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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the six months ended 30 June 2015**	2014	Percentage change
Revenue	**1,093**	1,702	-36%
Gross profit	**274**	748	-63%
Gross profit margin	**25%**	44%	
Operating profit	**6**	18	-67%
Of which: Non-cash impairment loss	**(144)**	(300)	-52%
EBITDA[1]	**382**	572	-33%
Profit/(Loss) for the period	**32**	(161)	
Profit/(Loss) attributable to owners of the Company ("Owners")	**85**	(192)	
Basic earnings/(loss) per share *(HK cents)*	**1.60**	(3.61)	

(HK$'million)	**As at 30 June 2015**	As at 31 December 2014	Percentage change
Net assets	**19,464**	19,570	-1%
Of which: Equity per share attributable to Owners (HK$)	**3.37**	3.38	-0%
Gearing ratio[2]	**1.41%**	0.38%	
Adjusted gearing ratio[3]	**0.00%**	0.00%	

The board of directors (the "Board") has declared a 2015 interim dividend of HK1 cent (2014 interim: HK1 cent) per ordinary share. To reward our shareholders, the Board has also declared a special dividend of HK15 cents per ordinary share (2014 interim: Nil).

Notes:

1. EBITDA is defined as operating profit plus impairment loss, depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.
3. Adjusted gearing ratio is computed from total borrowings (exclusive of 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 2015. 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 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**1,092,612**	1,702,459
Cost of sales		**(818,830)**	(954,782)
Gross profit		**273,782**	747,677
Other operating income	*5*	**100,574**	126,633
Selling and distribution expenses		**(113,663)**	(102,614)
General and administrative expenses		**(110,767)**	(208,028)
Other operating expenses		**(642)**	(245,587)
Impairment loss on goodwill, mining rights and property, plant and equipment	*6*	**(143,715)**	(300,152)
Operating profit		**5,569**	17,929
Finance costs	*7*	**(7,160)**	(8,389)
Change in fair value of derivative financial instruments		**47,693**	(39,242)
Share of loss of an associate		**(215)**	(540)
Profit/(Loss) before income tax	*8*	**45,887**	(30,242)
Income tax expense	*9*	**(14,105)**	(130,807)
Profit/(Loss) for the period		**31,782**	(161,049)

	Notes	Six months ended 30 June **2015** ***HK$'000*** **(Unaudited)**	 2014 *HK$'000* (Unaudited)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**–**	(220,053)
Item that will not be reclassified to profit or loss:			
Fair value gain/(loss) on financial assets measured at fair value through other comprehensive income		**12,708**	(301,512)
Total comprehensive income for the period		**44,490**	(682,614)
Profit/(Loss) for the period attributable to:			
Owners of the Company		**84,783**	(191,517)
Non-controlling interests		**(53,001)**	30,468
Profit/(Loss) for the period		**31,782**	(161,049)
Total comprehensive income for the period attributable to:			
Owners of the Company		**97,491**	(682,354)
Non-controlling interests		**(53,001)**	(260)
Total comprehensive income for the period		**44,490**	(682,614)
		HK (Cents)	*HK (Cents)*
Earnings/(Loss) per share	*11*		
– Basic and diluted		**1.60**	(3.61)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	**30 June 2015** *HK$'000* **(Unaudited)**	31 December 2014 *HK$'000* (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,312,757**	3,412,110
Prepaid lease payments		**57,318**	58,081
Mining rights		**9,759,468**	9,966,970
Goodwill		**1,448,402**	1,454,520
Interest in an associate		**17,150**	17,365
Financial assets measured at fair value through other comprehensive income		**386,202**	373,494
Deposits, prepayments and other receivables		**360,184**	273,350
Deferred tax assets		**23,194**	22,489
Total non-current assets		**15,364,675**	15,578,379
Current assets			
Inventories		**194,970**	180,799
Trade and bill receivables	*12*	**2,267,481**	2,548,830
Deposits, prepayments and other receivables		**174,046**	184,858
Derivative financial instruments		**10,079**	56
Pledged bank deposits		**162,584**	103,670
Time deposits with original maturity over three months		**4,207,201**	3,450,784
Cash and cash equivalents		**1,710,619**	1,952,602
Total current assets		**8,726,980**	8,421,599

