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首鋼福山資源集團有限公司
SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

(HK\$'million)	For the year ended 31 December		Percentage change
	2023	2022	
Revenue	5,891	8,215	-28%
Gross profit	3,466	5,290	-34%
Gross profit margin	59%	64%	
Profit for the year	2,301	3,308	-30%
Profit attributable to owners of the Company ("Owners")	1,889	2,715	-30%
EBITDA ¹	3,924	5,415	-28%
Basic earnings per share (HK cents)	37.66	53.75	-30%

(HK\$'million)	As at 31 December		Percentage change
	2023	2022	
Net assets	18,471	18,677	-1%
Equity per share attributable to Owners (HK\$)	3.30	3.32	-1%
Current ratio (times) ²	3.97	3.23	+23%

The board of directors of the Company has proposed a 2023 final dividend of HK18 cents per ordinary share.

1 EBITDA is defined as profit before income tax plus finance costs, share of loss of an associate, depreciation and amortisation.

2 Current ratio is computed from total current assets divided by total current liabilities.

The board of directors (the “**Board**”) of Shougang Fushan Resources Group Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022. These final results have been reviewed by the audit committee of the Company.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers	3	5,891,068	8,214,719
Cost of sales		<u>(2,425,040)</u>	<u>(2,925,125)</u>
Gross profit		3,466,028	5,289,594
Interest income		173,638	107,067
Other income and gains /(losses), net	4	8,088	(94,740)
Selling and distribution expenses		(214,562)	(348,512)
General and administrative expenses		(201,296)	(207,812)
Other operating expenses	5	(9,934)	(118,037)
Finance costs	6	(2,921)	(1,360)
Share of loss of an associate		<u>(124)</u>	<u>(307)</u>
Profit before income tax	7	3,218,917	4,625,893
Income tax expense	8	<u>(917,979)</u>	<u>(1,317,738)</u>
Profit for the year		2,300,938	3,308,155

	2023	2022
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(372,263)	(901,912)
Items that will not be reclassified to profit or loss:		
Net fair value gain on financial assets measured at fair value through other comprehensive income	20,274	29,496
Exchange differences on translation of financial statements of foreign operations	<u>(65,245)</u>	<u>(135,241)</u>
Total comprehensive income for the year	<u>1,883,704</u>	<u>2,300,498</u>
Profit for the year attributable to:		
Owners of the Company	1,889,247	2,715,374
Non-controlling interests	<u>411,691</u>	<u>592,781</u>
Profit for the year	<u>2,300,938</u>	<u>3,308,155</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	1,537,258	1,842,958
Non-controlling interests	<u>346,446</u>	<u>457,540</u>
Total comprehensive income for the year	<u>1,883,704</u>	<u>2,300,498</u>
Earnings per share		
– Basic and diluted (<i>HK cents</i>)	<i>10</i> <u>37.66</u>	<u>53.75</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,692,871	3,912,655
Land use rights		70,639	57,035
Right-of-use assets		36,360	24,866
Mining rights		6,244,972	6,661,945
Goodwill		1,189,466	1,222,775
Interest in an associate		9,806	10,208
Financial assets measured at fair value through other comprehensive income		688,264	667,990
Deposits, prepayments and other receivables		388,791	370,758
Deferred income tax assets		146,360	92,447
Total non-current assets		12,467,529	13,020,679
Current assets			
Inventories		125,636	42,046
Trade receivables	<i>11</i>	530,468	1,314,509
Bills receivables	<i>11</i>	157,365	1,575,256
Deposits, prepayments and other receivables		280,921	306,083
Financial assets measured at fair value through profit or loss		43,019	424,115
Pledged and restricted bank deposits		941,875	767,173
Time deposits with original maturity over three months		1,392,489	2,179,700
Cash and cash equivalents		6,552,242	3,833,923
Total current assets		10,024,015	10,442,805
Total assets		22,491,544	23,463,484

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
LIABILITIES			
Current liabilities			
Trade and bills payables	<i>12</i>	621,467	614,737
Lease liabilities		10,317	10,348
Other financial liability		–	173,574
Other payables and accruals		1,425,405	1,804,641
Amounts due to non-controlling interests of subsidiaries		63,904	122,372
Tax payables		401,496	508,962
Total current liabilities		<u>2,522,589</u>	<u>3,234,634</u>
Net current assets		<u>7,501,426</u>	<u>7,208,171</u>
Total assets less total current liabilities		<u>19,968,955</u>	<u>20,228,850</u>
Non-current liabilities			
Deferred income tax liabilities		1,464,911	1,529,863
Lease liabilities		33,526	21,768
Total non-current liabilities		<u>1,498,437</u>	<u>1,551,631</u>
Net assets		<u>18,470,518</u>	<u>18,677,219</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		15,156,959	15,156,959
Reserves		1,124,887	1,611,718
Total equity attributable to owners of the Company		16,281,846	16,768,677
Non-controlling interests		2,188,672	1,908,542
Total equity		<u>18,470,518</u>	<u>18,677,219</u>

Notes:

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors (the “**Board**”) of the Company on 27 March 2024.

