Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

首鋼福山資源集團有限公司

SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the six months ended 30 June 2014**	2013	Percentage change
Revenue	**1,702**	2,322	-27%
Gross profit	**748**	1,285	-42%
Gross profit margin	**44%**	55%	
Operating profit	**18**	1,023	-98%
Of which: Impairment loss on goodwill	**(300)**	–	
EBITDA[1]	**572**	1,319	-57%
(Loss)/Profit for the period	**(161)**	703	
(Loss)/Profit attributable to owners of the Company	**(192)**	582	
Basic (loss)/earnings per share *(HK cents)*	**(3.61)**	10.98	

(HK$'million)	**As at 30 June 2014**	As at 31 December 2013	Percentage change
Net assets	**20,441**	21,659	-6%
Gearing ratio[2]	**1.62%**	2.68%	-40%
Adjusted gearing ratio[3]	**0.00%**	0.01%	-100%

The board of directors has declared an 2014 interim dividend of HK1 cent (2013 interim: HK2.7 cents) per ordinary share.

Notes:

1. EBITDA is defined as operating profit plus impairment loss on goodwill, depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.
3. Adjusted gearing ratio is computed from total borrowings (excluding asset-backed financing) divided by total equity.

INTERIM RESULTS

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,702,459**	2,321,979
Cost of sales		**(954,782)**	(1,037,324)
Gross profit		**747,677**	1,284,655
Other operating income	*4*	**126,633**	217,227
Selling and distribution expenses		**(102,614)**	(62,305)
General and administrative expenses		**(208,028)**	(153,596)
Other operating expenses		**(245,587)**	(262,870)
Impairment loss on goodwill	*5(b)*	**(300,152)**	–
Operating profit		**17,929**	1,023,111
Finance costs	*6*	**(8,389)**	(13,994)
Change in fair value of derivative financial instruments		**(39,242)**	(1,436)
Share of loss of an associate		**(540)**	(385)
(Loss)/Profit before income tax	*7*	**(30,242)**	1,007,296
Income tax expense	*8*	**(130,807)**	(304,311)
(Loss)/Profit for the period		**(161,049)**	702,985

		Six months ended 30 June	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(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		**(220,053)**	207,150
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(301,512)**	(623,658)
Total comprehensive income for the period		**(682,614)**	286,477
(Loss)/Profit for the period attributable to:			
Owners of the Company		**(191,517)**	582,346
Non-controlling interests		**30,468**	120,639
(Loss)/Profit for the period		**(161,049)**	702,985
Total comprehensive income for the period attributable to:			
Owners of the Company		**(682,354)**	138,415
Non-controlling interests		**(260)**	148,062
Total comprehensive income for the period		**(682,614)**	286,477
		HK(Cents)	*HK(Cents)*
(Loss)/Earnings per share	*10*		
– Basic and diluted		**(3.61)**	10.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,472,102**	3,609,675
Prepaid lease payments		**58,843**	60,681
Mining rights		**10,091,206**	10,410,259
Goodwill	*5(a)*	**1,978,332**	2,319,205
Interest in an associate		**18,020**	18,894
Financial assets measured at fair value through other comprehensive income		**989,365**	1,290,877
Deposits, prepayments and other receivables		**280,228**	312,375
Deferred tax assets		**24,744**	27,586
Total non-current assets		**16,912,840**	18,049,552
Current assets			
Inventories		**254,878**	221,019
Trade and bill receivables	*11*	**2,415,044**	2,590,184
Deposits, prepayments and other receivables		**249,778**	203,485
Derivative financial instruments		**8,130**	13,661
Pledged bank deposits		**210,433**	204,790
Time deposits with original maturity over three months		**2,777,827**	3,450,606
Cash and cash equivalents		**2,277,192**	2,137,611
Total current assets		**8,193,282**	8,821,356

