Shougang Fushan Resources Group Limited

Stock Code: 639

SUSTAIN THE CORE VALUE

INTERIM REPORT 2011

CONTENTS

CORPORATE INFORMATION

Board of Directors

Wang Pingsheng *(Chairman)*
Chen Zhouping
(Vice-chairman and Managing Director)
Wong Lik Ping *(Vice-chairman)*
So Kwok Hoo *(Deputy Managing Director)*
Chen Zhaoqiang *(Deputy Managing Director)*
Xue Kang *(Deputy Managing Director)*
Liu Qingshan *(Deputy Managing Director)*
Leung Shun Sang, Tony
(Non-executive Director)
Zhang Yaoping *(Non-executive Director)*
Zhang Wenhui *(Non-executive Director)*
Kee Wah Sze
(Independent Non-executive Director)
Choi Wai Yin
(Independent Non-executive Director)
Chan Pat Lam
(Independent Non-executive Director)

Executive Committee

Wang Pingsheng *(Chairman)*
Chen Zhouping
Wong Lik Ping
So Kwok Hoo
Chen Zhaoqiang
Xue Kang
Liu Qingshan

Audit Committee

Choi Wai Yin *(Chairman)*
Kee Wah Sze
Chan Pat Lam

Nomination Committee

Wang Pingsheng *(Chairman)*
Wong Lik Ping
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam

Remuneration Committee

Leung Shun Sang, Tony *(Chairman)*
So Kwok Hoo
Kee Wah Sze
Choi Wai Yin
Chan Pat Lam

Company Secretary

Cheng Man Ching

Auditor

BDO Limited
Certified Public Accountants

Share Registrars

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Registered Office and Principal Place of Business

6th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Stock Code

639

Website

www.shougang-resources.com.hk

FINANCIAL HIGHLIGHTS

(HK$'000)	For the six months ended 30 June 2011	For the six months ended 30 June 2010 (Restated)	Percentage change
Revenue	**3,898,544**	2,542,540	+53%
Gross profit	**2,904,684**	1,921,393	+51%
Gross profit margin	**75%**	76%	
Operating profit	**2,192,710**	1,453,664	+51%
EBITDA[1]	**2,454,106**	1,659,910	+48%
Profit for the period	**1,371,831**	1,060,250	+29%
Profit attributable to owners of the Company ("Owners")	**1,131,062**	836,782	+35%
Earnings per share (HK cents)	**21.02**	15.56	+35%

(HK$'000)	As at 30 June 2011	As at 31 December 2010	Percentage change
Total assets	**27,239,323**	26,119,627	+4%
of which: Cash and cash equivalents	**3,023,196**	2,766,063	+9%
Unpledged bills receivables	**2,284,711**	1,223,109	+87%
Total liabilities	**(6,941,646)**	(6,496,405)	+7%
of which: Total borrowings	**(1,027,619)**	(1,131,863)	-9%
Gearing ratio[2]	**5.06%**	5.77%	-12%
Total equity	**20,297,677**	19,623,222	+3%
of which: Equity attributable to Owners	**18,859,499**	18,149,894	+4%
Net assets per share attributable to Owners (HK$)	**3.51**	3.37	+4%

The board of directors has declared an 2011 interim dividend of HK6 cents per ordinary share (2010 interim: HK5 cents per ordinary share).

Note:

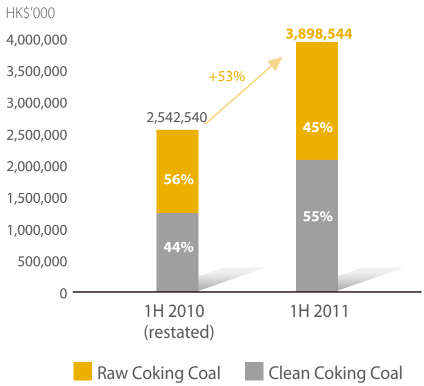
1. *EBITDA is defined as operating profit plus depreciation and amortisation.*

2. *Gearing ratio is computed from total borrowings divided by total equity.*

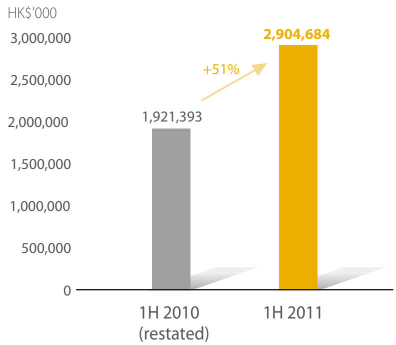
FINANCIAL HIGHLIGHTS (Continued)

PROFIT & LOSS SUMMARY

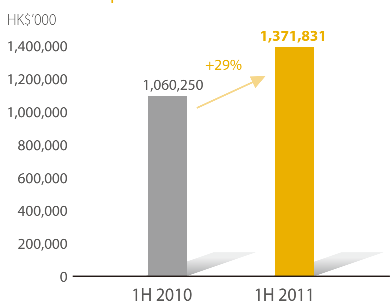
Revenue



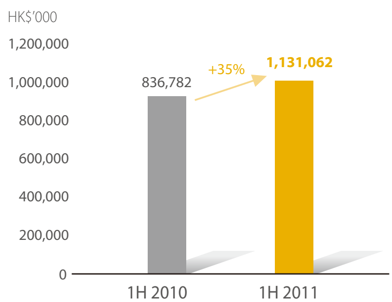
Gross profit



Profit for the period

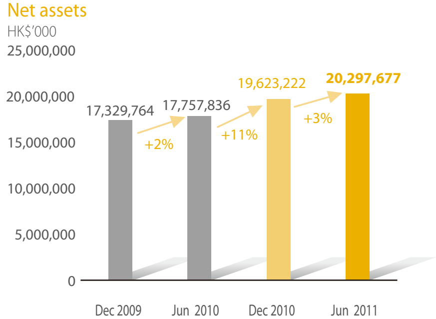


Profit attributable to Owners

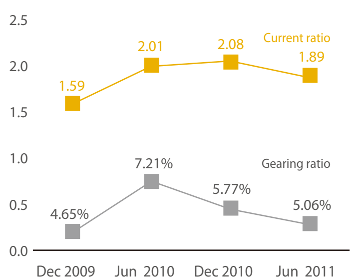


HEALTHY FINANCIAL POSITION

Net assets



Gearing ratio & current ratio



CHAIRMAN'S STATEMENT

Dear Honorable Shareholders,

On behalf of the Board of Directors of Shougang Fushan Resources Group Limited ("Shougang Resources" or the "Company"), I hereby present the interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 (the "Review Period").

Strong growth in steel production and coking coal price in the first half of 2011

Chinese economy was growing at a rapid pace in the first half of 2011. Despite continuous effort by the China government to implement various macroeconomic measures to slow down the economy, GDP reached RMB20.4459 trillion, representing a year-on-year increase of 9.6% during the Review Period. In the first half of 2011, China became the largest steel producer by producing 350 million tonnes of steel, representing a year-on-year increase of 9.6%, equivalent to 50% of the world's total production. In the first half of 2011, the economy growth came from fixed asset investments such as: housing investment increased by 33% year-on-year, ship building industry increased by 17% year-on-year, machinery investment increased by 10% year-on-year and white goods such as air-conditioners consumption increased by 42% year-on-year, washing machines consumption increased by 20% year-on-year and refrigerators consumption increased by 19% year-on-year. On one hand, the strong growth in steel demand drives up the strong demand for coking coal; on the other hand, the China government's continual effort to enforce the implementation on carbon emission saving program had pursued the steel mills to build large scale blast furnaces. As these large scale blast furnaces require premium coking coal as a key production ingredient along with the continued strong demand for coking coal, they make the already very tight coking coal supply even tighter. The Group as a premium coking coal supplier will be able to benefit from this opportunity. At the same time, the China government knew they had to preserve these scared resources, and extended certain policies to control the supply while protecting the coking coal resources from being over-exploited. These measures included: 1) Ministry of Land and Resources further delay the approval of exploration rights to new mine until the end of 2013; 2) National Development and Reform Commission reviewed and mapped out the strategic deployment of coking coal as a scarce resources during the "12th five-year" plan in the early of 2011; and 3) began a study on imposing the resources tax towards domestic coking coal at the same time reducing the import tax on the import coking coal. These measures will continue to tighten the supply of the coking coal in China, thus the coking coal price will continue to maintain at a high level.