	Notes	30 June 2015 HK$'000 (Unaudited)	31 December 2014 HK$'000 (Audited)
Current liabilities			
Trade and bill payables	*13*	**584,303**	601,062
Other payables and accruals		**1,432,522**	1,446,840
Dividend payable	*10*	**143,150**	–
Borrowings		**273,518**	73,899
Derivative financial instruments		**102**	22,397
Amounts due to non-controlling interests of subsidiaries		**4,030**	3,796
Tax payables		**180,626**	226,712
Total current liabilities		**2,618,251**	2,374,706
Net current assets		**6,108,729**	6,046,893
Total assets less current liabilities		**21,473,404**	21,625,272
Non-current liabilities			
Deferred tax liabilities		**2,009,560**	2,055,672
Total non-current liabilities		**2,009,560**	2,055,672
Net assets		**19,463,844**	19,569,600
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**15,156,959**	15,156,959
Reserves		**2,723,917**	2,769,576
Total equity attributable to owners of the Company		**17,880,876**	17,926,535
Non-controlling interests		**1,582,968**	1,643,065
Total equity		**19,463,844**	19,569,600

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 2015.

2. **BASIS OF PREPARATION**

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2015 (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 2014, 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 2014.

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 27 August 2015.

3. **SIGNIFICANT ACCOUNTING POLICIES**

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 2014, except for the adoption of the following standards as of 1 January 2015:

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle
Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amended HKFRSs has had no material impact on the Interim Financial Information.

4. 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 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 2015, 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 result. The Group's segment operating profit reconciles to the Group's profit/(loss) before income tax was as follows:

	Coking coal mining		**Consolidated**	
	Six months ended 30 June		**Six months ended 30 June**	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:				
Revenue from external customers	**1,092,612**	1,702,459	**1,092,612**	1,702,459
Segment operating (loss)/profit	**(40,263)**	6,745	**(40,263)**	6,745
Interest income			**82,662**	98,843
General and administrative expenses not allocated			**(36,830)**	(87,659)
Operating profit			**5,569**	17,929
Finance costs			**(7,160)**	(8,389)
Change in fair value of derivative financial instruments			**47,693**	(39,242)
Share of loss of an associate			**(215)**	(540)
Profit/(Loss) before income tax			**45,887**	(30,242)

	Coking coal mining		Corporate		Consolidated	
	30 June 2015	31 December 2014	**30 June 2015**	31 December 2014	**30 June 2015**	31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**17,792,755**	18,402,978	**5,862,275**	5,183,596	**23,655,030**	23,586,574
Segment liabilities	**2,253,049**	2,080,277	**184,474**	45,320	**2,437,523**	2,125,597

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**82,662**	98,843
Income from sales of scrapped products	**17,912**	27,715
Others	**–**	75
	100,574	126,633

6. IMPAIRMENT LOSS ON GOODWILL, MINING RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

Given global economy is slowing down and China's economy is under downward pressure, there is oversupply of coking coal leading to the continuing decrease in coal prices in the first half of 2015. The Group thus reassessed its estimates on the recoverable amounts of cash-generated units ("CGUs") of the coking coal mining segment. During the six months ended 30 June 2015, an impairment loss of HK$143,715,000 was recognised for Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") in the consolidated statement of profit or loss and other comprehensive income. The impairment loss was first allocated to reduce Jinjiazhuang's carrying amount of goodwill of HK$6,118,000 and then to reduce Jinjiazhuang's carrying amount of mining rights of HK$106,912,000 and property, plant and equipment of HK$30,685,000.

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 2015 were measured by an independent valuer, Asset Appraisal Limited, who is a member of the Hong Kong Institute of Surveyors.

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

Cash flows were projected based on the financial budgets prepared by management covering a 5-year period, using a growth rate of approximately 3% to 16% (As at 31 December 2014: 3% to 12%) and with average discount rate of 13.69% (As at 31 December 2014: 14.08%) per annum.

The cash flows beyond the 5-year period are extrapolated using a steady percentage growth rate of 3% (As at 31 December 2014: 3%). 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 2014: 3%) during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and inflation rate, have been determined based on market information, past performance and management's expectations for the market development.