2. BASIC 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 developed by the HKICPA and the requirements of the Hong Kong Companies Ordinance Cap. 622 (the “**Companies Ordinance**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

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

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of final results for the year ended 31 December 2023 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated 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 consolidated financial statements for the year ended 31 December 2022 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 consolidated financial statements for the year ended 31 December 2023 in due course.

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

(a) Adoption of new or amended standards and interpretations that are effective on 1 January 2023

The following new and amended standards and interpretations apply for the first time to the Group's financial reporting period commencing on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimate
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts

The adoption of these amended standards and accounting guideline did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the new standards and amendments to standards on its results of operations and financial position. The Group is not yet in a position to state whether these new standards, amendments to standards and interpretations would have any significant impact on its results of operations and financial positions.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENT INFORMATION

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of clean coking coal	<u>5,891,068</u>	<u>8,214,719</u>

The executive directors have been identified as the chief operating decision-maker of the Company. The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and 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 coking coal mining, which represents mining and exploration of coal resources and production of raw and clean coking coal in the PRC.

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

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

	Revenue from external customers		Non-current assets	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Principal markets				
PRC	5,891,068	8,214,719	11,630,693	12,260,082
Hong Kong	<u>–</u>	<u>–</u>	<u>2,212</u>	<u>160</u>
	<u>5,891,068</u>	<u>8,214,719</u>	<u>11,632,905</u>	<u>12,260,242</u>

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 one (2022: two) customer(s) over 10% of the Group's coking coal mining segment amounted to HK\$2,523,132,000 (2022: HK\$3,798,695,000 and HK\$977,677,000 respectively), which represented 43% (2022: 46% and 12% respectively) of the Group's revenue.

4. OTHER INCOME AND GAINS/(LOSSES), NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Dividend income	21,510	–
Income from sales of by-products	95,462	123,039
Net foreign exchange loss	(111,254)	(222,103)
Others	<u>2,370</u>	<u>4,324</u>
	<u>8,088</u>	<u>(94,740)</u>

5. OTHER OPERATING EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Additional depreciation on property, plant and equipment (<i>Note</i>)	–	64,911
Charitable donations	2,253	9,193
Geology investigation fee	–	3,420
Loss on disposals of property, plant and equipment	348	36,203
Others	<u>7,333</u>	<u>4,310</u>
	<u>9,934</u>	<u>118,037</u>

Note: According to the plan of transferring the production from upper coal seam to lower coal seam of Xingwu Coal Mine in 2023, the additional part arising from accelerated depreciation on the related underground mining structures of the upper coal seam was charged in the other operating expenses during the years ended 31 December 2022.

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest expense on lease liabilities	<u>2,921</u>	<u>1,360</u>

No borrowing costs were capitalised for the years ended 31 December 2023 and 2022.

7. PROFIT BEFORE INCOME TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit before income tax is arrived at after charging:		
Auditor's remuneration		
– audit services	1,700	1,650
– other services	521	450
Cost of inventories sold	2,425,040	2,925,125
Amortisation of:		
– land use rights	2,080	1,885
– long-term deferred expenses	1,445	201,538
– mining rights	241,137	252,263
Depreciation of:		
– property, plant and equipment	451,278	326,414
– right-of-use assets	6,231	5,055
Staff costs (including directors' emoluments)	<u>808,778</u>	<u>834,779</u>

8. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – PRC income tax		
– Current year	985,691	1,383,668
– Under provision in respect of prior years	14,303	5,348
Deferred tax		
– Current year	<u>(82,015)</u>	<u>(71,278)</u>
	<u>917,979</u>	<u>1,317,738</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits arising in Hong Kong for 2023 and 2022.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's major operating subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited, 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% (2022: 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

	2023	2022
	HK\$'000	HK\$'000
Dividends recognised as distributions during the year:		
2022 final dividend of HK28 cents		
(2022: 2021 final dividend of HK32 cents) per ordinary share	1,414,515	1,616,588
2023 interim dividend of HK10 cents		
(2022: 2022 interim dividend of HK15 cents) per ordinary share	<u>492,684</u>	<u>757,776</u>
	<u>1,907,199</u>	<u>2,374,364</u>