In the first half of 2011, the major driver to coking coal price increment was due to the bad weather in Queensland, Australia that resulted in a series of serious flooding, where many coal producers had to declare force majeure and suspended production until the middle of the year. As there will continue to be a shortage of supply from Queensland, the supply of coking coal available from the international market had dropped significantly. As a result this caused the international spot price of coking coal to surge from US$225/tonne in the end of 2010 to US$330/tonne in the second quarter of 2011, representing an increment by 47%. Benefiting from the surge in the international spot price of coking coal and strong domestic demand in China, domestic coking coal price followed the trend of international spot price and rose by 21% since the end of last year.

During the Review Period, the Group produced 3.56 million tonnes of raw coking coal, representing a year-on-year increase of 20% and produced 1.18 million tonnes of clean coking coal, representing a year-on-year increase of 74%. This was an evidence of the successful production efficiency and safety quality enhancement during the Review Period. The year-on-year average realised selling price (inclusive of VAT) of raw and clean coking coal increased by 26% and 6% to RMB1,012/tonne and RMB1,815/tonne respectively. Benefiting from the increase in average selling prices and production volume, the Group's gross profit substantial increased by HK$984 million from HK$1,921 million in the first half of 2010 to HK$2,905 million in the first half of 2011, our gross margin reached 75% during the Review Period.

During the Review Period, the Group reached net profit of HK$1,372 million, representing a year-on-year increase of 29% and profit attributable to owners of the Company increased by 35% to HK$1,131 million. A non-cash share-based compensation expense of HK$139 million incurred in the first half of this year arising from share options granted by the Company in August 2009, had this non-cash expenses been excluded, net profit and profit attributable to owners of the Company would have been HK$1,511 million and HK$1,270 million respectively.

Change of Company name to reflect Shougang Group's continual support

In May 2011, the Company changed its name to "Shougang Fushan Resources Group Limited" to reflect the shareholder structure of the Company and the principal activities of the Group as well as the continual strong support from Shougang Group to the Company.

Satisfactory performance of three premium operating coking coal mines in Liulin County

Our three premium operating coking coal mines in Liulin County, Shanxi possess their own preparation plant since the end of last year. Our latest preparation plant in Zhaiyadi Coal Mine with annual input processing capacity of 2.1 million tonnes had commenced commercial production and our total annual input processing capacity reached 6.3 million tonnes, giving us the ability to capture further opportunities in the clean coking coal business.

Outlook for the second half of 2011

Looking ahead, management believes that coking coal price will remain at a high level as the supply will continue to be tight and the price to be increase due to: 1) the QE2 (Quantitative Easing 2) monetary policy causing the US dollar to depreciate and drive up the price of commodities such as gold, oil and coal; 2) natural disasters in places like Japan and Australia also contribute to the sharp rise in coking coal price; and 3) 30% resources tax rate to be imposed by exporting country like Australia (starting July 2012). These measures will make the selling prices of the international coking coal to rise as a result the international spot price will remain high in the foreseeable future. Moreover, the China government has committed to kick off a number of large scale projects in the "12th five-year" plan, these projects include: China government has planned to build 10 million social housing by 2011 (by end of June more than 5 million units had started construction) which will require 92.40 million tonnes of coking coal; Ministry of Railway will build new railway with 30,000 km and the investment will be around RMB2.80 trillion. These new projects will drive up the demand for steel and thus will benefit the coking coal sector as a whole.

We are confident that the coking coal business will continue to be positive due to the aforementioned reasons. Our three premium operating coking coal mines in Shanxi are in good operation and will continue to create a safe working environment for our colleagues and enhance the recovery rate in order to maximise the efficiency at our mines. The Group will take advantage of our strong cash flow to look for quality merger and acquisitions opportunities both domestically and abroad in order to increase our resources reserve and expand our production capacity. We are ready to take advantage of this situation and do our best to generate positive return for our shareholders.

To reward the continual support of our shareholders, the Board of Directors of Shougang Resources has declared an interim dividend of HK6 cents per ordinary share.

Last but not least, on behalf of the Board of Directors of Shougang Resources, I would like to express my heartfelt gratitude to our shareholders, management team, staff and business partners for their continued support to the Group over the past years.

Wang Pingsheng
Chairman

Hong Kong, 26 August 2011

Independent review report to the Board of Directors of
Shougang Fushan Resources Group Limited
(Formerly known as "Fushan International Energy Group Limited")
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 9 to 35 which comprise the consolidated statement of financial position of Shougang Fushan Resources Group Limited (formerly known as "Fushan International Energy Group Limited") and its subsidiaries as of 30 June 2011 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of the interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with HKAS 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim financial report.

CONCLUSION

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

BDO Limited
Certified Public Accountants
Au Yiu Kwan
Practising Certificate Number P05018
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Hong Kong, 26 August 2011

INTERIM FINANCIAL REPORT

The board of directors (the "Board") of Shougang Fushan Resources Group Limited (the "Company") is pleased to report the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011 (Unaudited)	2010 (Unaudited and restated)
	Notes	**HK$'000**	HK$'000
Continuing operations			
Revenue	*3*	**3,898,544**	2,542,540
Cost of sales		**(993,860)**	(621,147)
Gross profit		**2,904,684**	1,921,393
Other operating income	*4*	**136,176**	50,104
Selling and distribution expenses		**(332,720)**	(152,085)
General and administrative expenses		**(358,164)**	(300,424)
Other operating expenses		**(157,266)**	(65,324)
Operating profit		**2,192,710**	1,453,664
Finance costs	*5*	**(26,062)**	(30,343)
Change in fair value of derivative financial instruments		**4,082**	(3,500)
Share of losses of associates		**(92)**	(279)
Profit before income tax	*6*	**2,170,638**	1,419,542
Income tax expense	*7*	**(663,132)**	(257,576)
Profit for the period from continuing operations		**1,507,506**	1,161,966
Discontinued operations			
Loss for the period from discontinued operations	*8*	**(135,675)**	(101,716)
Profit for the period		**1,371,831**	1,060,250
Other comprehensive income for the period			
Exchange differences on translation of financial statements of foreign operations		**240,713**	152,081
Fair value loss on available-for-sale financial assets		**(233,518)**	(87,477)
Total comprehensive income for the period		**1,379,026**	1,124,854

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2011

	Notes	Six months ended 30 June **2011 (Unaudited) HK$'000**	 2010 (Unaudited and restated) HK$'000
Profit for the period attributable to:			
Owners of the Company		**1,131,062**	836,782
Non-controlling interests		**240,769**	223,468
Profit for the period		**1,371,831**	1,060,250
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,108,292**	882,026
Non-controlling interests		**270,734**	242,828
Total comprehensive income for the period		**1,379,026**	1,124,854
		HK(Cents)	HK(Cents)
Earnings per share from continuing and discontinued operations	*10*		
– Basic		**21.02**	15.56
– Diluted		**21.00**	15.48
Earnings per share from continuing operations	*10*		
– Basic		**22.69**	16.79
– Diluted		**22.67**	16.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**At 30 June 2011 (Unaudited) HK$'000**	At 31 December 2010 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	**2,877,566**	2,732,027
Prepaid lease payments		**47,669**	47,323
Mining rights		**10,465,762**	10,413,660
Goodwill		**2,199,756**	2,156,320
Interests in associates		**19,701**	19,398
Available-for-sale financial assets		**2,825,339**	3,161,097
Deposits, prepayments and other receivables		**444,716**	443,990
Loan to a party	*12*	**–**	234,342
Deferred tax assets		**17,076**	16,193
Total non-current assets		**18,897,585**	19,224,350
Current assets			
Inventories		**137,183**	134,758
Trade and bills receivables	*13*	**3,731,461**	2,317,901
Deposits, prepayments and other receivables		**118,526**	123,788
Loan to a party	*12*	**468,684**	703,025
Amounts due from other parties		**16,482**	292,876
Derivative financial instruments		**–**	12,224
Pledged bank deposits	*14*	**266,723**	32,512
Cash and cash equivalents	*15*	**3,023,196**	2,766,063
		7,762,255	6,383,147
Assets classified as held for sale	*8*	**579,483**	512,130
Total current assets		**8,341,738**	6,895,277
Current liabilities			
Trade and bills payables	*16*	**898,895**	537,808
Other payables and accruals		**1,530,790**	1,394,709
Borrowings	*17*	**716,979**	233,381
Derivative financial instruments		**–**	11,597
Amounts due to other parties		**23,256**	22,878
Amounts due to non-controlling shareholders of subsidiaries		**17,133**	256,919
Tax payables		**518,152**	344,369
		3,705,205	2,801,661
Liabilities classified as held for sale	*8*	**718,924**	515,894
Total current liabilities		**4,424,129**	3,317,555
Net current assets		**3,917,609**	3,577,722
Total assets less current liabilities		**22,815,194**	22,802,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 30 June 2011