	Notes	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Current liabilities			
Trade and bill payables	*12*	**587,144**	663,324
Other payables and accruals		**1,388,920**	1,526,846
Borrowings		**330,225**	580,009
Derivative financial instruments		**625**	–
Amounts due to non-controlling interests of subsidiaries		**3,796**	20,635
Tax payables		**276,782**	269,627
Total current liabilities		**2,587,492**	3,060,441
Net current assets		**5,605,790**	5,760,915
Total assets less current liabilities		**22,518,630**	23,810,467
Non-current liabilities			
Deferred tax liabilities		**2,077,546**	2,151,302
Total non-current liabilities		**2,077,546**	2,151,302
Net assets		**20,441,084**	21,659,165
EQUITY			
Equity attributable to owners of the Company			
Share capital	*13*	**15,156,959**	530,184
Reserves		**3,674,527**	19,397,199
Total equity attributable to owners of the Company		**18,831,486**	19,927,383
Non-controlling interests		**1,609,598**	1,731,782
Total equity		**20,441,084**	21,659,165

Notes:

1. GENERAL INFORMATION

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

The principal 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 2014.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2014 (the "Interim Financial Information") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and with the applicable disclosure provisions in Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The preparation of 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 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 2013.

The Interim Financial Information has been reviewed by our auditor 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 Interim Financial Information was approved for issue by the board of directors on 28 August 2014.

The Interim Financial Information has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2013, except for the adoption of the following standards as of 1 January 2014:

Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) 21	Levies

Other than as noted below, the adoption of these new or revised HKFRSs has had no material impact on the Interim Financial Information.

2.1 Amendments to HKAS 32 Presentation – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

2.2 Amendments to HKFRS 36 Recoverable Amount Disclosures for Non-Financial Assets

These amendments remove the unintended consequences of HKFRS 13 Fair Value Measurement on the disclosures required under HKAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generated units (CGUs) for which an impairment loss has been recognised or reversed during the period. The Group has provided those disclosures in Note 5.

2.3 Amendments to HKFRS 39 Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

2.4 HK(IFRIC) 21 Levies

HK(IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs. The adoption of HK(IFRIC) 21 did not have an impact on the Interim Financial Information.

3. REVENUE AND SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. The Group has identified one reportable segment as follows:

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

For the six months ended 30 June 2014, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The operating segment is monitored and strategic decisions are made on the basis of adjusted segment operating results. The Group's segment operating profit reconciles to the Group's (loss)/profit before income tax was as follows:`

	Coking coal mining		Consolidated	
	Six months ended 30 June		Six months ended 30 June	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:				
Revenue from external parties	**1,702,459**	2,321,979	**1,702,459**	2,321,979
Segment operating profit	**6,745**	931,245	**6,745**	931,245
Interest income			**98,843**	63,714
Other operating income not allocated			**–**	76,727
General and administrative expenses not allocated			**(87,659)**	(48,575)
Operating profit			**17,929**	1,023,111
Finance costs			**(8,389)**	(13,994)
Change in fair value of derivative financial instruments			**(39,242)**	(1,436)
Share of loss of an associate			**(540)**	(385)
(Loss)/Profit before income tax			**(30,242)**	1,007,296

	Coking coal mining		Corporate		Consolidated	
	30 June	31 December	**30 June**	31 December	**30 June**	31 December
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**19,096,347**	20,093,380	**4,969,516**	5,426,510	**24,065,863**	25,519,890
Segment liabilities	**2,259,694**	2,718,436	**50,391**	72,378	**2,310,085**	2,790,814

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**98,843**	63,714
Dividend income on financial assets measured at fair value through other comprehensive income	**–**	26,260
Income from sales of scrapped products	**27,715**	49,276
Net foreign exchange gain	**–**	75,727
Others	**75**	2,250
	126,633	217,227

5. GOODWILL/IMPAIRMENT LOSS ON GOODWILL

(a) Reconciliation of carrying amount of goodwill

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gross carrying amount at the beginning of the period/year	**2,321,215**	2,266,920
Exchange retranslation	**(40,721)**	54,295
Gross carrying amount at the end of the period/year	**2,280,494**	2,321,215
Less:		
Accumulated impairment loss at the beginning of the period/year	**(2,010)**	(2,010)
Impairment loss for the period	**(300,152)**	–
Accumulated impairment loss at the end of the period/year	**(302,162)**	(2,010)
Net carrying amount at the end of the period/year	**1,978,332**	2,319,205