- (a) On 24 March 2022, the Board proposed a 2021 final dividend of HK32 cents per ordinary share totalling HK\$1,616,588,000 to the owners of the Company in respect of the year ended 31 December 2021. The final dividend was approved by shareholders at the annual general meeting held on 28 June 2022 and was paid on 29 July 2022. The 2021 final dividend for the year ended 31 December 2021 has been reflected as an appropriation of retained earnings for the year ended 31 December 2022.
- (b) On 30 August 2022, the Board declared an 2022 interim dividend of HK15 cents per ordinary share, totalling HK\$757,776,000 for the six months ended 30 June 2022, which was paid on 4 November 2022.
- (c) On 23 March 2023, the Board proposed a 2022 final dividend of HK28 cents per ordinary share totalling HK\$1,414,515,000 to the owners of the Company in respect of the year ended 31 December 2022. The final dividend was approved by shareholders at the annual general meeting held on 31 May 2023 and was paid on 28 July 2023. The 2022 final dividend for the year ended 31 December 2022 has been reflected as an appropriation of retained earnings for the year ended 31 December 2023.
- (d) On 30 August 2023, the Board declared an 2023 interim dividend of HK10 cents per ordinary share, totalling HK\$492,684,000 for the six months ended 30 June 2023, which was paid on 9 November 2023.
- (e) On 27 March 2024, the Board proposed a 2023 final dividend of HK18 cents per ordinary share totalling HK\$886,831,000 to the owners of the Company in respect of the year ended 31 December 2023. The final dividend is subject to the shareholder's approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2023 has not been recognised as a liability as at 31 December 2023.

10. EARNINGS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit used to determine basic and diluted earnings per share	<u>1,889,247</u>	<u>2,715,374</u>
	<i>'000 shares</i>	<i>'000 shares</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>5,016,906</u>	<u>5,051,837</u>

Basic earnings per share is HK37.66 cents (2022: HK53.75 cents), based on the profit for the year attributable to owners of the Company of HK\$1,889,247,000 (2022: HK\$2,715,374,000) and weighted average number of ordinary shares as set out above for basic earnings per share.

The 2012 share option scheme has expired on 25 May 2022. No share options had been granted under the 2012 share option scheme since its adoption. Accordingly, as at 31 December 2023 and 2022, there was no share option outstanding and the Company did not have any dilutive potential ordinary shares during years ended 31 December 2023 and 2022.

11. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	714,894	1,504,189
<i>Less: Provision for impairment loss</i>	<u>(184,426)</u>	<u>(189,680)</u>
	530,468	1,314,509
Bills receivables	<u>157,365</u>	<u>1,575,256</u>
	<u>687,833</u>	<u>2,889,765</u>

Trade receivables generally have credit terms ranging from 30 to 90 days (2022: 30 to 90 days) and no interest is charged. Bills receivables are expiring within one year. As at 31 December 2023 and 2022, all of the trade and bills receivables are denominated in RMB.

As at 31 December 2023, ageing analysis of net trade receivables, based on the invoice dates, is as follows:

	2023	2022
	HK\$'000	HK\$'000
Up to 90 days	529,750	1,284,104
91 to 180 days	718	30,405
	<u>530,468</u>	<u>1,314,509</u>

As at 31 December 2023, ageing analysis of bills receivables, based on the bills receiving dates, is as follows:

	2023	2022
	HK\$'000	HK\$'000
Up to 90 days	59,779	348,891
91 to 180 days	97,586	1,221,415
181 to 365 days	–	4,950
	<u>157,365</u>	<u>1,575,256</u>

Details of pledged bills receivables are as follows:

	2023	2022
	HK\$'000	HK\$'000
Pledged bills receivables	68,533	231,143
Associated bills payables (<i>note 12</i>)	(64,255)	(182,668)
	<u>4,278</u>	<u>48,475</u>

The carrying amounts of the bills receivables include receivables which are transferred to financial institutions or creditors by discounting or endorsing these receivables on a full recourse basis. Under these arrangements, the Group has not transferred the significant risks and rewards relating to these receivables. The Group therefore continues to recognise the transferred bills receivables in its consolidated statement of financial position and measure at amortised cost.

The relevant carrying amounts are as follows:

	2023	2022
	HK\$'000	HK\$'000
Bills receivables endorsed to creditors with full recourse:		
Transferred bills receivables	1,070	121,800
Associated trade payables (<i>note 12</i>)	–	(1,980)
Associated other payables	(1,070)	(82,640)
Associated amounts due to non-controlling interests of subsidiaries	–	(37,180)

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

The Group does not hold any collateral over these balances.

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

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

	2023	2022
	HK\$'000	HK\$'000
At 1 January	189,680	203,476
Exchange differences	(5,254)	(13,796)
At 31 December	184,426	189,680

12. TRADE AND BILLS PAYABLES

	2023	2022
	HK\$'000	HK\$'000
Trade payables	303,096	236,931
Bills payables	318,371	377,806
	621,467	614,737

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2022: 30 to 180 days). As at 31 December 2023 and 2022, all of the trade and bills payables are denominated in RMB. All bills payables are within 6 months (2022: 6 months).

Based on the invoice dates, ageing analysis of trade payables as at 31 December 2023 is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Up to 90 days	200,195	160,666
91 to 180 days	60,671	40,708
181 to 365 days	17,542	12,997
Over 365 days	24,688	22,560
	303,096	236,931

As at 31 December 2023, bills payables amounted to HK\$254,116,000 (2022: HK\$195,138,000) out of HK\$318,371,000 (2022: HK\$377,806,000) were secured by the pledged bank deposit. Remaining bills payables amounted to HK\$64,255,000 (2022: HK\$182,668,000) were secured by bills receivables (note 11).

