

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

13. TRADE AND BILL RECEIVABLES (continued)

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

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

Trade receivables generally have credit terms ranging from 60 to 90 days.

As at 30 June 2018, bill receivables included an amount of RMB142,228,000 (HK$168,398,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK$132,599,000 equivalent)) (note 17) which was pledged for bill payables of RMB141,354,000 (HK$167,363,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK$132,599,000 equivalent)).

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

The endorsement transactions do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the endorsed bill receivables. At 30 June 2018, bill receivables of RMB95,636,000 (HK$113,233,000 equivalent) (As at 31 December 2017: RMB133,152,000 (HK$157,652,000 equivalent)) continue to be recognised in the Group's consolidated financial statements although they have been legally transferred to the creditors. The proceeds of the endorsement transactions are included in trade payables and other payables until the related bill receivables are collected or the Group settles any losses suffered by the creditors. At 30 June 2018, bill receivables endorsed to trade creditors and other creditors amounted to RMB11,000,000 (HK$13,024,000 equivalent) (As at 31 December 2017: RMB25,192,000 (HK$29,827,000 equivalent)) (note 17) and RMB84,636,000 (HK$100,209,000 equivalent) (As at 31 December 2017: RMB107,960,000 (HK$127,825,000 equivalent)) respectively.

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

14. OTHER FINANCIAL ASSET

As at 30 June 2018, other financial asset amounting to HK$198,718,000 (As at 31 December 2017: nil) represented one-year 4.25% coupon guaranteed bond due in February 2019.

15. PLEDGED BANK DEPOSITS

As at 30 June 2018, pledged bank deposits of RMB168,487,000 (HK$199,489,000 equivalent) (As at 31 December 2017: RMB135,820,000 (HK$160,811,000 equivalent)) were denominated in RMB and were pledged for bill payables of RMB168,129,000 (HK$199,065,000 equivalent) (As at 31 December 2017: RMB135,820,000 (HK$160,811,000 equivalent)) (note 17).

The directors of the Company consider that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period.

16. BANK BALANCES AND CASH

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Cash at banks and on hand	**344,518**	862,452
Time deposits at banks	**4,174,166**	4,002,015
Bank balances and cash	**4,518,684**	4,864,467
Less: Time deposits with original maturity over three months	**(2,192,473)**	(1,540,808)
Cash and cash equivalents	**2,326,211**	3,323,659

17. TRADE AND BILL PAYABLES

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

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

As at 30 June 2018, the Group has bill payables of RMB363,535,000 (HK$430,425,000 equivalent) (As at 31 December 2017: RMB247,312,000 (HK$292,817,000 equivalent)). Bill payables included an amount of RMB168,129,000 (HK$199,065,000 equivalent) (As at 31 December 2017: RMB135,820,000 (HK$160,811,000 equivalent)) were secured by the pledged bank deposits of RMB168,487,000 (HK$199,489,000 equivalent) (As at 31 December 2017: RMB135,820,000 (HK$160,811,000 equivalent)) (note 15) and an amount of RMB141,354,000 (HK$167,363,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK$132,599,000 equivalent)) were secured by bill receivables of RMB142,228,000 (HK$168,398,000 equivalent) (As at 31 December 2017: RMB111,992,000 (HK$132,599,000 equivalent)) (note 13).

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

18. SHARE CAPITAL

	Number of shares		**Amount**	
	2018 ***'000 shares*** **(Unaudited)**	2017 *'000 shares* (Audited)	**2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Audited)
Issued and fully paid:				
At 1 January and at 30 June/ 31 December	**5,301,837**	5,301,837	**15,156,959**	15,156,959

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Set out below is an overview of the carrying amount and fair value of financial assets and liabilities held by the Group:

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	**345,159**	345,159
Financial assets measured at fair value through other comprehensive income	**587,688**	629,679
	932,847	974,838
Current assets		
Financial assets measured at amortised cost:		
– Trade receivables	**965,266**	871,004
– Bill receivables	**1,944,304**	1,426,791
– Deposits and other receivables	**66,372**	45,414
– Other financial asset	**198,718**	–
– Pledged bank deposits	**202,158**	162,083
– Time deposit with original maturity over three months	**2,192,473**	1,540,808
– Cash and cash equivalents	**2,326,211**	3,323,659
	7,895,502	7,369,759
Total	**8,828,349**	8,344,597
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	**684,479**	612,507
– Other financial liability	**178,358**	178,358
– Other payables and accruals	**850,915**	979,945
– Dividend payable	**715,748**	–
– Amounts due to non-controlling interests of subsidiaries	**39,383**	37,843
Total	**2,468,883**	1,808,653

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bill receivables, deposits and other receivables, other financial asset, bank balances and cash, amounts due to non-controlling interests of subsidiaries, trade and bill payables, other financial liability, other payables and accruals and dividend payable.

Due to their short term in nature, the carrying values of these financial instruments approximate fair values.

(b) Financial instruments measured at fair value

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

– Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for the listed equity securities held by the group is the current bid price. These instruments are included in level 1.

– Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

– Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

(b) Financial instruments measured at fair value (continued)

The financial assets measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Notes	**30 June 2018** **Level 1** ***HK$'000*** **(Unaudited)**	**Level 2** ***HK$'000*** **(Unaudited)**	**Level 3** ***HK$'000*** **(Unaudited)**	**Total** ***HK$'000*** **(Unaudited)**
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	*(a)*	**587,688**	**–**	**–**	**587,688**
– Unlisted equity securities	*(b)*	**–**	**–**	**–**	**–**
		587,688	**–**	**–**	**587,688**

	Notes	31 December 2017 Level 1 *HK$'000* (Audited)	Level 2 *HK$'000* (Audited)	Level 3 *HK$'000* (Audited)	Total *HK$'000* (Audited)
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	*(a)*	629,679	–	–	629,679
– Unlisted equity securities	*(b)*	–	–	–	–
		629,679	–	–	629,679

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY (continued)

(b) Financial instruments measured at fair value (continued)

There was no transfer between levels during the six months ended 30 June 2018 (Year ended 31 December 2017: nil).

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to previous reporting periods.

(a) Listed equity securities

The listed equity securities are denominated in Australian Dollars and HK$. Fair values have been determined by reference to their quoted prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Unlisted equity securities

The fair value of unlisted equity securities approximates zero.

20. COMMITMENTS

(a) Operating lease commitments

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

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

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

20. COMMITMENTS (continued)

(b) Capital commitments

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

21. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Consolidated Interim Financial Information, the following transactions for the six months ended 30 June 2018 and 2017 were carried out with related parties:

(a) During the period, the Group paid management fees and company secretarial service fees of HK$558,000 (Six months ended 30 June 2017: HK$780,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is a substantial shareholder of the Company. As at 30 June 2018, no amounts were outstanding (As at 31 December 2017: nil).

(b) During the period, the Group paid rental expenses of HK$1,878,000 (Six months ended 30 June 2017: HK$1,878,000) to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), which is the substantial shareholder of Shougang International. As at 30 June 2018, amount due to Shougang Holding was HK$313,000 (As at 31 December 2017: nil).

(c) During the period, the Group sold clean coking coal amounting to HK$509,811,000 (Six months ended 30 June 2017: HK$390,378,000) to 首鋼集團有限公司 (Shougang Group Co., Ltd.), being Shougang Holding's ultimate holding company, and its group companies (collectively referred to as the "Shougang Group"). As at 30 June 2018, amount due from/to the Shougang Group was HK$592,130,000 (As at 31 December 2017: HK$501,938,000) and HK$5,112,000 (As at 31 December 2017: HK$4,237,000) respectively.

21. RELATED PARTY TRANSACTIONS (continued)

(d) During the period, the Group purchased raw materials amounting to HK$817,000 (Six months ended 30 June 2017: nil) from Shougang Group.