The carrying amount of goodwill was allocated as follows:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu")	**872,088**	887,826
Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang")	**511,822**	826,627
Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi")	**572,495**	582,825
Jinshan Energy Group Limited	**21,927**	21,927
Net carrying amount at the end of the period/year	**1,978,332**	2,319,205

(b) Impairment loss on goodwill

During the six months ended 30 June 2014, following the continuous downturn in the coal market, the Group reassessed its estimates on the recoverable amounts of CGUs of the coking coal mining segment.

The recoverable amounts of CGUs have been determined based on value-in-use calculations, which are based on certain key assumptions including discount rates, growth rates, expected changes in direct costs and remaining reserves. The recoverable amounts as at 30 June 2014 were measured by an independent valuer, Asset Appraisal Limited, who is a fellow member of the Hong Kong Institute of Surveyors.

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

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately 0% to 8% (As at 31 December 2013: 0% to 17%) and with average discount rate of 13.44% (As at 31 December 2013: 15.24%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (As at 31 December 2013: 2%). Cash flow projections during the budget period for each of the above CGU are based on the budgeted revenue and expected gross margins during the budget period and the same inflation rate of 3% (As at 31 December 2013: 2%) during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inflation rate, have been determined based on market information, past performance and management's expectations for the market development.

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

The carrying amount of Jinjiazhuang's CGU was determined to be higher than its recoverable amount of HK$461,772,000 and an impairment loss of HK$300,152,000 (Six months ended 30 June 2013: nil) was recognised during the six months ended 30 June 2014. This impairment loss was allocated fully to goodwill as the reduction of the carrying amount of goodwill, included in the consolidated statement of financial position, by HK$300,152,000; and as "impairment loss on goodwill" in the consolidated statement of profit or loss and other comprehensive income. The key assumptions are the discount rate of 13.39% (As at 31 December 2013: 14.99%) per annum and the growth rates, covering a 5-year period, of approximately 0% to 8% (As at 31 December 2013: 0% to 17%).

(c) Sensitivity disclosures

The recoverable amount of Xingwu's CGU exceeds its carrying amount by HK$295,072,000. The key assumptions are the discount rate of 13.35% per annum and the growth rate of approximately 0% to 8%. If the discount rate increased by 0.68% or the growth rate reduced by 0.41%, the carrying amount of Xingwu's CGU would equal its recoverable amount.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on:		
– bank borrowings repayable within five years	**–**	2,099
– discounted bill receivables	**8,389**	11,895
Total finance costs	**8,389**	13,994

* No borrowing costs were capitalised for the six months ended 30 June 2014 and 2013.

7. (LOSS)/PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**954,782**	1,037,324
Amortisation of		
– prepaid lease payments	**763**	781
– mining rights	**134,620**	156,716
Depreciation of property, plant and equipment	**118,231**	138,276
Employee benefit expenses (including directors' remuneration and retirement benefits scheme contributions)	**305,565**	335,389
Net foreign exchange loss/(gain)	**79,381**	(75,727)
Provision for impairment on trade receivables	**–**	3,380
Operating lease charges in respect of land and buildings	**792**	3,432

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**132,086**	290,071
Deferred tax	**(1,279)**	14,240
	130,807	304,311

No provision for Hong Kong Profits Tax has been made in the Interim Financial Information as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2014 and 2013.

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

The Group is also subject to withholding tax at the rate of 5% (Six months ended 30 June 2013: 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	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK1 cent per ordinary share (Six months ended 30 June 2013: HK2.7 cents per ordinary share)	**53,018**	143,150

Interim dividend of HK1 cent (Six months ended 30 June 2013: HK2.7 cents) per ordinary share declared after 30 June 2014 (Six months ended 30 June 2013: 30 June 2013) has not been recognised as a liability as at the reporting date.