As at 31 December 2022, trade payables of HK\$1,980,000 were settled by bills receivables endorsed to corresponding creditors which do not meet the de-recognition requirements (note 11).

13. CAPITAL COMMITMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Contracted for:		
– Acquisition of property, plant and equipment	245,515	211,399
– Exploration and design fees for a potential mining project	8,000	8,228
	253,515	219,627

FINAL DIVIDEND

The Board has proposed a final dividend of HK18 cents per ordinary share for the year ended 31 December 2023 (2022 final dividend: HK28 cents per ordinary share), payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 11 June 2024. The proposed final dividend (HK18 cents per ordinary share) together with the interim dividend (HK10 cents per ordinary share) paid in 2023 will make a total dividend of HK28 cents per ordinary share for the year ended 31 December 2023 (2022 total dividend: HK43 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Thursday, 30 May 2024 (the "AGM"), the final dividend is expected to be paid on Friday, 26 July 2024. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 11 June 2024 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 27 May 2024 to Thursday, 30 May 2024 (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 registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2024 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi Province (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine, collectively referred to as the “**Three Mines**”) for the year ended 31 December 2023 (the “**Year Under Review**” or “**2023 FY**”) together with that of the same period of 2022 (the “**Last Year**” or “**2022 FY**”) is summarised as follows:

	Unit	For the year ended		Change	
		31 December		Quantity/ Amount	Percentage
		2023	2022		
<i>Production volume:</i>					
Raw coking coal	Mt	5.25	5.25	-	-
Clean coking coal	Mt	3.25	3.23	+0.02	+1%
<i>Sales volume:</i>					
Clean coking coal	Mt	3.10	3.32	-0.22	-7%
<i>Average realised selling price (inclusive of VAT):</i>					
Clean coking coal	RMB/tonne	1,932	2,402	-470	-20%

Note: No sales of raw coking coal for the 2023 FY (2022 FY: nil).

For the year ended 31 December 2023, the Group produced approximately 5.25 million tonnes (“**Mt**”) (2022 FY: approximately 5.25 Mt) of raw coking coal, maintaining the same level as Last Year and also produced approximately 3.25 Mt (2022 FY: approximately 3.23 Mt) of clean coking coal, representing a YoY slight increase of 1%.

During the Year Under Review, the Three Mines especially Xingwu Coal Mine made an effort to increase production compared than planned. Eventually, Xingwu Coal Mine extended the mining life of upper coal seam for several months and increased its production volume when compared with the annual plan. As a result, the total production volume of the raw coking coal of the Three Mines maintained at 5.25 Mt and reached the total approved production volume in 2023 FY.

During the Year Under Review, although the quality of coal was changed which had a negative impact to the Group, by effectively blending and washing various qualities of self-produced raw coking coal through the enhancement of technology and equipment, the recovery rate of clean coking coal had slightly improved. Thereby, the production volume of clean coking coal slightly increased by 1% YoY.

The sales volume of clean coking coal decreased by 7% YoY for the Year Under Review is mainly due to the increase in coal inventory in transit to the customers that revenue was not yet to be recognised as at 31 December 2023 as compared to 31 December 2022. For the 2023 FY and the 2022 FY, sales of clean coking coal accounted for 100% of the Group's revenue. This is in line with the Group's long-term strategy to concentrate on clean coking coal sales.

Suffered from the drop in average benchmark market selling prices of clean coking coal by approximately 20% YoY for the year ended 31 December 2023, the Group's average realised selling price (inclusive of value added tax "VAT") of clean coking coal decreased by 20% YoY to Renminbi ("RMB") 1,932/tonne when compared with that of the Last Year (2022 FY: RMB2,402/tonne). The drop was in line with the downside trend of clean coking coal market prices. In terms of its sales volume, sales of low-sulfur and medium-high sulfur clean coking coal accounted for 28% and 72% (2022 FY: 27% and 73%) of the total clean coking coal sales volume respectively for the year ended 31 December 2023.

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded a revenue of approximately Hong Kong Dollars ("HK\$") 5,891 million, representing a decrease of approximately HK\$2,324 million or 28% YoY as compared with that of approximately HK\$8,215 million for the Last Year. The decrease in revenue was mainly driven by the decrease in average realised selling prices of clean coking coal by 20% YoY and the reduction in sales volume of clean coking coal by 7% YoY, together with the negative effect of the decrease in average exchange rate of RMB to HK\$ by approximately 4.6% YoY on the revenue for the Year Under Review.

For the year ended 31 December 2023, the total revenue to the top five customers accounted for approximately 67% (2022 FY: 74%) of the Group's revenue. Of which, the total revenue to the largest customer, Shougang Group Co. Ltd., together with its subsidiaries, accounted for 43% (2022 FY: 46%) of the Group's revenue.