The license periods of the mining rights held by the Group ranging from 3 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$147,009,000 (As at 30 June 2014: HK$461,772,000) and an impairment loss of HK$143,715,000 (Six months ended 30 June 2014: HK$300,152,000) was recognised. This impairment loss was first allocated to goodwill and then to other assets of the unit, including mining rights and property, plant and equipment, pro-rata on the basis of the carrying amount to these assets. Accordingly, the carrying amounts of goodwill, mining rights and property, plant and equipment, were reduced by HK$6,118,000 (Six months ended 30 June 2014: HK$300,152,000), HK$106,912,000 (Six months ended 30 June 2014: Nil) and HK$30,685,000 (Six months ended 30 June 2014: Nil) respectively which were included in "impairment loss on goodwill, mining rights and property, plant and equipment" in the consolidated statement of profit or loss and other comprehensive income. The key assumptions are the discount rate of 13.98% (As at 31 December 2014: 14.20%) per annum and the growth rates, covering a 5-year period, of approximately 3% to 16% (As at 31 December 2014: 3% to 12%).

7. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on discounted bill receivables	**7,160**	8,389

* No borrowing costs were capitalised for the six months ended 30 June 2015 and 2014.

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(Loss) before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**818,830**	954,782
Amortisation of:		
– prepaid lease payments	**763**	763
– mining rights	**100,590**	134,620
Depreciation of property, plant and equipment	**131,349**	118,231
Employee benefit expenses *(including directors' remuneration and retirement benefits scheme contributions)*	**275,888**	305,565
Loss/(Gain) on disposals of property, plant and equipment	**642**	(12)
Net exchange loss	**7,001**	79,381
Operating lease charges in respect of land and buildings	**3,283**	792

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**54,182**	132,086
Deferred tax	**(40,077)**	(1,279)
	14,105	130,807

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 2015 and 2014.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's certain major subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited, Jinjiazhuang and Shanxi Liulin Zhaiyadi Coal Co., Limited, 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 2014: 5%) on the distributions of profits generated from the Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

10. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK1 cent per ordinary share (Six months ended 30 June 2014: HK1 cent per ordinary share)	**53,018**	53,018
Special dividend of HK15 cents per ordinary share (Six months ended 30 June 2014: Nil)	**795,276**	–
	848,294	53,018

Interim dividend of HK1 cent (Six months ended 30 June 2014: HK1 cent) per ordinary share and special dividend of HK15 cents (Six months ended 30 June 2014: Nil) declared after 30 June 2015 (Six months ended 30 June 2014: 30 June 2014) have not been recognised as liabilities as at the reporting date.

Interim dividend and special dividend for the six months ended 30 June 2015 are expected to be paid on or about 20 October 2015 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 2015. As at 30 June 2015, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2014: 5,301,837,842).

A final dividend of HK2.7 cents per ordinary share totalling HK$143,150,000 in respect of the year ended 31 December 2014 was approved at the annual general meeting held on 22 May 2015. The 2014 final dividend has been recognised as a liability as at 30 June 2015 and is paid on 9 July 2015.

11. EARNINGS/(LOSS) PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(Loss) used to determine basic and diluted earnings/(loss) per share	**84,783**	(191,517)
	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**5,301,837**	5,301,837
Effect of dilutive potential ordinary shares – share options	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**5,301,837**	5,301,837

The computation of diluted earnings per share for current interim period does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares for the six months ended 30 June 2015.

In calculating the diluted loss per share for the last interim period ended 30 June 2014, the potential issue of shares arising from the Company's share option would decrease the loss per share during the last interim period and was thereby not taken into account as they had 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.

12. TRADE AND BILL RECEIVABLES

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**1,151,710**	1,308,218
Less: Provision for impairment losses	**(190,480)**	(190,480)
	961,230	1,117,738
Bill receivables	**1,306,251**	1,431,092
	2,267,481	2,548,830

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

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**1,431,040**	1,300,738
4 to 6 months	**618,720**	1,196,636
7 to 12 months	**217,721**	51,456
	2,267,481	2,548,830

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2014: 60 to 90 days) and no interest is charged.

As at 30 June 2015, bill receivables included an amount of RMB162,416,000 (HK$202,614,000 equivalent) (As at 31 December 2014: RMB205,766,000 (HK$256,693,000 equivalent)) (Note 13) which was pledged for bill payables of RMB162,416,000 (HK$202,614,000 equivalent) (As at 31 December 2014: RMB198,857,000 (HK$248,074,000 equivalent)).