Interim dividend for the six months ended 30 June 2014 is expected to be paid on or about 15 October 2014 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 15 September 2014. As at 30 June 2014, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2013: 5,301,837,842).

10. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit used to determine basic and diluted (loss)/earnings per share	**(191,517)**	582,346
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**5,301,837**	5,301,837
Effect of dilutive potential ordinary shares – share options	**–**	2,188
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**5,301,837**	5,304,025

Diluted loss per share for the current interim period

In calculating the diluted loss per share for the current interim period, the potential issue of shares arising from the Company's share option would decrease the loss per share during the current interim period and was thereby not taken into account as they have an anti-dilutive effect. Therefore, the diluted loss per share was calculated based on the loss for the period of HK$191,517,000 and on the weighted average of 5,301,837,842 ordinary shares, being the weighted average number of ordinary shares used in the calculation of basic loss per share.

11. TRADE AND BILL RECEIVABLES

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,311,280**	990,454
Less: Provision for impairment losses	**(190,481)**	(193,917)
	1,120,799	796,537
Bill receivables	**1,294,245**	1,793,647
	2,415,044	2,590,184

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

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**1,535,130**	1,333,259
4 to 6 months	**796,719**	1,235,654
7 to 12 months	**83,195**	21,271
	2,415,044	2,590,184

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2013: 60 to 90 days) and no interest has been charged during the period.

As at 30 June 2014, bill receivables included an amount of RMB112,220,000 (HK$139,994,000 equivalent) (As at 31 December 2013: RMB150,289,000 (HK$190,867,000 equivalent)) which was pledged for bill payables of RMB103,939,000 (HK$129,663,000 equivalent) (As at 31 December 2013: RMB150,262,000 (HK$190,833,000 equivalent)) (Note 12).

As at 30 June 2014, the Group discounted and endorsed certain amount of its bill receivables with full recourse to financial institutions and creditors. In the event of default by the debtors, the Group is obliged to pay the financial institutions and creditors the amount in default. The Group is therefore exposed to the risks of credit losses and late payment in respect of its discounted and endorsed bill receivables.

The discounting and endorsement transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted and endorsed bill receivables. At 30 June 2014, bill receivables of RMB349,690,000 (HK$436,239,000 equivalent) (As at 31 December 2013: RMB588,960,000 (HK$747,979,000 equivalent)) continue to be recognised in the Group's financial statements although they have been legally transferred to the financial institutions and creditors. The proceeds of the discounting and endorsement transactions are included in borrowings as asset-backed financing, trade payables (Note 12) and other payables until the related bill receivables are collected or the Group settles any losses suffered by the financial institutions and creditors. At 30 June 2014, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB264,709,000 (HK$330,225,000 equivalent) (As at 31 December 2013: RMB454,900,000 (HK$577,723,000 equivalent)), RMB74,631,000 (HK$93,102,000 equivalent) (As at 31 December 2013: RMB90,060,000 (HK$114,376,000 equivalent)) and RMB10,350,000 (HK$12,912,000 equivalent) (As at 31 December 2013: RMB44,000,000 (HK$55,880,000 equivalent)) respectively.

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

12. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit periods ranging between 30 to 180 days (Six months ended 30 June 2013: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2014 is as follows:

	30 June 2014 *HK$'000* **(Unaudited)**	31 December 2013 *HK$'000* (Audited)
1 to 3 months	**281,798**	391,918
4 to 6 months	**269,089**	238,219
7 to 12 months	**18,105**	12,599
Over 1 year	**18,152**	20,588
	587,144	663,324

As at 30 June 2014, bill payables of RMB263,557,000 (HK$328,786,000 equivalent) (As at 31 December 2013: RMB302,484,000 (HK$384,155,000 equivalent)) were secured by the pledged bank deposits of RMB168,684,000 (HK$210,433,000 equivalent) (As at 31 December 2013: RMB161,252,000 (HK$204,790,000 equivalent)) and bill receivables of RMB112,220,000 (HK$139,994,000 equivalent) (As at 31 December 2013: RMB150,289,000 (HK$190,867,000 equivalent)) (Note 11).