For the year ended 31 December 2023, gross profit margin was 59% while 64% for the Last Year. Gross profit was decreased by approximately HK\$1,824 million or 34% YoY. The decrease in gross profit was mainly attributable to the decrease in revenue by approximately 28% YoY for the 2023 FY as explained above.

For the year ended 31 December 2023, the Group recorded a net profit of approximately HK\$2,301 million representing a decrease of approximately 30% YoY and profit attributable to the owners of the Company (the “**Owners**”) of approximately HK\$1,889 million representing a decrease of approximately 30% YoY. During the Year Under Review, the decrease in the Group’s net profit by approximately 30% YoY is mainly due to the decrease in gross profit by approximately HK\$1,824 million or 34% YoY. In addition, as a result of the drop in coal market prices, income from sales of coal related by-products decreased by approximately HK\$28 million or 23% YoY. On the other hand, as a result of the rise in market interest rates, the interest income was significantly increased by approximately HK\$67 million or 63% YoY, dividend income generated from financial assets was increased by approximately HK\$22 million YoY and the reduction in net foreign exchange loss of approximately HK\$111 million as a result of the depreciation of the exchange rate from RMB to HK\$ has narrowed YoY, during the Year Under Review. Eventually, the Group recorded net profit of approximately HK\$2,301 million, decreased by approximately 30% YoY, during the Year Under Review.

During the Year Under Review, basic earnings per share was HK37.66 cents (2022 FY: HK53.75 cents), representing a decrease of approximately 30% YoY which was in line with the decrease in profit attributable to the Owner by approximately 30% YoY.

The Group recorded EBITDA of approximately HK\$3,924 million (2022 FY: approximately HK\$5,415 million) and generated a positive cash flow of approximately HK\$4,543 million (2022 FY: approximately HK\$3,848 million) from our operating activities during the Year Under Review.

As at 31 December 2023, the Group continues to maintain a healthy financial position and has free bank balances and cash of approximately HK\$7,945 million (As at 31 December 2022: approximately HK\$6,014 million). During the Year Under Review, the Group has paid total cash dividend of approximately HK\$2,031 million (2022 FY: approximately HK\$2,815 million).

Cost of Sales

During the Year Under Review, cost of sales was approximately HK\$2,425 million, representing a decrease of approximately HK\$500 million or 17% YoY, as compared with that of approximately HK\$2,925 million for the Last Year. The decrease in cost of sales was mainly due to (i) in Last Year, included a one-off non-cash additional amortisation of relocation and reconstruction costs for village located in Xingwu Coal Mine amounted to RMB168 million as disclosed in the 2022 Annual Report and no such additional cost in the Year Under Review; (ii) depreciation in average exchange rate of RMB to HK\$ by approximately 4.6% YoY; (iii) the decrease in sales volume of clean coking coal by 7% YoY; and (iv) the decrease in unit production costs as disclosed below during the Year Under Review.

The unit production costs are summarised as follows:

	For the year ended		Unit: RMB/tonne	
	31 December		Change	
	2023	2022	Amount	Percentage
Production cost of raw coking coal ^{Note 1}	401	404	-3	-1%
Less: Depreciation and amortisation ^{Note 2}	(109)	(75)	+34	+45%
Cash production cost of raw coking coal	292	329	-37	-11%
Less: Uncontrollable costs ^{Note 3}	(76)	(102)	-26	-25%
Total	216	227	-11	-5%
Processing cost for clean coking coal	47	50	-3	-6%
of which, depreciation	(8)	(7)	+1	+14%

Note 1: Excluded one-off additional amortisation of relocation and reconstruction costs for village located in Xingwu Coal Mine (i.e. amortisation of long-term deferred expenses) amounted to RMB168 million in 2022 FY for comparison purpose.

Note 2: Included one-off depreciation on remaining residue value of property, plant and machinery (mainly mining structures) for upper coal seam of Zhaiyadi Coal Mine and Xingwu Coal Mine in 2023FY.

Note 3: Included resources tax and levies.

Included in cost of sales, amortisation of mining rights was approximately HK\$241 million for the year ended 31 December 2023, representing a decrease of approximately HK\$11 million or 4% YoY, as compared with that of approximately HK\$252 million for the Last Year. The decrease in amortisation of mining rights was mainly due to depreciation in average exchange rate of RMB to HK\$ by approximately 4.6% YoY.

Due to the drop in average realised selling prices of clean coking coal by 20% YoY, uncontrollable resources tax, which is charged on the basis of the selling prices of coking coal, and levies of city constructional tax and additional educational surcharge, which is charged on the basis of the VAT, decreased by RMB26/tonne YoY, during the Year Under Review.