(e) Included in staff costs are key management personnel compensation, which represents the remuneration to executive directors of the Company during the period was as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, wages and allowances	**8,130**	8,280
Retirement benefits scheme contributions	**257**	257
	8,387	8,537

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

The financial information relating to the year ended 31 December 2017 that is included in this Consolidated Interim Financial Information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance (Cap. 622).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the six months period 30 June 2018 (the "period under review") together with that of the same period of 2017 is summarised as follows:

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

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

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

Business Review (continued)

China's economy continued to recover steadily in the first half of 2018 which is benefiting the Group's coking coal business. The market price of coking coal remained relatively high in the first half of 2018. Except for No.2 clean coking coal, the average prices of other types of coking coal was increased YoY. For the six months ended 30 June 2018, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal increased by 4% YoY to RMB733/tonne when compared with that of the same period of 2017 (Six months ended 30 June 2017: RMB703/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 7% YoY to RMB1,366/tonne when compared with that of the same period of 2017 (Six months ended 30 June 2017: RMB1,467/tonne). The rise in average realised selling prices of our coking coal was not as high as market because of the increase in selling proportion of semi-hard coking coal with lower selling price in the period under review. In terms of its sales volume, all raw coking coal sales were semi-hard coking coal for the six months ended 30 June 2018 (Six months ended 30 June 2017: sales volume of raw hard coking coal and semi-hard coking coal accounted for 36% and 64% of the total sales volume of raw coking coal respectively). Also, sales volume of No.1 and No.2 clean coking coal accounted for 29% and 71% (Six months ended 30 June 2017: 51% and 49%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2018. In terms of its sales volume, ex-factory prices and C&F prices of clean coking coal accounted for 72% and 28% of the total clean coking coal sales volume respectively for the six months ended 30 June 2018. They accounted for 63% and 37% of the total clean coking coal sales volume respectively for the six months ended 30 June 2017.

Financial Review

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

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

Financial Review (continued)

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

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

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

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

Cost of Sales

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

Financial Review (continued)

Cost of Sales (continued)

The unit production costs are summarised as follow:

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

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

Gross Profit and Gross Profit Margin

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Interest Income

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

Other Income

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

Selling and Distribution Expenses

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

Financial Review (continued)

General and Administrative Expenses

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

Other Operating Expenses

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

Finance Costs

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

Financial Review (continued)

Income Tax Expense

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

Owner's Attributable Profit

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

Material Investments and Acquisitions

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

Material Disposals

During the six months ended 30 June 2018, the Group had no material disposals.

Financial Review (continued)

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving stable coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming to build itself into a safety-oriented and environmentally-friendly enterprise. The Group has complied with the relevant environmental protection rules and regulations. The Group fulfilled our responsibility of energy saving, emission reduction and environmental protection by strictly managing production procedures, eliminating discharge of waste water and waste gas and controlling mine and vegetation damage etc. All coal mines of the Group have obtained necessary permission and approval from the relevant Chinese regulators.

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

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

Charges on Assets

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

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

Contingent Liabilities

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

Financial Review (continued)

Gearing Ratio

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

Exposure to Fluctuations in Exchange Rates

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

Liquidity and Financial Resources

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

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

Financial Review (continued)

Capital Structure

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

Employees

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

Future Prospects

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

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

Future Prospects (continued)

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Future Prospects (continued)

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

INTERIM DIVIDEND

The Board has declared an interim dividend of HK8.3 cents per ordinary share for the six months ended 30 June 2018 (2017: interim dividend of HK3 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on 10 September 2018 (Monday). In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 10 September 2018 (Monday) for registration. The interim dividend is expected to be paid on or about 19 October 2018 (Friday).