	Notes	At 30 June 2011 (Unaudited) HK$'000	At 31 December 2010 (Audited) HK$'000
Non-current liabilities			
Borrowings	17	**310,640**	898,482
Deferred tax liabilities		**2,206,877**	2,280,368
Total non-current liabilities		**2,517,517**	3,178,850
Net assets		**20,297,677**	19,623,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**538,056**	538,056
Reserves		**18,321,443**	17,611,838
Total equity attributable to owners of the Company		**18,859,499**	18,149,894
Non-controlling interests		**1,438,178**	1,473,328
Total equity		**20,297,677**	19,623,222

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security investment reserve	Translation reserve	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010 (Audited)	537,056	14,601,448	168,293	147,698	234,169	115,860	(100)	20,770	15,825,194	1,504,570	17,329,764
Share-based compensation (Unaudited)	–	–	–	–	–	146,681	–	–	146,681	–	146,681
Issue of shares upon exercise of share options (Unaudited)	1,000	17,455	–	–	–	(3,473)	–	–	14,982	–	14,982
2009 dividends approved (Unaudited)	–	–	–	–	(591,862)	–	–	–	(591,862)	–	(591,862)
Dividends paid to non-controlling shareholders of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	(266,583)	(266,583)
Transactions with owners of the Company (Unaudited)	1,000	17,455	–	–	(591,862)	143,208	–	–	(430,199)	(266,583)	(696,782)
Profit for the period (Unaudited)	–	–	–	–	836,782	–	–	–	836,782	223,468	1,060,250
Other comprehensive income:											
– Fair value loss on available-for-sale financial assets (Unaudited)	–	–	–	–	–	–	(87,477)	–	(87,477)	–	(87,477)
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	–	–	132,721	132,721	19,360	152,081
Total comprehensive income for the period (Unaudited)	–	–	–	–	836,782	–	(87,477)	132,721	882,026	242,828	1,124,854
Appropriations to other reserves (Unaudited)	–	–	–	63,797	(63,797)	–	–	–	–	–	–
Appropriations to statutory reserve (Unaudited)	–	–	46,079	–	(46,079)	–	–	–	–	–	–
Lapse of share options (Unaudited)	–	–	–	–	12,511	(12,511)	–	–	–	–	–
At 30 June 2010 (Unaudited)	538,056	14,618,903	214,372	211,495	381,724	246,557	(87,577)	153,491	16,277,021	1,480,815	17,757,836

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2011

	Equity attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Other reserves	Retained profits	Share-based compensation reserve	Security investment reserve	Translation reserve	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011 (Audited)	**538,056**	**14,618,903**	**260,455**	**271,331**	**972,786**	**387,081**	**670,402**	**430,880**	**18,149,894**	**1,473,328**	**19,623,222**
Share-based compensation (Unaudited)	–	–	–	–	–	139,369	–	–	139,369	–	139,369
2010 dividends approved (Unaudited)	–	–	–	–	(538,056)	–	–	–	(538,056)	–	(538,056)
Dividends paid to non-controlling shareholders of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	(305,884)	(305,884)
Transactions with owners of the Company (Unaudited)	–	–	–	–	(538,056)	139,369	–	–	(398,687)	(305,884)	(704,571)
Profit for the period (Unaudited)	–	–	–	–	1,131,062	–	–	–	1,131,062	240,769	1,371,831
Other comprehensive income:											
– Fair value loss on available-for-sale financial assets (Unaudited)	–	–	–	–	–	–	(233,518)	–	(233,518)	–	(233,518)
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	–	–	210,748	210,748	29,965	240,713
Total comprehensive income for the period (Unaudited)	–	–	–	–	1,131,062	–	(233,518)	210,748	1,108,292	270,734	1,379,026
Appropriations to other reserves (Unaudited)	–	–	–	59,927	(59,927)	–	–	–	–	–	–
Appropriations to statutory reserve (Unaudited)	–	–	68,786	–	(68,786)	–	–	–	–	–	–
At 30 June 2011 (Unaudited)	**538,056**	**14,618,903**	**329,241**	**331,258**	**1,437,079**	**526,450**	**436,884**	**641,628**	**18,859,499**	**1,438,178**	**20,297,677**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cash flows from operating activities		
Profit before income tax from continuing operations	**2,170,638**	1,419,542
Loss before income tax from discontinued operations	**(135,675)**	(101,716)
Profit before income tax	**2,034,963**	1,317,826
Adjustments for :		
Amortisation of prepaid lease payments	**741**	708
Amortisation of mining rights	**159,702**	128,443
Depreciation of property, plant and equipment	**125,515**	100,556
Finance costs	**36,128**	34,945
Share-based compensation	**139,369**	146,681
Write-down of inventories to net realisable value	**75,167**	16,631
Share of losses of associates	**92**	279
Interest income	**(30,337)**	(8,014)
Loss/(Gain) on disposals of property, plant and equipment	**4,928**	(293)
Change in fair value of derivative financial instruments	**(4,082)**	3,500
Net foreign exchange gain	**(63,752)**	(14,851)
Operating profit before working capital changes	**2,478,434**	1,726,411
Increase in inventories	**(117,446)**	(6,286)
Increase in trade and bills receivables	**(1,148,736)**	(612,364)
Decrease in deposits, prepayments and other receivables	**26,798**	49,905
Decrease in amounts due from other parties	**282,351**	96,437
Increase in trade and bills payables	**429,139**	40,295
Increase/(Decrease) in other payables and accruals	**141,102**	(535,631)
(Decrease)/Increase in amounts due to other parties	**(87)**	6,109
Increase in amounts due to non-controlling shareholders of subsidiaries	**–**	3,345
Cash generated from operations	**2,091,555**	768,221
Income tax paid	**(510,321)**	(292,111)
Net cash generated from operating activities	**1,581,234**	476,110

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cash flows from investing activities		
Payments to acquire property, plant and equipment	**(187,425)**	(367,715)
Proceeds from disposals of property, plant and equipment	**45**	971
Payments to acquire available-for-sale financial assets	**–**	(21,372)
Proceeds from disposals of derivative financial instruments	**4,709**	–
(Increase)/Decrease in pledged bank deposits	**(233,550)**	3,565
Interest received	**28,564**	6,312
Net cash used in investing activities	**(387,657)**	(378,239)
Cash flows from financing activities		
Net proceeds from exercise of share options	**–**	14,982
Proceeds from bank loans	**–**	460,000
Repayments of bank loans	**(116,873)**	–
Proceeds from other loans	**27,692**	17,135
Repayments of other loans	**–**	(17,287)
Finance costs paid	**(29,209)**	(26,259)
Dividends paid to owners of the Company	**(537,972)**	(540,030)
Dividends paid to non-controlling shareholders of subsidiaries	**(305,884)**	–
Net cash used in financing activities	**(962,246)**	(91,459)
Net increase in cash and cash equivalents	**231,331**	6,412
Cash and cash equivalents as at 1 January	**2,766,063**	2,104,478
Reclassified to assets classified as held for sale	**(119)**	–
Effect of foreign exchange rates changes	**25,921**	(1,030)
Cash and cash equivalents as at 30 June	**3,023,196**	2,109,860

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 the 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 and side products.