Excluding the effect on the decrease in those uncontrollable costs as above, unit of cash production cost of raw coking coal also decreased by approximately 5% YoY during the Year Under Review. This result from the stringent cost controls continuously implemented by the Group especially on reduction in usage of material and repair and maintenance YoY during the Year Under Review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK\$3,466 million for the year ended 31 December 2023, representing a decrease of approximately HK\$1,824 million or 34% YoY as compared with that of approximately HK\$5,290 million for the Last Year. Gross profit margin was 59% for the Year Under Review and 64% for the Last Year.

Interest Income

During the Year Under Review, interest income was approximately HK\$174 million, representing a significant increase by approximately HK\$67 million or 63% YoY as compared with approximately HK\$107 million for the Last Year. The significant increase in interest income was the result of the rise in market interest rates.

Other Income and Gains/(Losses), Net

During the Year Under Review, other income and gains /(losses), net recorded a net gain of approximately HK\$8 million, representing an increase in income of approximately HK\$103 million YoY as compared with a net loss of approximately HK\$95 million for the Last Year. Excluding the impact of net foreign exchange loss of approximately HK\$111 million (2022 FY: approximately HK\$222 million) and dividend income generated from financial assets amounted to approximately HK\$22 million (2022 FY: nil) during the Year Under Review, other income and gains/(losses), net was decreased by approximately HK\$30 million or 24% YoY, which was mainly attributable to the decrease in income from sales of coal related by-products by approximately HK\$28 million or 23% YoY as a result of the drop in market prices of coal during the Year Under Review.

The Group recorded foreign exchange differences when certain financial assets which are denominated in RMB translated into HK\$ at closing rate. During the Year Under Review, the Group recorded a decrease in net foreign exchange loss of approximately HK\$111 million as a result of the depreciation of the exchange rate from RMB to HK\$ has narrowed YoY, during the Year Under Review. Depreciation in RMB to HK\$ exchange rate was approximately 2.7% as at reporting date on 31 December 2023 when compared with that as at 31 December 2022 while depreciation in RMB to HK\$ exchange rate was approximately 6.8% as at reporting date on 31 December 2022 when compared with that as at 31 December 2021.

Selling and Distribution Expenses

During the Year Under Review, selling and distribution expenses were approximately HK\$215 million, representing a decrease of approximately HK\$134 million or 38% YoY as compared with that of approximately HK\$349 million for the Last Year. Selling and distribution expenses mainly included logistic costs such as the trucking fees for short distance by train and freight costs by trucks and sea for sales of clean coking coal, of which are usually re-charged to customers. The decrease was mainly due to the decrease in sales volume of clean coking coal and proportion of sales by train during the Year Under Review.

General and Administrative Expenses

During the Year Under Review, general and administrative expenses were approximately HK\$201 million, representing a decrease of approximately HK\$7 million or 3% YoY as compared with approximately HK\$208 million for the Last Year. The decrease in general and administrative expenses was mainly due to depreciation in average exchange rate of RMB to HK\$ by approximately 4.6% YoY.

Other Operating Expenses

During the Year Under Review, other operating expenses were approximately HK\$10 million, representing a significant decrease of approximately HK\$108 million or 92% YoY as compared with approximately HK\$118 million for the Last Year.

For the Last Year, other operating expenses included the additional cost arising from the accelerated depreciation related to the underground mining structures of the upper coal seam of Xingwu Coal Mine amounted to approximately HK\$65 million. No such expense was incurred during the Year Under Review.

Also, the decrease was also resulted from the decline in charitable donation in the People's Republic of China (the "PRC") amounted to approximately HK\$7 million YoY and the decrease in loss on disposals of scrap and obsolescence property, plant and equipment amounted to approximately HK\$36 million YoY.

Finance Costs

During the Year Under Review, finance costs were approximately HK\$2.9 million (2022 FY: approximately HK\$1.4 million), which was solely interest expense on lease liabilities recognised under HKFRS 16.

Income Tax Expense

During the Year Under Review, income tax expense amounted to approximately HK\$918 million (2022 FY: approximately HK\$1,318 million). Income tax expense mainly includes the enterprise income tax calculated at a tax rate of 25% for the Group's major PRC subsidiaries incorporated in the PRC ("**major PRC Subsidiaries**") and the provision of withholding tax of 5% on the dividend to be declared from the major PRC Subsidiaries in accordance with the relevant tax regulations in the PRC. The income tax expense was decreased in line with profits during the Year Under Review.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owner during the Year Under Review was approximately HK\$1,889 million, a decrease of approximately HK\$826 million or 30% YoY, while approximately HK\$2,715 million for the Last Year.

Material Investments and Acquisitions

During the year ended 31 December 2023, the Group had no material investments and acquisitions.

Material Disposals

During the year ended 31 December 2023, the Group had no material disposals.

Safety Production and Environmental Protection

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

The Three Mines have been awarded the level II workplace safety standard issued by the Shanxi Provincial Emergency Management Department, and each of their coal processing plants obtained level I workplace safety standard issued by the Municipal Energy Bureau.

During the Year Under Review, all coal mines of the Group operated smoothly and have good safety record.