As at 30 June 2014, included in trade payables of RMB74,631,000 (HK$93,102,000 equivalent) (As at 31 December 2013: RMB90,060,000 (HK$114,376,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in bill receivables (Note 11).

13. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2014	31 December 2013	**30 June 2014**	31 December 2013
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised *(Note (a))*:				
Ordinary shares of HK$0.10 each *(Note (b))*				
At 30 June/31 December	**N/A**	10,000,000	**N/A**	1,000,000
Issued and fully paid:				
At 1 January	**5,301,837**	5,301,837	**530,184**	530,184
Transfer from share premium and capital redemption reserve upon abolition of par value of shares on 3 March 2014 *(Note (c))*	**–**	–	**14,626,775**	–
At 30 June/31 December	**5,301,837**	5,301,837	**15,156,959**	530,184

Note:

(a) Under the Hong Kong Companies Ordinance (Cap.622), which effective on 3 March 2014, the concept of authorised share capital no longer exists.

(b) In accordance with Section 135 of the Hong Kong Companies Ordinance (Cap.622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(c) In accordance with the transitional provisions set out in Section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap.622), any amount standing to the credit of the share premium account and capital redemption reserve at the beginning of 3 March 2014 became part of the Company's share capital.

14. COMMITMENTS

(a) Operating lease commitments

At 30 June 2014, 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 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**5,216**	5,268
In the second to fifth years	**12,676**	14,053
After the fifth year	**39,869**	42,053
	57,761	61,374

The Group leases a number of land and buildings and other assets under operating lease arrangements. The leases run for an initial period of 3 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) Capital commitments

Capital commitments of the Group at 30 June 2014 are as follows:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**224,426**	217,164
– Exploration and design fees for a potential mining project	**9,331**	9,500
	233,757	226,664

(c) Other commitments

In accordance with notices issued by the Liulin County Government of Shanxi Province, certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the improvement of educational infrastructure and facilities in the Liulin County including construction of modern schools and provision of educational facilities from 2012 to 2014 (As at 31 December 2013: 2012 to 2014). Such subsidies are charged in consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 30 June 2014, management expects that RMB1,430,000 (HK$1,784,000 equivalent) (As at 31 December 2013: RMB198,000,000 (HK$251,460,000 equivalent)) is payable in 2014 (As at 31 December 2013: 2014).

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent per ordinary share for the six months ended 30 June 2014 (2013: HK2.7 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 15 September 2014. 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 Monday, 15 September 2014 for registration. The interim dividend is expected to be paid on or about Wednesday, 15 October 2014.

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 ended 30 June 2014 (the "period under review") together with that of the same period of 2013 is summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2014**	2013	Quantity/ Amount	%	2013 FY	%
Production volume:							
Raw coking coal	Mt	**2.96**	3.39	-0.43	-13%	6.13	
Clean coking coal	Mt	**1.49**	1.28	+0.21	+16%	2.67	
Sales volume:							
Raw coking coal	Mt	**0.56**	1.32	-0.76	-58%	1.96	
Clean coking coal	Mt	**1.41**	1.12	+0.29	+26%	2.53	
Average realised selling price (inclusive of VAT):							
Raw coking coal	RMB/tonne	**549**	661	-112	-17%	632	-13%
Clean coking coal	RMB/tonne	**912**	1,158	-246	-21%	1,076	-15%

For the six months ended 30 June 2014, the Group produced approximately 2.96 million tonnes ("Mt") (Six months ended 30 June 2013: approximately 3.39 Mt) of raw coking coal, representing a year-on-year decrease of 13% and also produced approximately 1.49 Mt (Six months ended 30 June 2013: approximately 1.28 Mt) of clean coking coal, representing a year-on-year increase of 16%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Notwithstanding the influence of the economic slowdown in the Mainland China, the sales volume of clean coking coal increased by 26% even though sales volume of raw coking coal dropped by 58% during the period under review. We continued to make effort to expand our clean coking coal business. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal and hence both production and sales volume of clean coking coal increased by 16% and 26% respectively during the period under review.