Pursuant to a conditional sale and purchase agreement with an independent third party on 10 December 2010, one of the Group's wholly-owned subsidiaries, New Honest Limited ("New Honest") agreed to dispose of its entire 66% equity interest in a subsidiary of the Group, namely Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin"), for a cash consideration of Renminbi ("RMB") 211,200,000 (Hong Kong Dollars ("HK$") 249,216,000 equivalent) (the "Disposal"). In addition, the Group shall waive the shareholders' loans to Shanxi Yao Zin amounting to RMB124,900,000 (HK$147,400,000 equivalent) and the corresponding interest upon the completion of the Disposal. Shanxi Yao Zin was incorporated in the PRC and is principally engaged in production and sales of coke products in Shanxi, the PRC. As at 30 June 2011, the Disposal had not yet been completed. As operations carried out by Shanxi Yao Zin represent a component of the Group's business, its operations and cash flows can be clearly distinguished from the rest of the Group and also represent separate major line of business. The Group presented the Shanxi Yao Zin's operations as Discontinued Operations in accordance with Hong Kong Financial Reporting Standard 5 ("HKFRS 5"). For the purpose of presenting Discontinued Operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the Discontinued Operations had been discontinued at the beginning of the comparative period. Further details regarding the Discontinued Operations are set out in Note 8 to the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2011 (the "Interim Financial Report").

Other than the Disposal, there were no significant changes in the Group's operations for the six months ended 30 June 2011.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Report 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 Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs").

The Interim Financial Report 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 Report was approved for issue by the board of directors on 26 August 2011.

The Interim Financial Report has been prepared in accordance with the accounting policies adopted in the last financial statements for the year ended 31 December 2010, except for the adoption of the following standards as of 1 January 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010

Other than disclosed in notes below, the adoption of these new or amended HKFRSs has had no material impact on the Interim Financial Report.

2.1 Adoption of HKAS 24 (Revised) Related Party Disclosures ("HKAS 24 (Revised)")

The revision clarifies and simplifies the definition of a related party. The revised definition is of narrower or wider scope than before depending on the particular situation. The revised standard is clear that it also applies to commitments between an entity and its related parties.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Adoption of Annual Improvements to HKFRSs 2010 (issued in May 2010)

The Annual Improvements to HKFRSs 2010 ("2010 Improvements") made several minor amendments to HKFRSs. The only amendment relevant to the Group relates to HKAS 34 Interim Financial Reporting. The amendment places greater emphasis on the disclosure principles in the standard and includes additional examples of material event and transaction to illustrate the application of these principles. In particular, the amendment clarifies the need to include HKFRS 7 disclosures in the interim financial statements.

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 the following reportable segments:

Coking coal mining:	Mining and exploration of coal resources and production of raw and clean coking coal in the PRC
Coke production :	Production of coke in the PRC (Discontinued Operations)

Each of these operating segments is managed separately as each of the product lines requires different resources as well as operating approaches.

For the six months ended 30 June 2011, there has been no change from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

3. REVENUE AND SEGMENT INFORMATION (Continued)

These operating segments are 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 profit before income tax as follows:

	Continuing operations				Discontinued operations *(Note 8)*			
	Coking coal mining		Total		Coke production		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000	**2011 (Unaudited) HK$'000**	2010 (Unaudited and restated) HK$'000
Segment revenue:								
Sales to external parties	**3,898,544**	2,542,540	**3,898,544**	2,542,540	**76,943**	116,200	**3,975,487**	2,658,740
Segment operating profit/(loss)	**2,357,858**	1,641,542	**2,357,858**	1,641,542	**(131,098)**	(97,114)	**2,226,760**	1,544,428
Share-based compensation			**(139,369)**	(146,681)	**–**	–	**(139,369)**	(146,681)
Interest income			**30,337**	8,014	**–**	–	**30,337**	8,014
Other operating income not allocated			**8,125**	4	**–**	–	**8,125**	4
General and administrative expenses not allocated			**(64,241)**	(49,215)	**–**	–	**(64,241)**	(49,215)
Operating profit/(loss)			**2,192,710**	1,453,664	**(131,098)**	(97,114)	**2,061,612**	1,356,550
Finance costs			**(26,062)**	(30,343)	**(4,577)**	(4,602)	**(30,639)**	(34,945)
Change in fair value of derivative financial instruments			**4,082**	(3,500)	**–**	–	**4,082**	(3,500)
Share of losses of associates			**(92)**	(279)	**–**	–	**(92)**	(279)
Profit/(Loss) before income tax			**2,170,638**	1,419,542	**(135,675)**	(101,716)	**2,034,963**	1,317,826

	Continuing operations						Discontinued operations *(Note 8)*			
	Coking coal mining		Corporate		Total		Coke production		Consolidated	
	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000
Segment assets	**22,259,487**	20,663,873	**1,538,237**	1,734,712	**23,797,724**	22,398,585	**579,483**	512,130	**24,377,207**	22,910,715

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Continuing operations		
Bank interest income	**18,018**	6,312
Other interest income	**12,319**	1,702
Gain on disposals of property, plant and equipment	**4**	293
Gain on trading of coal	**–**	5,689
Gain on sales of scrapped products	**42,083**	21,619
Net foreign exchange gain	**63,752**	14,140
Others	**–**	349
	136,176	50,104

5. FINANCE COSTS

	Six months ended 30 June	
	2011 (Unaudited) HK$'000	2010 (Unaudited and restated) HK$'000
Continuing operations		
Interest charged on:		
– bank borrowings repayable within five years	**22,275**	29,098
– other loans wholly repayable within five years	**–**	4,523
– early redemption of bills receivables	**8,959**	3,084
Finance charges on finance leases	**317**	259
	31,551	36,964
Less: interest capitalised in construction in progress* (Note 11)	**(5,489)**	(6,621)
Total finance costs	**26,062**	30,343

* *Borrowing costs were capitalised at the rates ranging from 5% to 6% (Six months ended 30 June 2010: 4% to 5%) per annum for the six months ended 30 June 2011.*

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited and restated)
	HK$'000	HK$'000
Continuing operations		
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**993,860**	621,147
Amortisation of		
– prepaid lease payments	**617**	590
– mining rights	**159,702**	128,443
Depreciation of property, plant and equipment		
– owned assets	**100,207**	76,382
– leased assets	**870**	831
Employee benefit expenses *(including directors' remuneration, share-based compensation and retirement benefits scheme contributions)*	**453,562**	336,999
Net foreign exchange gain	**(63,752)**	(14,140)
Operating lease charges in respect of land and buildings	**3,095**	8,903

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Continuing operations		
Current tax – PRC income tax	**677,096**	251,932
Deferred tax	**(13,964)**	5,644
	663,132	257,576

No provision for Hong Kong Profits Tax has been made in the Interim Financial Report as the Group had no assessable profit arising in Hong Kong for the six months ended 30 June 2011 and 2010.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's certain major subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), all established in the PRC, were entitled to 50% relief on the income tax in the PRC for three years ended 31 December 2010. Thus, the enterprise income tax rate for the calendar years from 2008 to 2010 was 12.5%. From the calendar year of 2011 onwards, the enterprise income tax rate for these Group's major PRC subsidiaries is 25% without any exemption.

The Group is also subject to a withholding tax at the rate of 5% (Six months ended 30 June 2010: 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.

8. DISCONTINUED OPERATIONS/ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

As described in Note 1, on 10 December 2010, New Honest entered into a conditional sale and purchase agreement to dispose of its entire 66% equity interest in Shanxi Yao Zin which is engaged in production and sales of coke products in Shanxi, the PRC. As at 30 June 2011, the Disposal had not yet been completed. Loss from the Discontinued Operations for the period is as follows:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period from discontinued operations		
Revenue	**76,943**	116,200
Expenses	**(212,618)**	(217,916)
Loss before income tax	**(135,675)**	(101,716)
Income tax expense	**–**	–
Loss for the period	**(135,675)**	(101,716)
Loss for the period from discontinued operations attributable to:		
Owners of the Company	**(89,545)**	(66,223)
Non-controlling interests	**(46,130)**	(35,493)
Loss for the period	**(135,675)**	(101,716)
Cash flows from discontinued operations:		
Operating cash outflows	**(2,009)**	(1,155)
Investing cash outflows	**(23,089)**	(9,236)
Financing cash inflows	**25,213**	9,992
Total cash inflows/(outflows)	**115**	(399)

8. DISCONTINUED OPERATIONS/ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE (Continued)

To present the below interim financial information as a result of the Disposal and in accordance with HKFRS 5, assets and liabilities which can be directly allocated to coke products business at the reporting dates are shown separately as assets and liabilities classified as held for sale in the consolidated statement of financial position as at 30 June 2011 and 31 December 2010.