Charges on Assets

As at 31 December 2023, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

As at 31 December 2023, bank deposits of approximately HK\$518 million and bills receivables of approximately HK\$69 million were used for securing bills facilities. As at 31 December 2023, bills facilities of approximately HK\$318 million has been utilised.

Contingent Liabilities

As at 31 December 2023, there were no guarantees given by the Group and the Group has no material contingent liabilities.

Gearing Ratio

As at 31 December 2023, the Group had no borrowings. Thus, the gearing ratio of the Group was 0% (As at 31 December 2022: 0%).

Exposure to Fluctuations in Exchange Rates

As at 31 December 2023, other than assets and liabilities denominated in RMB and Australian Dollars (“AUD”), the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2023, RMB and AUD exchange rate were depreciated by approximately 2.7% and appreciated by approximately 0.3% respectively, when compared to that as at 31 December 2022. As the net assets value of the PRC business operations denominated in RMB represented approximately 81% of the Group’s net assets value as at 31 December 2023, the depreciation in RMB also led to an exchange loss of approximately HK\$438 million (other than the foreign exchange difference recognised in profit or loss stated above) recognised in the other comprehensive income upon translation of its net assets in the financial statements of coal business operations in the PRC for the year ended 31 December 2023. Besides, the aggregate carrying amount of assets denominated in AUD represented approximately 3% of the Group’s net assets value as at 31 December 2023. Thus, such fluctuation in AUD exchange rate is not expected to have any material impact on the financial position of the Group. The above exposure to fluctuation in exchange rates did not have any material impact on the financial position of the Group.

Liquidity and Financial Resources

As at 31 December 2023, the Group’s current ratio (total current assets divided by total current liabilities) was approximately 3.97 times and the Group’s cash and bank deposits amounted to approximately HK\$8,887 million, of which approximately HK\$518 million was deposited to secure bills facilities of approximately HK\$254 million and approximately HK\$424 million was restricted bank deposits for land reclamation and mine environmental restoration fund. The Group continued to maintain a healthy net cash balance.

The Group has total bills receivables amounting to approximately HK\$157 million (of which approximately HK\$1 million represented endorsed bills receivables and approximately HK\$69 million was used for securing bills facilities of approximately HK\$64 million) as at 31 December 2023. The free bills receivables were readily convertible into cash, but would be subject to finance cost upon conversion before the maturity. Taking into account for the free bills receivables of approximately HK\$87 million, the Group's free cash resources would have approximately HK\$8,032 million as at 31 December 2023 (As at 31 December 2022: approximately HK\$7,236 million).

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 31 December 2023, the share capital of the Company was approximately HK\$15,157 million, represented approximately 4,927 million shares in number. During the Year Under Review, the Company had bought-back and cancelled 125,000,000 ordinary shares at the offer price of HK\$2.40 per share. The Group had no borrowings as at 31 December 2023.

On 11 July 2023, the Board announced that a conditional cash offer to buy-back for cancellation up to 125,000,000 ordinary shares at HK\$2.40 per share, representing approximately 2.47% of the total issued shares of the Company immediately before the completion of the Offer (the "Offer"). On 21 September 2023, 125,000,000 ordinary shares bought-back by the Company were cancelled and the Offer was completed. As a result, immediately after the completion, the total number of issued shares was reduced by 125,000,000 shares from 5,051,837,842 shares to 4,926,837,842 shares and remained the same number till 31 December 2023. The fund of approximately HK\$303 million for the Offer was satisfied by internal resources of the Company. The Board considered that the Offer is in the best interest of the shareholders of the Company as it would: (a) provide an opportunity for the qualifying shareholders either to sell their shares at a premium to the prevailing market prices of the shares and receive cash or to increase their proportionate interests in the Company by retaining their holdings of the shares and participating in the future prospects of the Company; and (b) have the effect of increasing the consolidated net asset value per share and earnings per share, thus benefiting all shareholders. For the year ended 31 December 2023, the consolidated net assets attributable to shareholder per ordinary share and earnings per ordinary share are HK\$3.305 and HK\$0.3766 respectively representing 2.54% and 0.70% higher than these would be HK\$3.223 and HK\$0.3740 as if without the Offer. Details of the Offer are referred to the offer document of the Company dated 1 August 2023.

EMPLOYEES

As at 31 December 2023, the Group had 4,270 PRC and Hong Kong 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 employees in the PRC. The Group's share option scheme has expired on 25 May 2022 and no outstanding share option scheme as at 31 December 2023.

FUTURE PROSPECTS

Amidst a complex and shifting domestic and international environment, China's economy experienced fluctuations throughout 2023, resembling waves. Yet, despite these ups and downs, the country's overall economy remained stable and resilient. The annual Gross Domestic Product (“GDP”) growth reached 5.2%, meeting its target and establishing a strong foundation for continued economic stability.