For the six months ended 30 June 2014, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 17% to Renminbi ("RMB") 549/tonne when compared with that of the same period of 2013 (Six months ended 30 June 2013: RMB661/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 21% to RMB912/tonne when compared with that of the same period of 2013 (Six months ended 30 June 2013: RMB1,158/tonne). The decline in average realised selling prices of our coal products were in line with the slump in market coal prices. In terms of its sales volume, sales of No.4 and No.9 raw coking coal accounted for 55% and 45% of the total raw coking coal sales volume respectively for the six months ended 30 June 2014 (Six months ended 30 June 2013: 61% and 39%). In addition, sales of No.1 and No.2 clean coking coal accounted for 57% and 43% of the total clean coking coal sales volume respectively for the six months ended 30 June 2014 (Six months ended 30 June 2013: 69% and 31%).

FINANCIAL REVIEW

For the six months ended 30 June 2014, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 1,702 million, representing a decrease of approximately HK$620 million or 27% as compared with that of approximately HK$2,322 million for the same period of 2013. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 17% and 21% respectively for the period under review. It was also attributable to the substantial drop in the sales volume of raw coking coal by 58% under the current weak coal market situation, the impact of which has overridden the impact of the increase of sales volume in clean coking coal by 26% for the period under review. In terms of turnover, sales of raw and clean coking coal accounted for 19% and 81% of the Group's turnover respectively for the six months ended 30 June 2014. They accounted for 40% and 60% respectively for the six months ended 30 June 2013.

For the six months ended 30 June 2014, the total turnover to the top five customers accounted for 63% (Six months ended 30 June 2013: 53%) of the Group's turnover. Of which, the total turnover to the largest customer accounted for 15% (Six months ended 30 June 2013: 19%) of the Group's turnover.

For the six months ended 30 June 2014, gross profit margin was 44% while 55% for the same period in 2013. Decrease in gross profit margin was mainly due to the drop in realised selling prices as explained above.

For the six months ended 30 June 2014, the Group recorded a thin operating profit of approximately HK$18 million, representing a year-on-year substantial decrease of 98%. The Group recorded net loss of approximately HK$161 million and loss attributable to the owners of the Company (the "Owner") of approximately HK$192 million eventually. Such loss is primarily attributable to (i) substantial drop in turnover by HK$620 million as explained above; (ii) a non-cash impairment loss on goodwill of approximately HK$300 million arising from the continuous downturn in the coal market; and (iii) due to the depreciation in RMB, the Group suffered an unrealised related foreign exchange loss of approximately HK$119 million ("the Foreign Exchange Loss") mainly arising from re-translation of its monetary assets (mainly cash) denominated in RMB into HK$ as at 30 June 2014.

During the period under review, basic loss per share was HK3.61 cents (Six months ended 30 June 2013: basic earnings per share was HK10.98 cents).

By excluding such non-cash impairment loss on goodwill and the Foreign Exchange Loss, the Group would record net profit of approximately HK$258 million, representing a substantial decrease of approximately HK$445 million or 63% as compared with that of approximately HK$703 million for the same period of 2013. In additional, the Group would record profit attributable to the Owners of approximately HK$227 million, representing a substantial decrease of approximately HK$355 million or 61% as compared with that of approximately HK$582 million for the same period of 2013.

Cost of Sales

During the period under review, cost of sales was approximately HK$955 million, representing a decrease of approximately HK$82 million or 8%, as compared with that of approximately HK$1,037 million for the same period of 2013. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales during the period under review.

Included in cost of sales, amortisation of mining rights was approximately HK$135 million for the six months ended 30 June 2014, representing a decrease of approximately HK$22 million or 14%, as compared with that of approximately HK$157 million for the same period of 2013. The decrease in amortisation of mining rights was mainly due to the decrease in usage of raw coking coal for sales during the period under review.