As at 30 June 2015, 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 2015, bill receivables of RMB233,256,000 (HK$290,986,000 equivalent) (As at 31 December 2014: RMB147,361,000 (HK$183,833,000 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 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 2015, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB219,253,000 (HK$273,518,000 equivalent) (As at 31 December 2014: RMB59,237,000 (HK$73,899,000 equivalent)), Nil (As at 31 December 2014: RMB57,430,000 (HK$71,644,000 equivalent)) (Note 13) and RMB14,003,000 (HK$17,468,000 equivalent) (As at 31 December 2014: RMB30,693,000 (HK$38,290,000 equivalent)) respectively.

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

13. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (Six months ended 30 June 2014: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2015 is as follows:

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
1 to 3 months	**309,298**	266,322
4 to 6 months	**218,645**	291,329
7 to 12 months	**32,121**	19,001
Over 1 year	**24,239**	24,410
	584,303	601,062

As at 30 June 2015, included in bill payables, RMB292,387,000 (HK$364,753,000 equivalent) (As at 31 December 2014: RMB281,820,000 (HK$351,571,000 equivalent)) were secured by the pledged bank deposits of RMB130,327,000 (HK$162,584,000 equivalent) (As at 31 December 2014: RMB83,102,000 (HK$103,670,000 equivalent) and bill receivables of RMB162,416,000 (HK$202,614,000 equivalent) (As at 31 December 2014: RMB205,766,000 (HK$256,693,000 equivalent)) (Note 12).

As at 30 June 2015, no bill receivables were endorsed to trade creditors. As at 31 December 2014, included in trade payables of RMB57,430,000 (HK$71,644,000 equivalent) (Note 12) represented the amount of bill receivables endorsed to trade creditors which did not meet the de-recognition requirements in HKAS 39. The corresponding financial assets were included in bill receivables.

14. SHARE CAPITAL

	Number of shares		**Amount**	
	2015	2014	**2015**	2014
	'000	*'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Issued and fully paid:				
At 1 January	**5,301,837**	5,301,837	**15,156,959**	530,184
Transfer from share premium and capital redemption reserve upon abolition of par value of shares on 3 March 2014 *(Note)*	**–**	–	**–**	14,626,775
At 30 June/31 December	**5,301,837**	5,301,837	**15,156,959**	15,156,959

Note:

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.

15. COMMITMENTS

(a) Operating lease commitments

At 30 June 2015, 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 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**4,046**	5,216
In the second to fifth years	**11,506**	11,506
After the fifth year	**37,068**	38,431
	52,620	55,153

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 33 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 2015 are as follows:

	30 June 2015	31 December 2014
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**274,108**	245,285
– Exploration and design fees for a potential mining project	**9,331**	9,331
	283,439	254,616

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has declared an interim dividend of HK1 cent per ordinary share (2014: HK1 cent per ordinary share) and a special dividend of HK15 cents per ordinary share for the six months ended 30 June 2015 payable to shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 15 September 2015. In order to qualify for the interim dividend and the special 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 Tuesday, 15 September 2015 for registration. The interim dividend and the special dividend are expected to be paid on or about Tuesday, 20 October 2015.

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

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 2015 (the "period under review") together with that of the same period of 2014 is summarised as follows:

		Six months ended 30 June		Change			
	Unit	**2015**	2014	Quantity/ Amount	%	2014FY	Change %
Production volume :							
Raw coking coal	Mt	**2.28**	2.96	-0.68	-23%	5.68	
Clean coking coal	Mt	**1.46**	1.49	-0.03	-2%	3.01	
Sales volume :							
Raw coking coal	Mt	**0.09**	0.56	-0.47	-84%	1.01	
Clean coking coal	Mt	**1.36**	1.41	-0.05	-4%	3.00	
Average realised selling price (inclusive of VAT) :							
Raw coking coal	RMB/tonne	**369**	549	-180	-33%	494	-25%
Clean coking coal	RMB/tonne	**731**	912	-181	-20%	844	-13%

For the six months ended 30 June 2015, the Group produced approximately 2.28 million tonnes ("Mt") (Six months ended 30 June 2014: approximately 2.96 Mt) of raw coking coal, representing a year-on-year decrease of 23% and also produced approximately 1.46 Mt (Six months ended 30 June 2014: approximately 1.49 Mt) of clean coking coal, representing a year-on-year decrease of 2%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Due to the impact of the economic slowdown in the Mainland China, the sales volume of raw coking coal and clean coking coal dropped by 84% and 4% respectively during the period under review. Under the current weak coking coal market, the demand of raw coking coal is especially low. However, the demand of clean coking coal is relatively much stronger. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal.