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Property, plant and equipment	**400,546**	379,107
Goodwill	**3,182**	3,183
Prepaid lease payments	**9,744**	9,671
Inventories	**74,614**	31,380
Trade and bills receivables	**18,188**	6,025
Deposits, prepayments and other receivables	**72,930**	82,604
Cash and cash equivalents	**279**	160
Total assets classified as held for sale	**579,483**	512,130
Borrowings	**72,541**	35,695
Trade and bills payables	**403,435**	294,281
Other payables and accruals	**187,067**	132,787
Amounts due to related companies	**14,025**	13,038
Amounts due to non-controlling shareholders of subsidiaries	**40,852**	39,104
Tax payables	**1,004**	989
Total liabilities classified as held for sale	**718,924**	515,894

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim dividend of HK6 cents per ordinary share (Six months ended 30 June 2010: HK5 cents per ordinary share)	**322,834**	269,028

Interim dividend of HK6 cents (Six months ended 30 June 2010: HK5 cents) per ordinary share declared after 30 June 2011 (Six months ended 30 June 2010: 30 June 2010) has not been recognised as a liability as at the reporting date.

Interim dividend for the six months ended 30 June 2011 is expected to be paid on or about 27 September 2011 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 12 September 2011. As at 30 June 2011 and the date of the Interim Financial Report, the number of the issued share capital of the Company is 5,380,563,842.

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit used to determine basic and diluted earnings per share from continuing and discontinued operations	**1,131,062**	836,782
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,380,563**	5,377,498
Effect of dilutive potential ordinary shares:		
– Share options	**4,325**	27,962
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,384,888**	5,405,460

10. EARNINGS PER SHARE (Continued)

From continuing operations

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

	Six months ended 30 June	
	2011 **(Unaudited)** **HK$'000**	2010 (Unaudited) HK$'000
Profit for the period attributable to owners of the Company	**1,131,062**	836,782
Add: Loss for the period attributable to owners of the Company from discontinued operations *(Note 8)*	**89,545**	66,223
Profit used to determine basic and diluted earnings per share from continuing operations	**1,220,607**	903,005

The weighted average number of ordinary shares used is the same as those disclosed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss and diluted loss per share for the Discontinued Operations are both HK1.66 cents per share (Six months ended 30 June 2010: HK1.23 cents per share), based on the loss for the period attributable to owners of the Company from the discontinued operations of HK$89,545,000 (Six months ended 30 June 2010: HK$66,223,000) and the weighted average number of ordinary shares as set out above for both basic and diluted losses per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of HK$196,376,000 (Six months ended 30 June 2010: HK$267,936,000) mainly in relation to the construction in progress for coal preparation plants and mining infrastructure. Plant and equipment with a net carrying amount of HK$4,973,000 was disposed during the six months ended 30 June 2011 (Six months ended 30 June 2010: HK$678,000).

During the period, the interest expense amounted to approximately HK$5,489,000 (Six months ended 30 June 2010: HK$6,621,000) (Note 5) was capitalised in property, plant and equipment.

Net carrying amount of the Group's property, plant and equipment held under finance leases amounted to approximately HK$8,927,000 as at 30 June 2011 (31 December 2010: HK$9,602,000). The Group's buildings are situated in the PRC and are held on leases of between 10 years to 50 years.

As at 30 June 2011, the Group is still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately HK$109,170,000 (RMB90,673,000 equivalent) (31 December 2010: HK$109,765,000). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

12. LOAN TO A PARTY

Pursuant to the loan agreement dated 13 April 2010 (the "Loan Agreement") entered into between Jade Green Investments Holding Limited ("Jade Green"), a wholly-owned subsidiary of the Group, and Mr. Xing Libin ("Mr. Xing"), Jade Green conditionally agreed to make the loan of approximately HK$937,367,000 (RMB824,883,000 equivalent) (the "Loan Amount") to Mr. Xing to settle the outstanding liabilities owned by Mr. Xing. The Loan Amount and the transactions contemplated thereunder had been approved at the extraordinary general meeting of the Company held on 8 June 2010. The Loan Amount is secured by 35% equity interest in Liulin Luenshan Coking Company Limited and dividend rights in respect of 35% equity interest in Jinjiazhuang and 5% equity interest in Zhaiyadi. The Loan Amount and interest accrued are repayable in three installments where (i) HK$468,683,500 shall be repaid on 9 June 2011; (ii) HK$234,342,000 shall be repaid on 9 December 2011; and (iii) the remaining HK$234,342,000 shall be repaid on 9 June 2012. The Loan Amount is subject to floating interest rate of LIBOR plus 2.5% per annum. Details of the loan arrangement were disclosed in the circular of the Company dated 4 May 2010.

As at 30 June 2011, the first installment of HK$468,683,500 and the relevant interest of HK$26,703,000 have been received by the Group.

13. TRADE AND BILLS RECEIVABLES

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Trade receivables	**1,119,510**	903,640
Less: Provision for impairment loss	**(162,547)**	(159,308)
	956,963	744,332
Bills receivables	**2,774,498**	1,573,569
	3,731,461	2,317,901

Ageing analysis of net trade and bills receivables (net of impairment for doubtful debts), based on the invoice dates, is as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
0 - 90 days	**2,393,026**	1,455,413
91 - 180 days	**1,308,064**	695,300
181 - 365 days	**10,671**	80,027
Over 365 days	**19,700**	87,161
	3,731,461	2,317,901

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2010: 60 to 90 days) and no interest is charged.

Included in bills receivables are an amount of RMB406,800,000 (HK$489,787,000 equivalent) (31 December 2010: RMB297,000,000 (HK$350,460,000 equivalent)) which was pledged for bills payables of RMB406,800,000 (HK$489,787,000 equivalent) (31 December 2010: RMB287,000,000 (HK$338,660,000 equivalent)) (Note 16) as at 30 June 2011.

14. PLEDGED BANK DEPOSITS

As at 30 June 2011, all pledged bank deposits of RMB221,531,000 (HK$266,723,000 equivalent) (31 December 2010: RMB27,552,000 (HK$32,512,000 equivalent)) were denominated in RMB and were pledged for bills payables of RMB188,962,000 (HK$227,510,000 equivalent) (31 December 2010: RMB27,540,000 (HK$32,497,000 equivalent)) (Note 16).

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

15. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Cash at banks and on hand	**374,783**	141,221
Short-term bank deposits	**2,648,413**	2,624,842
	3,023,196	2,766,063

16. TRADE AND BILLS PAYABLES

The Group was granted credit periods by its suppliers ranging from 30 to 180 days (Six months ended 30 June 2010: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bills payables as at 30 June 2011 is as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
0 - 90 days	**614,766**	400,176
91 - 180 days	**225,679**	108,427
181 - 365 days	**27,871**	11,140
Over 365 days	**30,579**	18,065
	898,895	537,808

16. TRADE AND BILLS PAYABLES (Continued)

As at 30 June 2011, bills payables of RMB595,762,000 (HK$717,297,000 equivalent) (31 December 2010: RMB314,540,000 (HK$371,157,000 equivalent)) were secured by the pledged bank deposits of RMB221,531,000 (HK$266,723,000 equivalent) (31 December 2010: RMB27,552,000 (HK$32,512,000 equivalent)) (Note 14) and bills receivables of RMB406,800,000 (HK$489,787,000 equivalent) (31 December 2010: RMB297,000,000 (HK$350,460,000 equivalent)) (Note 13).