Throughout the year, central banks across the globe proactively increased interest rates to curb inflation and changed the low-interest rate market. This shift prompted a reallocation of funds. In the first half of the year, the resurgence of banking crises in Europe and America led to a downturn in the financial markets, undermining market confidence and impacting the real economy. In response, China ramped up its investment initiatives and issued more local government bonds to enhance financial flexibility. Concurrently, they rolled out a series of optimised policies to encourage foreign investment and invigorate the economy. During the year, excluding price factors, the country concluded with a 6.4% growth in fixed asset investment, and a 5.9% increase in infrastructure investment. The real estate market continues to be weak, but the government has relaxed relevant policies in the second half of the year. The decline in new construction areas is gradually narrowing, and overall real estate development investment has decreased by 9.6% for the year. Domestic steel demand has decreased but achieved a 36.2% increase in exports. The steel supply and demand are generally balanced.

In 2023, China lifted the ban on coal imports from Australia, while coal imports from Mongolia and Russia continued to rise. This led to market concerns regarding a potential oversupply to impact domestic coking coal prices. With demand not meeting expectations, the market conditions weakened, and coking coal prices experienced a cliff-like drop in the second quarter. Despite ongoing geopolitical risks in the second half of the year, domestic demand gradually stabilises and rebounds. Concurrently, the domestic supply of coking coal faced constraints due to a series of mine accidents, leading to more frequent production halts, maintenance activities, and rectification that are expected to continue into 2024. These developments contributed to a V-shaped coal price recovery during the second half of the year.

In 2024, the government once again set the GDP growth target at around 5%, reflecting the government's confidence in economic growth, with a focus on investment and balancing risk prevention. The report on the work of the government in 2024 places a strong emphasis on significant investment projects, particularly within the manufacturing sector. This year, the central budget plans to allocate 700 billion yuan for investment in a strategic expansion in the scope of local government special project bonds and the utilisation of capital funds. Furthermore, the government plans to issue 1 trillion yuan ultra-long special treasury bonds, which will be used to implement major national strategies and build up security capacity in key areas. The central bank is implementing multiple stimulus policies accordingly, including reserve requirement cuts, targeted interest rate reductions, and other measures to support economic investment. However, the government continues to regulate the systematic risk control in the real estate market. It is estimated that the real estate sector would still be lingering at the bottom. The International Monetary Fund (IMF) expects China's GDP growth rate to decelerate to 4.6% in 2024 due to the real estate market and demand drag. Combined with the uncertain external environment this year, political risks brought by elections in various countries, and ongoing geopolitical risks, this will challenge China to achieve its goal of around 5%. Consequently, it will also put downside pressure on domestic coking coal demand and prices.

Given the stricter domestic security checks and the increasing difficulty in obtaining new mining permits, the domestic coking coal supply growth is limited. The seaborne coal prices have remained relatively high, and there is still room for growth in India's demand for coking coal. These factors will provide support to coking coal prices.

The Group's subsidiary, Xingwu Coal Mine, is transiting from the upper coal seam to the lower coal seam in the first half of 2024. We will continue to ensure a smooth transition and minimise the impact on production as much as possible. All staff will respond actively to all changes and overcome various difficulties. We will prioritise production safety, employing strategies and approaches to ensure our operations remain robust and secure.

Promoting new quality productivity is the development direction of national strategy and is also the development direction in the coal industry. The Company will continue to invest in technological innovation to improve quality and increase efficiency. At the same time, our company is dedicated to embracing the responsibilities of a conscientious enterprise by intensifying our efforts in environmental, social, and governance (ESG) initiatives, achieving comprehensive and coordinated sustainable development, accelerating intelligent integrated transformation, and supporting the country's efforts to achieve carbon neutrality by 2060. With the Group's stable operation, financial position, and strong cash flow, we will continue to monitor the development of the overall environment and economy to adjust our operating strategy promptly. The Group will maintain stringent corporate governance and leverage our competitive advantages to create greater value for our shareholders, employees, and society.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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

On 11 July 2023, the Board announced the offer (the "**Offer**") to buy-back for cancellation up to 125,000,000 shares of the Company at the offer price of HK\$2.40 per share, involving application of whitewash waiver. Details of the Offer were set out in the offer document dated 1 August 2023.

The Offer became unconditional on 29 August 2023, and was fully accepted on 12 September 2023. On 21 September 2023, HK\$300,000,000 (excluding related expenses) in aggregate, funded by internal resources of the Group, was paid by the Company in cash, following which those 125,000,000 shares bought-back by the Company were cancelled on the same day.

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix C1 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the financial year ended 31 December 2023.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 of the Listing Rules (the "**Model Code**") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the financial year ended 31 December 2023.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The 2023 annual report containing all the information required under the Listing Rules will be despatched to shareholders of the Company and available on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Ding Rucai (Chairman), Mr. Fan Wenli (Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Wang Dongming (Deputy Managing Director), Ms. Chang Cun (Non-executive Director), Mr. Shi Yubao (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Japhet Sebastian Law (Independent Non-executive Director) and Mr. Chen Jianxiong (Independent Non-executive Director).