For the six months ended 30 June 2015, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal dropped by 33% to Renminbi ("RMB") 369/tonne when compared with that of the same period of 2014 (Six months ended 30 June 2014: RMB549/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal dropped by 20% to RMB731/tonne when compared with that of the same period of 2014 (Six months ended 30 June 2014 : RMB912/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 0% and 100% (Six months ended 30 June 2014 : 55% and 45%) of the total raw coking coal sales volume respectively for the six months ended 30 June 2015. For No.9 raw coking coal, its average realised selling price (inclusive of VAT) dropped by 24%. In addition, sales of No.1 and No.2 clean coking coal accounted for 48% and 52% (Six months ended 30 June 2014 : 57% and 43%) of the total clean coking coal sales volume respectively for the six months ended 30 June 2015.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 1,093 million, representing a substantial decrease of approximately HK$609 million or 36% as compared with that of approximately HK$1,702 million for the same period of 2014. The reduction in turnover was mainly attributable to the drop in average realised selling prices of raw and clean coking coal by 33% and 20% respectively and the substantial drop in the sales volume of raw coking coal by 84% for the period under review. In terms of turnover, sales of clean and raw coking coal accounted for 97% and 3% of the Group's turnover respectively for the six months ended 30 June 2015. They accounted for 81% and 19% respectively for the six months ended 30 June 2014.

For the six months ended 30 June 2015, the total turnover to the top five customers accounted for 74% (Six months ended 30 June 2014: 63%) of the Group's turnover. Of which, the total turnover to the largest customer accounted for 29% (Six months ended 30 June 2014: 15%) of the Group's turnover.

For the six months ended 30 June 2015, gross profit margin was 25% while 44% for the same period in 2014. Decrease in gross profit margin was mainly due to the drop in realised selling prices as explained under "Business Review". Gross profit was dropped by approximately HK$474 million or 63%.

For the six months ended 30 June 2015, the Group recorded an operating profit of approximately HK$6 million, while approximately HK$18 million for the same period in 2014, representing a year-on-year decrease of 67%. Even though our gross profit was substantial dropped by approximately HK$474 million, the Group recorded turnaround of financial results from net loss in the last corresponding period to net profit of approximately HK$32 million and profit attributable to the owners of the Company (the "Owner") of approximately HK$85 million for the period under review eventually. Such turnaround to profit is primarily attributable to (i) the reduction of non-cash impairment loss made on goodwill, mining rights and property, plant and equipment by approximately HK$156 million to approximately HK$144 million for the period under review; (ii) the turnaround of the related net exchange loss of HK$119 million to net exchange gain of approximately HK$41 million mainly arising from re-translation of its monetary assets (mainly for cash) denominated in RMB into HK$ as at reporting dates; (iii) non-production cost saving of approximately HK$26 million; and (iv) no material charitable donation such as approximately HK$245 million in the last corresponding period.

During the period under review, basic earnings per share was HK1.60 cents (Six months ended 30 June 2014: basic loss per share was HK3.61 cents).

Excluding such non-cash impairment loss on goodwill, mining rights and property, plant and equipment, the Group would record net profit of approximately HK$175 million for the six months ended 30 June 2015, representing an increase of approximately HK$36 million or 26% as compared with that of approximately HK$139 million for the same period of 2014. In addition, the Group would record profit attributable to the Owners of approximately HK$180 million, representing an increase of approximately HK$72 million or 67% as compared with that of approximately HK$108 million for the same period of 2014.

Cost of Sales

During the period under review, cost of sales was approximately HK$819 million, representing a substantial decrease of approximately HK$136 million or 14%, as compared with that of approximately HK$955 million for the same period of 2014. The decrease in cost of sales was mainly due to the decrease in actual usage volume of raw coking coal for sales even though the increase in unit production costs as stated below during the period under review.