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 period under review.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 30 June 2018 had the following interests in the shares of the Company as at 30 June 2018 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares of the Company

Name of Director	Capacity in which interests were held	Number of shares in the Company	Interests as to % of the total number of shares of the Company in issue as at 30 June 2018
So Kwok Hoo	Beneficial owner	4,000,000	0.075%
Chen Zhaoqiang	Beneficial owner	2,680,000	0.051%
Kee Wah Sze	Beneficial owner	700,000	0.013%
Choi Wai Yin	Beneficial owner	20,000	0%
Chan Pat Lam	Beneficial owner	200,000	0.004%

Save as disclosed above, as at 30 June 2018, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

No right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2018.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the total number of shares of the Company in issue as at 30 June 2018	*Note(s)*
首鋼集團有限公司 (Shougang Group Co., Ltd., "Shougang Group")	Interests of controlled corporations	1,582,864,490	29.85%	*1*
富德生命人壽保險股份有限公司 (Funde Sino Life Insurance Co., Ltd.)	Beneficial owner	1,539,844,306	29.04%	*2*
Jiang Jinzhi ("Mr. Jiang")	Interests of controlled corporations	332,914,000	6.28 %	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares/underlying shares of the Company (continued)

Notes:

1. According to the disclosure form dated 16 November 2017 (being the latest disclosure form filed up to 30 June 2018), Shougang Group was interested in the shares of the Company ("Shares") held by its direct and indirect subsidiaries, namely, Shougang Holding (a company wholly owned by Shougang Group, holding 15,492,000 Shares), King Rich Group (a company wholly owned by Shougang Holding, holding 83,000,000 Shares), Prime Success Investments Limited (a company wholly owned by Shougang Holding, holding 20,410,000 Shares), Shougang International (a company held by Shougang Holding with more than 50% interests, holding 954,000 Shares), Fair Gain Investments Limited (a company wholly owned by Shougang International, holding 149,089,993 Shares), Fine Power Group Limited (a company wholly owned by Shougang International, holding 663,918,497 Shares), and Ultimate Capital Limited (a company wholly owned by Shougang International, holding 650,000,000 Shares).

2. Information per the disclosure form dated 22 May 2014 (being the latest disclosure form filed up to 30 June 2018).

3. According to the disclosure form dated 29 January 2018 (being the latest disclosure form filed up to 30 June 2018) among these 332,914,000 shares,(i)125,200,000 shares were held through Golden China Master Fund which was wholly owned by Mr. Jiang; (ii) 74,248,000 shares were held through Shanghai Greenwoods Asset Management Limited which was 75% owned by Mr. Jiang; and (iii)105,300,000 shares were held by Greenwoods China Alpha Master Fund, a wholly-owned subsidiary of Greenwoods Asset Management Limited and another 28,166,000 shares were held by Greenwoods Asset Management Limited directly. Greenwoods Asset Management Limited was a wholly-owned subsidiary of Greenwoods Asset Management Holdings Limited which was held as to 81% by Unique Element Corp. which in turn was wholly owned by Mr. Jiang.

Save as disclosed above, as at 30 June 2018, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 25 May 2012, the shareholders of the Company adopted a new share option scheme (the "Share Options Scheme"), which would be valid for a period of ten years and became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the Share Options Scheme.

No share option has been granted under the Share Options Scheme since its adoption. Accordingly, as at 30 June 2018, there was no share option outstanding under the Share Options Scheme.

AUDIT COMMITTEE

The Company has engaged the auditor to assist the audit committee of the Company ("Audit Committee") to review the 2018 interim results of the Group and this Interim Report. A meeting of the Audit Committee was held with the auditor and the management of the Company for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2018 and this Interim Report.

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 2018.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors 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 2018.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following are the changes in the information of Directors since the date of the 2017 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Directors	Details of Changes
Mr. Leung Shun Sang, Tony	From 18 May 2018 – Resigned from his position as an non-executive director of Global Digital Creations Holdings Limited
	From 18 May 2018 – Resigned from his position as an non-executive director of Shougang Concord Century Holdings Limited
	From 18 May 2018 – Resigned from his position as an non-executive director of Shougang Concord Grand (Group) Limited
	From 18 May 2018 – Resigned from his position as an non-executive director of Shougang International
Ms. Chang Cun	From 1 July 2018 – Appointed as an non-executive director of the Company
Mr. Dong Yansheng	From 1 July 2018 – Resigned from his position as an non-executive director of the Company

APPRECIATION

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

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

Hong Kong, 23 August 2018