17. BORROWINGS

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Current		
Bank loans – secured	**712,060**	229,430
Other loans	**2,167**	2,125
Finance lease payables	**2,752**	1,826
	716,979	233,381
Non-current		
Bank loans – secured	**309,753**	896,742
Finance lease payables	**887**	1,740
	310,640	898,482
Total borrowings	**1,027,619**	1,131,863

18. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2011 (Unaudited) '000	31 December 2010 (Audited) '000	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**5,380,563**	5,370,563	**538,056**	537,056
Issue of new shares upon exercise of share options	**–**	10,000	**–**	1,000
At 30 June/ 31 December	**5,380,563**	5,380,563	**538,056**	538,056

19. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2011, 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 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Within one year	**7,608**	7,493
In the second to fifth years	**24,125**	24,564
After fifth years	**144,092**	144,064
	175,825	176,121

The Group leases a number of land and buildings and other assets under operating lease arrangements. The leases run for an initial period of 1 year 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 as at 30 June 2011 are as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Contracted but not provided for :		
– Acquisition of property, plant and equipment	**373,193**	405,190
– Exploration and design fees for a potential mining project	**9,006**	8,826
	382,199	414,016

19. COMMITMENTS (Continued)

(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 (31 December 2010: 2009 to 2011). Such subsidies will be charged in the consolidated statement of comprehensive income in the corresponding years accordingly. As at 30 June 2011, management expects that three (31 December 2010: one) further payments of RMB198,000,000 (HK$238,392,000 equivalent) (31 December 2010: RMB110,000,000 (HK$129,800,000 equivalent)) each are payable in 2012 to 2014 (31 December 2010: 2011).

20. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Interim Financial Report, the following transactions for the periods ended 30 June 2011 and 2010 were carried out with related parties:

(a) During the period, the Group paid management fees and company secretarial service fees of HK$780,000 (Six months ended 30 June 2010: HK$1,020,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is the single largest shareholder of the Company and paid rental expenses of HK$900,000 (Six months ended 30 June 2010: HK$900,000) to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), which is the controlling shareholder of Shougang International.

(b) During the period, the Group sold clean coking coal amounted to HK$721,890,000 (Six months ended 30 June 2010: HK$49,627,000) to Shougang Corporation and group companies of Shougang Corporation (collectively referred to as the "Shougang Group") and nil (Six months ended 30 June 2010: HK$5,456,000) to a wholly-owned subsidiary of Shougang International ("Shougang International Subsidiary"). Shougang Corporation is the ultimate holding company of Shougang Holding. These sales are made at market prices with a maximum discount of 3%. As at 30 June 2011, the balance of HK$327,702,000 (31 December 2010: HK$178,667,000) due from the Shougang Group included in trade and bills receivables was outstanding. In addition, as at 30 June 2011, the balance of HK$41,194,000 (31 December 2010: HK$40,373,000) due to Shougang International Subsidiary (included in other payables and accruals) related to advance receipts for future orders to be placed by Shougang International Subsidiary.

20. RELATED PARTY TRANSACTIONS (Continued)

(c) Included in staff costs are key management personnel compensation and comprises the following categories:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, bonuses, allowance and benefits	**37,080**	29,563
Retirement benefits scheme contributions	**505**	51
Share-based compensation	**41,586**	45,813
	79,171	75,427

21. EVENTS AFTER THE REPORTING DATE

On 11 August 2011, Mount Gibson Iron Limited ("Mount Gibson"), which is accounted for as an available-for-sale financial assets of the Group and its shares are listed in Australia, declared a maiden fully franked final dividend of Australian Dollars ("AUD") 4 cents per ordinary share totaling AUD43,302,828 to its shareholders for the year ended 30 June 2011. As at 30 June 2011, the Group held 160,166,874 ordinary shares of Mount Gibson and is entitled to the dividend of AUD6,406,675 from Mount Gibson. Such dividend will be received on 9 September 2011. Accordingly, the Group will recognise such dividend income of AUD6,406,675 (HK$52,832,000 equivalent) in the consolidated statement of comprehensive income in the second half of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the six months ended 30 June 2011 together with that of the same period of 2010 is summarised as follows:

	Unit	**Six months ended 30 June 2011**	2010	Percentage change	2010 FY	Percentage change
Production volume:						
Raw coking coal	Mt	**3.56**	2.96	**+20%**	6.23	
Clean coking coal	Mt	**1.18**	0.68	**+74%**	1.61	
Sales volume:						
Raw coking coal	Mt	**1.69**	1.81	**-7%**	3.53	
Clean coking coal	Mt	**1.14**	0.66	**+73%**	1.58	
Average realised selling price (inclusive of VAT):						
Raw coking coal	RMB/tonne	**1,012**	803	**+26%**	836	+21%
Clean coking coal	RMB/tonne	**1,815**	1,707	**+6%**	1,706	+6%

For the six months ended 30 June 2011, the Group produced approximately 3.56 million tonnes (Six months ended 30 June 2010: approximately 2.96 million tonnes) of raw coking coal, representing a year-on-year increase of 20% and approximately 1.18 million tonnes (Six months ended 30 June 2010 : approximately 0.68 million tonnes) of clean coking coal, representing a year-on-year increase of 74%. The increase in raw coking coal production by 20% was resulted from the successful upgrading support facilities at our operating coking coal mines in the same period of the last year which suspended the operation of mines temporarily during the last period but greatly improved our production efficiency during the period under review. Operations of our three operating coking coal mines ran smoothly and continued to maintain good safety record.

For the six months ended 30 June 2011, we continued to make vigorous 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 74% and 73% respectively while sales volume of raw coking coal dropped by 7% for the six months ended 30 June 2011.

BUSINESS REVIEW (Continued)

For the six months ended 30 June 2011, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal increased by 26% to Renminbi ("RMB") 1,012/tonne when compared with that of the same period of 2010 (Six months ended 30 June 2010 : RMB803/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal increased by 6% to RMB1,815/tonne when compared with that of the same period of 2010 (Six months ended 30 June 2010 : RMB1,707/tonne). The slight increase in realised selling price of clean coking coal was due to the increase in proportion to sell No.9 clean coking coal which its selling price is lower than that of No.4 clean coking coal in 2011. In terms of sales volume, No.4 and No.9 clean coking coal accounted for 88% and 12% for the six months ended 30 June 2010 and 45% and 55% for the six months ended 30 June 2011. In the fourth quarter of 2010, our third coal preparation plant in Zhaiyadi Coal Mine began trial run and commenced to process No.9 clean coking coal. This new preparation plant not only increases our clean coking coal production volume but also diversifies our product mix to No.9 clean coking coal.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group recorded a turnover of approximately HK$3,899 million, representing an increase of approximately HK$1,356 million or 53% as compared with that of approximately HK$2,543 million for the same period of 2010. The growth in turnover was mainly attributable to increase in realised selling price of raw and clean coking coal by 26% and 6% respectively, increase in production volume of raw coking coal by 20% and the appreciation of RMB by approximately 5%. All produced raw coking coal and those processed as clean coking coal were sold out. In terms of turnover, sales of raw and clean coking coal accounted for 45% and 55% of the Group's turnover, respectively for the six months ended 30 June 2011 compared against 56% and 44%, respectively for the six months ended 30 June 2010.

For the six months ended 30 June 2011, gross profit margin achieved at 75% compared with 76% of the same period in 2010.

For the six months ended 30 June 2011, the Group recorded net profit of approximately HK$1,372 million, representing an increase of approximately HK$312 million or 29% as compared with that of approximately HK$1,060 million for the same period of 2010. For the six months ended 30 June 2011, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$1,131 million, representing an increase of approximately HK$294 million or 35% as compared with that of approximately HK$837 million for the same period of 2010. The substantial increase in net profit and profit attributable to the Owners for the six months ended 30 June 2011 were mainly attributable to the remarkable increase in turnover as explained above, even though the increment was partial offset by the increase in income tax expense because of the change of income tax rate from 12.5% to 25% since 1 January 2011 as mentioned below under "**Income Tax Expense**". During the period under review, earnings per share was HK21.02 cents, representing a year-on-year increase of 35% substantially.

FINANCIAL REVIEW (Continued)

For the six months ended 30 June 2011, the Group incurred a non-cash share-based compensation expense of approximately HK$139 million arising from granting of share option by the Company in August 2009. The Group's net profit and profit attributable to Owners would have been HK$1,511 million and HK$1,270 million, respectively for the six months ended 30 June 2011, if this non-cash expense was excluded.