Included in cost of sales, amortisation of mining rights was approximately HK$101 million for the six months ended 30 June 2015, representing a decrease of approximately HK$34 million or 25%, as compared with that of approximately HK$135 million for the same period of 2014. The decrease in amortisation of mining rights was mainly due to the decrease in actual usage of raw coking coal for sales during the period under review.

The unit production costs are summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2015**	2014	Amount	%	2014FY	%
Production cost of raw coking coal	RMB/tonne	**260**	246	+14	+6%	248	+5%
of which, depreciation and amortisation	*RMB/tonne*	***(68)***	*(57)*	*+11*	*+19%*	*(63)*	*+8%*
Processing cost for clean coking coal	RMB/tonne	**47**	46	+1	+2%	48	-2%
of which, depreciation	*RMB/tonne*	***(11)***	*(10)*	*+1*	*+10%*	*(10)*	*+10%*

The increase in unit production cost was mainly due to the drop in production volume of raw coking coal by 23% during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit was approximately HK$274 million for the six months ended 30 June 2015, representing a significant decrease of approximately HK$474 million or 63% as compared with that of approximately HK$748 million for the same period of 2014. During the period under review, gross profit margin was 25% compared with 44% for the same period of 2014. The drop in gross profit margin was mainly due to the drop in average realised selling prices of raw and clean coking coal by 33% and 20% respectively for the six months ended 30 June 2015 when compared with that in the same period of 2014 as explained under "Business Review".

Other Operating Income

During the period under review, other operating income was approximately HK$101 million, representing a decrease of approximately HK$26 million or 20% as compared with approximately HK$127 million of the same period in 2014. The decrease in other operating income was mainly attributable to the decrease in income from sales of scrapped products by approximately HK$10 million or 35% as a result of the drop in coal prices and the decrease in bank interest income by approximately HK$16 million or 16% during the period under review.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$114 million, representing an increase of approximately HK$11 million or 11% as compared with that of approximately HK$103 million for the same period of 2014. The increase was mainly as a result of the increase in transportation costs arising from the significant increase in sales volume of clean coking coal at C&F prices by approximately 82,000 tonnes from approximately 246,000 tonnes for the six months ended 30 June 2014 to approximately 328,000 tonnes for the six months ended 30 June 2015.

General and Administrative Expenses

During the period under review, general and administrative expenses were approximately HK$111 million, representing a significant decrease of approximately HK$97 million or 47% as compared with approximately HK$208 million for the same period of 2014. The decrease was resulted from the substantial drop in net exchange loss by approximately HK$72 million during the period under review. Such net exchange loss was mainly arose from re-translation of the Group's current assets (mainly for cash) denominated in RMB to HK$ as at reporting dates. By excluding such net exchange loss, the general and administrative expenses were approximately HK$104 million for the six months ended 30 June 2015, representing a decrease of approximately HK$25 million or 19% as compared with approximately HK$129 million for the same period of 2014. The decrease was resulted from the effective cost control during the period under review.

Impairment Loss on Goodwill, Mining Rights and Property, Plant and Equipment

Due to the continuous downturn in the coal market and low market coal prices, the Group incurred a non-cash impairment loss of approximately HK$144 million (Six months ended 30 June 2014: approximately HK$300 million) made on goodwill, mining rights and property, plant and equipment during the period under review. Details of which are disclosed in Note 6 to the Interim Financial Information.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$1 million, represent a significant decrease of approximately HK$245 million or 100% as compared with approximately HK$246 million for the same period of 2014. The decrease are mainly attributable to no committed annual payment of charitable donation of approximately HK$245 million paid by the Group to the Liulin Provincial Government, for the construction of modern schools and provision of education facilities since the year of 2015.

Finance Costs

During the period under review, finance costs were approximately HK$7 million, representing a slight decrease of approximately HK$1 million or 13% as compared with that of approximately HK$8 million for the same period of 2014. The decrease in finance costs was resulted from the better cash management during the period under review. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2014: Nil).

Income Tax Expense

During the period under review, income tax expense was approximately HK$14 million (Six months ended 30 June 2014: approximately HK$131 million), of which approximately HK$6 million (Six months ended 30 June 2014: approximately HK$11 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 Profit

By reasons of the foregoing, the profit attributable to the Owners during the period under review was approximately HK$85 million while the loss attributable to the Owners for the same period of 2014 was approximately HK$192 million.