The unit production costs are summarised as follow:

		Six months ended 30 June		Change		2013	Change
	Unit	**2014**	2013	Amount	%	FY	%
Production cost of raw coking coal	RMB/tonne	**246**	248	-2	-1%	260	-5%
of which, depreciation and amortisation	*RMB/tonne*	***(57)***	*(60)*	*-3*	*-5%*	*(62)*	*-8%*
Processing cost for clean coking coal	RMB/tonne	**46**	50	-4	-8%	53	-13%
of which, depreciation	*RMB/tonne*	***(10)***	*(11)*	*-1*	*-9%*	*(11)*	*-9%*

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$748 million for the six months ended 30 June 2014, representing a significant decrease of approximately HK$537 million or 42% as compared with that of approximately HK$1,285 million for the same period of 2013. During the period under review, gross profit margin was 44% compared with 55% for the same period of 2013. The drop in gross profit margin was mainly due to the drop in average realised selling prices for the six months ended 30 June 2014 when compared with that in the same period of 2013 as explained above under "Business Review".

Other Operating Income

During the period under review, other operating income was approximately HK$127 million, representing a significant decrease of approximately HK$90 million or 41% as compared with approximately HK$217 million of the same period in 2013. The decrease in other operating income was mainly attributable to the decrease in dividend income of approximately HK$26 million from equity securities listed in Australia and the decrease in net exchange gain of approximately HK$76 million as explained below under "General and Administrative Expenses" during the period under review.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$103 million, representing a significant increase of approximately HK$41 million or 66% as compared with that of approximately HK$62 million for the same period of 2013. The increase was mainly as a result of the increase in transportation costs arising from the increase in sales volume of clean coking coal at C&F prices by approximately 224% from approximately 76,000 tonnes for the six months ended 30 June 2013 to approximately 246,000 tonnes for the six months ended 30 June 2014.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK$208 million, representing a significant increase of approximately HK$54 million or 35% as compared with approximately HK$154 million for the same period of 2013. The increase was resulted from the substantial increase in net exchange loss of approximately HK$79 million during the period under review. Such net exchange loss was mainly arose from re-translation of the Group's current assets (mainly cash) denominated in RMB to HK$ as at 30 June 2014 as a result of the depreciation of RMB by approximately 2% as at 30 June 2014 compared with that as at 31 December 2013. On the other hand, it was recorded net exchange gain of approximately HK$76 million for the same period of the last year as a result of the appreciation of RMB by approximately 2% as at 30 June 2013. By excluding such net exchange loss, the general and administrative expenses were approximately HK$129 million for the six months ended 30 June 2014, representing a significant decrease of approximately HK$25 million or 16% as compared with approximately HK$154 million for the same period of 2013.

Impairment Loss on Goodwill

Due to the continuous downturn in the coal market, the Group incurred impairment loss of approximately HK$300 million on goodwill during the period under review. Details are disclosed in Note 5 to the Interim Financial Information.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$246 million, which mainly represented the committed 2014 annual payment of charitable donation of approximately HK$245 million paid by the Group to the Liulin County Government, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2013.

Finance Costs

During the period under review, finance costs were approximately HK$8 million, representing a decrease of approximately HK$6 million or 43% as compared with that of approximately HK$14 million for the same period of 2013. The decrease in finance costs was due to the Group adopted short term financing by early redemption of bill receivables instead of long term bank borrowings. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2013: nil).

Income Tax Expense

During the period under review, income tax expense was approximately HK$131 million (Six months ended 30 June 2013: approximately HK$304 million), of which approximately HK$11 million (Six months ended 30 June 2013: approximately HK$55 million) represented the provision of withholding tax of 5% on the dividend 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. The enterprise income tax rate for the Group's major PRC subsidiaries is 25%. The substantial decrease in income tax expense was decrease in line with the substantial drop in profits arising from the major PRC subsidiaries during the period under review.

Owner's Attributable Loss

By reasons of the foregoing, the loss attributable to the Owners during the period under review was approximately HK$192 million while the profit attributable to the Owners was approximately HK$582 million for the same period of 2013.