Cost of Sales

The unit production costs are summarised as follows:

	Unit	**Six months ended 30 June 2011**	2010	Percentage change	2010 FY	Percentage change
Production cost of raw coking coal	RMB/tonne	**213**	168	+27%	187	+14%
of which, depreciation and amortisation	RMB/tonne	**(54)**	(54)		(53)	
Processing cost for clean coking coal	RMB/tonne	**49**	48	+2%	48	+2%
of which, depreciation	RMB/tonne	**(10)**	(11)		(10)	

During the period under review, cost of sales was approximately HK$994 million, representing an increase of approximately HK$373 million or 60%, as compared with approximately HK$621 million of the same period in 2010. The increase was due to the following reasons:

(i) the increase in production costs as a result of (a) the increase in production of raw coking coal by 20% from 2.96 million tonnes for the six months ended 30 June 2010 to 3.56 million tonnes for the six months ended 30 June 2011; and (b) the increase in sales volume of clean coking coal by 73% from 0.66 million tonnes for the six months ended 30 June 2010 to 1.14 million tonnes for the six months ended 30 June 2011;

FINANCIAL REVIEW (Continued)

Cost of Sales (Continued)

(ii) the increase in unit production cost of raw coking coal by 27% as a result of (a) the payment of levies of city constructional tax and additional educational surcharge by approximately HK$38 million for the six months ended 30 June 2011 as these levies have been liable to pay since December 2010; (b) the increase in charge of environmental restoration fund by approximately HK$87 million, of which approximately HK$69 million being capitalised in the past years, for the six months ended 30 June 2011 due to the changes of tax policy; (c) the increase in mine resources compensation fee which is charged at 1% of the realised selling price of raw coking coal by approximately HK$5 million for the six months ended 30 June 2011; (d) the additional levy of continuous development fund amounted to approximately HK$9 million for the six months ended 30 June 2011 as the levy is subject to increase by RMB3 (HK$3.6 equivalent) per tonne since March 2011; and (e) the increase in staff costs by HK$72 million to HK$195million for the six months ended 30 June 2011 due to the adjustments of staff wages in order to maintain the competitive advantages in the labour market and to retain quality management and staff in the second half of 2010; and

(iii) the appreciation of RMB for the six months ended 30 June 2011 by approximately 5% was attributable to increase in production costs by approximately 5% accordingly when converted into HK$, being the Group's presentation currency.

Included in cost of sales, amortisation of mining rights was approximately HK$160 million for the six months ended 30 June 2011, representing an increase of approximately HK$32 million or 25%, as compared with approximately HK$128 million of the same period in 2010. The increase in amortisation of mining rights was mainly due to the increase in production volume of raw coking coal by 20% and the appreciation of RMB by approximately 5% during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the six months ended 30 June 2011 was approximately HK$2,905 million, representing an increase of approximately HK$984 million or 51% as compared with that of approximately HK$1,921 million of the same period in 2010. The increment was in line with the turnover. During the period under review, gross profit margin achieved at 75% compared with 76% of the same period in 2010. Even though the average realised selling prices for the six months ended 30 June 2011 were higher than that in the same period of 2010, its gross profit margin dropped slightly to 75% due to the increase in production costs as mentioned under "**Cost of Sales**" above.

FINANCIAL REVIEW (Continued)

Other Operating Income

During the period under review, other operating income was approximately HK$136 million, representing a substantial increase of approximately HK$86 million or 172% as compared with approximately HK$50 million of the same period in 2010. The increase was mainly attributable to:

(i) increase in income from sales of scrapped products generated from the process of clean coking coal by approximately HK$20 million which was substantially increased with the production volume of clean coking coal during the period under review;

(ii) increase of net foreign exchange gain of approximately HK$50 million arising from re-translation of the Company's current assets denominated in RMB as at 30 June 2011 as a result of the appreciation of RMB by approximately 2% as at 30 June 2011 compared with that as at 31 December 2010; and

(iii) the substantial increase in interest income by approximately HK$22 million from approximately HK$8 million for the six months ended 30 June 2010 to approximately HK$30 million in the same period of 2011 as a result of the effective cash management.

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$333 million, representing an increase of approximately HK$181 million or 119% as compared with that of approximately HK$152 million for the same period of 2010. The increase was mainly as a result of the substantial increase in transportation costs arising from the increase in sales volume of clean coking coal by 73% from 0.66 million tonnes for the six months ended 30 June 2010 to 1.14 million tonnes for the six months ended 30 June 2011 and the inflation as well as the appreciation of RMB by approximately 5% during the period under review.

General and Administrative Expenses

During the period under review, administrative expenses were approximately HK$358 million, representing an increase of approximately HK$58 million or 19% as compared with approximately HK$300 million of the same period in 2010. The increase was as a result of (i) the increase in payment of road maintenance fee by approximately HK$17 million, which was payment on demand by the relevant authority; (ii) the increase in directors' remuneration and staff costs by approximately HK$10 million; and (iii) the inflation and the appreciation of RMB by approximately 5% during the period under review.

FINANCIAL REVIEW (Continued)

Other Operating Expenses

During the period under review, other operating expenses was approximately HK$157 million, which mainly represented the committed annual payment of charitable donation for the year of 2011 of approximately HK$132 million paid during the period under review by the Group to the Liulin Provincial Government for the construction of modern schools and provision of education facilities as disclosed in the annual report of the Company for the year ended 31 December 2009. Accordingly, it is not expected to have a similar charitable donation in the second half of 2011.

Finance Costs

During the period under review, finance costs were approximately HK$26 million, representing a decrease of approximately HK$4 million or 13% as compared with that of approximately HK$30 million for the same period in 2010. During the period under review, approximately HK$5.5 million (Six months ended 30 June 2010: approximately HK$6.6 million) of borrowing costs were capitalised in the construction in progress. The decrease in actual finance costs were due to the reduction in the average annual interest rate charge on the bank borrowings from approximately 6% for the six months ended 30 June 2010 to approximately 4% for the six months ended 30 June 2011.

Income Tax Expense

During the period under review, income tax expense was approximately HK$663 million (Six months ended 30 June 2010: approximately HK$258 million), of which approximately HK$77 million (Six months ended 30 June 2010: 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 tax regulations in the PRC. The substantial increase in income tax expense was increase with profits and also due to the expiration of the 50% relief on the enterprise income tax in the PRC during the period under review. For the calendar years from 2008 to 2010, the enterprise income tax rate for the major PRC subsidiaries was 12.5%. From the calendar year of 2011 onwards, the enterprise income tax rate for the Group's major PRC subsidiaries is 25%.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the period under review was approximately HK$1,131 million, representing a substantial increase of approximately HK$294 million or 35% as compared with that of approximately HK$837 million for the same period of 2010.

Material Investments and Acquisitions

During the period under review, the Group had no material investments and acquisitions.

FINANCIAL REVIEW (Continued)

Material Disposals

Except for the transaction disclosed in the annual report of the Company for the year ended 31 December 2010 and Note 1 to the Interim Financial Report in relation to the disposal of entire 66% equity interest in Shanxi Yao Zin Coal and Coking Company Limited (the "Disposal"), the Group had no material disposals for the six months ended 30 June 2011. As at 30 June 2011, the Disposal had not yet been completed.

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving growth in 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 and no material safety incidents were recorded.

Charges on Assets

As at 30 June 2011, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

(i) bank deposits of approximately HK$267 million and bills receivables of approximately HK$490 million were used for securing bills facilities of approximately HK$717 million; and

(ii) the pledged of shares by certain subsidiaries of the Company namely Jade Green Investments Holding Limited, Thechoice Finance Limited, Worldman Industrial Limited, Gumpert Industries Limited, Thechoice Finance (HK) Limited, Worldman Industrial (HK) Limited and Gumpert Industries (HK) Limited that were used for securing United States Dollars ("US$") 100 million of bank loan for the Company.

Contingent Liabilities

As at 30 June 2011, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2011, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 5%. The total borrowings amounted to approximately HK$1,028 million as at 30 June 2011.

FINANCIAL REVIEW (Continued)

Exposure to Fluctuations in Exchange Rates

As at 30 June 2011, other than assets and liabilities denominated in RMB and AUD, the Group had no material exposure to foreign exchange fluctuations. As at 30 June 2011, RMB and AUD were appreciated approximately by 2% and 4% respectively when compared to that as at 31 December 2010.

Liquidity and Financial Resources

As at 30 June 2011, the Group's current ratio (current assets divided by current liabilities) was approximately 2 times and the Group's cash and bank deposits amounted to approximately HK$3,290 million, of which approximately HK$267 million was deposited to secure bill facilities of approximately HK$227 million.