Material Investments and Acquisitions

During the six months ended 30 June 2015, the Group had no material investments and acquisitions.

Material Disposals

During the six months ended 30 June 2015, 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 2015, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

Bank deposits of approximately HK$163 million and bill receivables of approximately HK$203 million were used for securing bills facilities of approximately HK$365 million.

Contingent Liabilities

As at 30 June 2015, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2015, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 1.4%. Other than the early redemption of bill receivables amounting to approximately HK$274 million, the Group had no other borrowings.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2015, 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 2015, RMB was appreciated by approximately 0.08% while AUD was depreciated by approximately 6.30% respectively, when compared to that as at 31 December 2014. As the aggregate carrying amount of assets denominated in AUD represented approximately 1% of the Group's total net asset value as at 30 June 2015, such fluctuation in exchange rate did not have any material negative impact on the financial strength of the Group as at 30 June 2015.

The Group has been adjusting our proportion of cash denominated in RMB from 87% as at 31 December 2014 to 80% as at 30 June 2015 and further reduced to 68% as at the date of this announcement in order to reduce the negative impact from fluctuation in exchange rate on the financial strength of the Group. From the benefit of cash denominated in RMB, the Group has earned higher annual return on cash that would be set-off the partial negative impact from fluctuation in its exchange rate. During the period under review, the Group has achieved average annual return on cash of approximately 4.2%, of which approximately 4.6% from cash denominated in RMB.

Due to the sudden reform onshore mid-rate fixing by the central bank on 11 August 2015 that was unexpected from the market, RMB was significant devalued by approximately 4% after the reporting date. If the year-end RMB foreign exchange rate would be remained at the current level and with all other variables held constant, the Group would have been recorded extra related exchange loss of approximately HK$200 million in the second half of 2015. Nevertheless, the Group still has health and strong financial position.

Liquidity and Financial Resources

As at 30 June 2015, the Group's current ratio (current assets divided by current liabilities) was approximately 3.3 times and the Group's cash and bank deposits amounted to approximately HK$6,080 million, of which approximately HK$163 million was deposited to secure bills facilities of approximately HK$162 million. The Group continued to maintain a healthy net cash balance.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$1,306 million (of which approximately HK$291 million represented discounted and endorsed bill receivables and approximately HK$203 million was used for securing bills facilities of approximately HK$203 million) as at 30 June 2015 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$812 million, the Group's free cash resources would have approximately HK$6,729 million as at 30 June 2015.

Capital Structure

Total equity and borrowings are classified as capital of the Group. As at 30 June 2015, 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 2015, all borrowings of the Group are denominated in RMB and are asset-backed financing.

EMPLOYEES

As at 30 June 2015, the Group had 29 Hong Kong employees and 6,212 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 2015, from external economic situation, the United States has had a strong economic recovery, the Euro Zone has overcome a negative growth in economy, and there has been a great breakthrough in Greek debt crisis. From internal economic situation, the Chinese central government increases the efforts to stimulate the investment in infrastructure area including introducing a newly-added investment of trillion RMB in urban infrastructure, and investment growth rate gets moderate recovery. Besides, real estate sector gets apparent momentum recently under deregulation policies. Destocking and increasing of sales volume occurs, the sector is undergoing a gradual revival. In the second half of the year, the government would adopt a loose monetary policy through lowering the benchmark interest rate, expanding the lending scale of state policy-related banks, reducing restrictions on financing and refinancing (debt swap) for local governments. As a result, financing conditions in China will be improved significantly. Taking consideration of external and internal economic situation, China's economy prospects will be improving. However, the sharp fluctuations in both equity and foreign currency markets recently reminds us that we are in an era of changes and will encounter more uncertainties than before. The steel industry is still in a severe operational condition and it is still not optimistic in reaching the balance between supply and demand in coking coal industry. In all, it will be full of challenges in the rest of 2015.

In the second half of 2015, the Group will keep eyes on the trend of both China and Global economy and take appropriated 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 to improve the operational management, and further optimise the personnel structure and cost management. 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, which will increase our coking coal reserves and output. We are confident that, with our abundant experience in management, investment and operation, we would fulfill 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 2015.

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, 27 August 2015

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Ding Rucai (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. 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) and Mr. Japhet Sebastian Law (Independent Non-executive Director).