Material Investments and Acquisitions

During the six months ended 30 June 2014, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2014, 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. During the period under review, all coal mines of the Group operated smoothly.

Charges on Assets

As at 30 June 2014, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$210 million and bill receivables of approximately HK$140 million were used for securing bills facilities of approximately HK$329 million.

Contingent Liabilities

As at 30 June 2014, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2014, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 2%. Exclusion of the effect on early redemption of bill receivables amounting to approximately HK$330 million, the Group's gearing ratio would be zero.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2014, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2014, RMB was depreciated by approximately 2% while AUD was appreciated by approximately 6%, when compared to that as at 31 December 2013. As the net assets value denominated in RMB represented approximately 76% of the Group's total net assets value as at 30 June 2014, the depreciation in RMB led to other exchange loss of approximately HK$220 million recognised in other comprehensive income upon translation of financial statements of foreign operations in the PRC during the six months ended 30 June 2014, except for the Foreign Exchange Loss recognised in the profit or loss as disclosed above. Such fluctuations in exchange rates are not expected to have any material impact on the financial strength of the Group.

Liquidity and Financial Resources

As at 30 June 2014, the Group's current ratio (current assets divided by current liabilities) was approximately 3.2 times and the Group's cash and bank deposits amounted to approximately HK$5,265 million, of which approximately HK$210 million was deposited to secure bills facilities of approximately HK$199 million.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$1,294 million (of which approximately HK$436 million represented discounted and endorsed bill receivables and approximately HK$140 million was used for securing bills facilities of approximately HK$130 million) as at 30 June 2014 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$718 million, the Group's free cash resources would have approximately HK$5,773 million as at 30 June 2014.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2014, the amount of capital was approximately HK$20,771 million.

From the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014), the Company has no authorised share capital and its shares have no par value. Accordingly, approximately HK$14,627 million was transferred from share premium and capital redemption reserve to the share capital of the Company upon abolition of par value. As at 30 June 2014, 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 of issued shares.

As at 30 June 2014, all borrowings of the Group are denominated in RMB and are asset-backed financing.

EMPLOYEES

As at 30 June 2014, the Group had 27 Hong Kong employees and 6,510 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 has a share option scheme. During the period under review, no share option was granted or exercised.

FUTURE PROSPECTS

Looking forward to the second half of 2014, both China and Global economy show a strong sign of recovery. Following the policy of ensuring steady growth, advancing reform and adjusting the structure, more micro economic stimulus measures would be gradually implemented by China government. With the recovery of the electricity consumption, a great increase of loans disbursed by banks under a loose monetary policy, and the strong performance of Purchasing Managers' Index, it is widely expected that economy would realise an upturn in the second half of 2014. In addition, the financial support to the redevelopment of run-down urban areas arranged by the Chinese central government, continual increase of investment amount in railway construction plan, encouragement in investment in new energy vehicles and charging facilities constructions and lifting home buying restrictions policy by Chinese regional governments would become great impetus for the steel industry, which would help to increase the demand and consumption of steel product. Nevertheless, the second half of 2014 will be challenges.

The Group will keep eyes on the trend of both China and Global economy and take appropriate measures to settle the problems we would encounter. We will continue to strengthen and deepen our strategic relationships with our existing customers and to expand our customer base. Meanwhile, we will continue to ensure safety of production and strengthen management, and further optimise the personnel structure and improve cost control. To guarantee a better and more sustainable development of the Group in the future, we are actively and prudently searching for suitable merger and acquisition opportunities both in China and abroad, aiming to increase our reserves and output. We are confident that, with our abundant experience in management, investment and operation, we would fulfil a further development and create greater return for our shareholders.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2014.

APPRECIATION

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

By Order of the Board
Shougang Fushan Resources Group Limited
Li Shaofeng
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Chen Zhouping (Vice-chairman and Managing Director), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Xiang Xu Jia (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director), Mr. Chan Pat Lam (Independent Non-executive Director), Mr. Chan Chung Chun (Independent Non-executive Director) and Mr. Japhet Sebastian Law (Independent Non-executive Director).