Included in trade and bills receivables, the Group had bills receivables amounting to approximately HK$2,774 million (of which bills receivables of approximately HK$490 million that were used for securing bills facilities of the same amount) as at 30 June 2011 that were readily convertible into cash, but would be subject to finance cost when conversion before the maturity. Taking into account of the bills receivables of approximately HK$2,774 million, the Group's cash resources would have approximately HK$6,064 million as at 30 June 2011.

Capital Structure

Total equity, bank loans and other borrowings are classified as capital. As at 30 June 2011, the amount of capital was approximately HK$21,325 million.

As at 30 June 2011, the issued capital of the Company was approximately HK$538 million, represented approximately 5,381 million shares in number. During the period under review, there was no change in the issued capital of the Company.

As at 30 June 2011, the total borrowings of approximately HK$1,028 million denominated in USD and RMB. The USD borrowing of approximately HK$540 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable by 13 installments from September 2010 to September 2013, and the RMB borrowings amounting to approximately HK$482 million are subject to floating interest rate adopted by The People's Bank of China and are repayable in March 2012. The remaining balances of borrowings of approximately HK$6 million are subject to fixed interest rates and are repayable within 1 year to 2 years from 30 June 2011.

FINANCIAL REVIEW (Continued)

Employees

As at 30 June 2011, the Group had 25 Hong Kong employees and 7,213 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides a mandatory provident fund scheme for its employees in Hong Kong and the state-sponsored retirement plan for its employees in PRC. The Group has also adopted a share option scheme since 20 June 2003. During the period under review, no share option was granted, exercised, cancelled or lapsed.

FUTURE PROSPECTS

In the first half of 2011, the total import volume of coking coal to China dropped by 11.8% year-on-year to 70.49 million tonnes, this was mainly due to flooding in Queensland, Australia causing the international spot price to increase sharply and to reduce the supply. In addition, the supply was tight due to strong demand from Japan for post disaster reconstruction and from developing market such as India and Brazil. Imposing of carbon emission tax (equivalent to AUD23/tonne and increase by 2.5% annually) and the increment on resources tax around 30% by Australian government commencing in July 2012, and considering similar tax to be imposed (even though there is not a definite time yet) by Indonesian government, all of these factors indicate that the import coking coal price will drive up in the future as a result the international spot price of coking coal will likely maintain at a high level. For the second half of 2011, it is expected that the Chinese government will kick off large scale projects such as social housing and infrastructure projects, that will increase the demand for steel, coking coal being an upstream supplier will benefit from this as well. We expect that our coking coal products are still having strong domestic demand and their selling price will maintain at a high level in the second half of 2011.

We will take advantage of such favourable environment to further expand and strengthen our long-term strategic cooperation with major steel producers and make extensive efforts to develop our clean coking coal business. With strong financial strengths and solid liquidity position, we will continue to seek business expansion through organic growth and acquisition of suitable targets in a prudent manner, whereby generating greater operating efficiency and delivering better returns to shareholders in response to their continual support to us.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK6 cents per ordinary share for the six months ended 30 June 2011 (2010: HK5 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company on Monday, 12 September 2011. The interim dividend is expected to be paid on or about Tuesday, 27 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 12 September 2011, on that day no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the share registrars of the Company, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 September 2011 for registration.

CHANGE OF THE NAME OF THE COMPANY

Following the passing of a special resolution by the shareholders of the Company regarding change of the name of the Company and the issue of a certificate of change of name by the Hong Kong Registrar of Companies, the name of the Company was changed from Fushan International Energy Group Limited (福山國際能源集團有限公司) to Shougang Fushan Resources Group Limited (首鋼福山資源集團有限公司) with effect from 24 May 2011.

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.

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

The Directors of the Company who held office at 30 June 2011 had the following interests in the shares and underlying shares of the Company as at 30 June 2011 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 30.06.2011
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Wong Lik Ping	Beneficial owner, interests of controlled corporation	417,571,900#	4,500,000	422,071,900	7.84%
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.13%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
Xue Kang	Beneficial owner	–	3,000,000	3,000,000	0.05%
Liu Qingshan	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%
Zhang Yaoping	Beneficial owner	–	4,500,000	4,500,000	0.08%
Kee Wah Sze	Beneficial owner	700,000	3,200,000	3,900,000	0.07%
Choi Wai Yin	Beneficial owner	–	3,200,000	3,200,000	0.05%
Chan Pat Lam	Beneficial owner	200,000	3,200,000	3,400,000	0.06%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 20 June 2003 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

\# *Mr. Wong Lik Ping, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 28 April 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 27 April 2011, his interests included 296,100,000 shares of the Company held by China Merit Limited ("China Merit") which was wholly-owned by Mr. Wong Lik Ping. The interest held by China Merit is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" below.*

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

(b) Short positions in the shares of the Company

Name of Director	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2011
Wong Lik Ping	Interests of controlled corporation	178,225,000#	3.31%

Mr. Wong Lik Ping, who is also a substantial shareholder of the Company, indicated in his disclosure form dated 28 April 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 27 April 2011, the interest was held by China Merit which was wholly-owned by Mr. Wong Lik Ping. The interest held by China Merit is disclosed under the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" below.

Save as disclosed above, as at 30 June 2011, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2011.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2011, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests or short positions in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

(a) Long positions in the shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2011	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Interests of controlled corporations	1,463,962,490	27.20%	*1*
Shougang Concord International Enterprises Company Limited ("Shougang International")	Beneficial owner, interests of controlled corporations	1,463,962,490	27.20%	*1*
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.33%	*1*
Xing Libin	Beneficial owner, interests of controlled corporation, interests of spouse	508,831,240	9.45%	*2*
Firstwealth Holdings Limited ("Firstwealth")	Beneficial owner	400,000,000	7.43%	*2*
China Merit	Beneficial owner	296,100,000	5.50%	*3*
Deutsche Bank Aktiengesellschaft ("Deutsche Bank")	Beneficial owner, investment manager, person having a security interest, custodian corporation/approved lending agent	273,665,796	5.08%	

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

(b) Short positions in the shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2011	*Note(s)*
Xing Libin	Interests of controlled corporation	400,000,000	7.43%	*2*
Firstwealth	Beneficial owner	400,000,000	7.43%	*2*
China Merit	Beneficial owner	178,225,000	3.31%	*3*
Deutsche Bank	Beneficial owner, person having a security interest	83,600,343	1.55%	

(c) Lending pool

Name of shareholder	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 30.06.2011
Deutsche Bank	Custodian corporation/ approved lending agent	1,726,000	0.03%

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

Notes:

1. Shougang Holding indicated in its disclosure form dated 9 May 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 5 May 2011, its interests included the interests held by Shougang International, a company which was held as to 41.90% by Shougang Holding, and Fine Power, a company which was wholly-owned subsidiary of Shougang International.

   Shougang International indicated in its disclosure form dated 9 May 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 5 May 2011, its interests included the interests held by Fine Power.

2. Mr. Xing Libin indicated in his disclosure form dated 11 May 2011 (being the latest disclosure form filed up to 30 June 2011) that as at 6 May 2011, his interests included the interests held by Firstwealth, a company which was wholly-owned by Mr. Xing Libin.

3. China Merit was wholly-owned by Mr. Wong Lik Ping, a director of the Company, and its interest was included in the interests of Mr. Wong Lik Ping under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as at 30 June 2011, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 20 June 2003, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised, lapsed or cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2011. Details of the outstanding share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Chen Zhouping	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Wong Lik Ping	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
So Kwok Hoo	3,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chen Zhaoqiang	8,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Xue Kang	3,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Liu Qingshan	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Leung Shun Sang, Tony	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Zhang Yaoping	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Kee Wah Sze	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Choi Wai Yin	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chan Pat Lam	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	51,100,000			
Employees of the Group	6,000,000	26.04.2006	26.04.2008 – 25.04.2013	HK$1.50
	94,100,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	100,100,000			
Other participants	116,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	116,000,000			
	267,200,000			

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2011 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 18 August 2011 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2011.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2011.

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

There is no change in the Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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
Wang Pingsheng
Chairman

Hong Kong, 26 August 2011