SHOUGANG FUSHAN RESOURCES GROUP LIMITED

Stock Code : 639

INTERIM REPORT 2013

CONTENTS

CORPORATE INFORMATION

Board of Directors	Li Shaofeng *(Chairman)* Chen Zhouping *(Vice-chairman and Managing Director)* Wong Lik Ping *(Vice-chairman)* So Kwok Hoo *(Deputy Managing Director)* Chen Zhaoqiang *(Deputy Managing Director)* Liu Qingshan *(Deputy Managing Director)* Leung Shun Sang, Tony *(Non-executive Director)* Zhang Yaoping *(Non-executive Director)* Kee Wah Sze *(Independent Non-executive Director)* Choi Wai Yin *(Independent Non-executive Director)* Chan Pat Lam *(Independent Non-executive Director)* Chan Chung Chun *(Independent Non-executive Director)*
Executive Committee	Li Shaofeng *(Chairman)* Chen Zhouping Wong Lik Ping So Kwok Hoo Chen Zhaoqiang Liu Qingshan
Audit Committee	Choi Wai Yin *(Chairman)* Kee Wah Sze Chan Pat Lam Chan Chung Chun
Nomination Committee	Li Shaofeng *(Chairman)* Wong Lik Ping Kee Wah Sze Choi Wai Yin Chan Pat Lam Chan Chung Chun
Remuneration Committee	Chan Chung Chun *(Chairman)* Li Shaofeng Leung Shun Sang, Tony Kee Wah Sze Choi Wai Yin Chan Pat Lam

CORPORATE INFORMATION (continued)

Company Secretary	Cheng Man Ching
Auditor	BDO Limited
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 2013**	For the six months ended 30 June 2012	Percentage change
Revenue	**2,321,979**	3,339,013	–30%
Gross profit	**1,284,655**	2,311,080	–44%
Gross profit margin	**55%**	69%	
Operating profit	**1,023,111**	1,800,934	–43%
EBITDA[1]	**1,318,884**	2,071,757	–36%
Profit for the period	**702,985**	1,251,315	–44%
Profit attributable to owners of the Company ("Owners")	**582,346**	1,005,539	–42%
Basic earnings per share (HK cents)	**10.98**	18.79	–42%

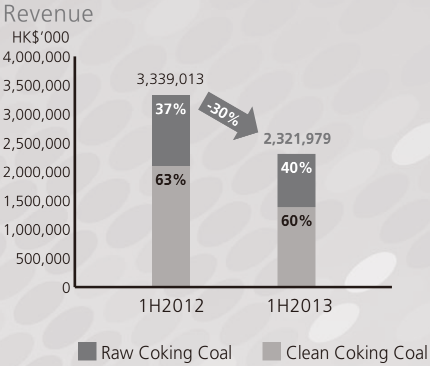
(HK$'000)	**As at 30 June 2013**	As at 31 December 2012	Percentage change
Total assets	**26,359,612**	26,820,521	–2%
of which: Cash and cash equivalents and time deposits with original maturity over three months	**5,376,622**	4,674,014	+15%
Unpledged bill receivables	**1,220,647**	1,165,620	+5%
Total liabilities	**(5,742,434)**	(5,958,538)	–4%
of which: Total borrowings	**(670,323)**	(1,075,448)	–38%
Total borrowings (exclusive of asset-backed financing)	**(79,648)**	(197,160)	–60%
Gearing ratio[2]	**3.25%**	5.16%	–37%
Adjusted gearing ratio[3]	**0.39%**	0.95%	–59%
Current ratio[4]	**2.5 times**	2.3 times	+9%
Total equity/Net assets	**20,617,178**	20,861,983	–1%
of which: Equity attributable to Owners	**18,831,915**	19,223,684	–2%
Equity per share attributable to Owners (HK$)	**3.55**	3.63	–2%

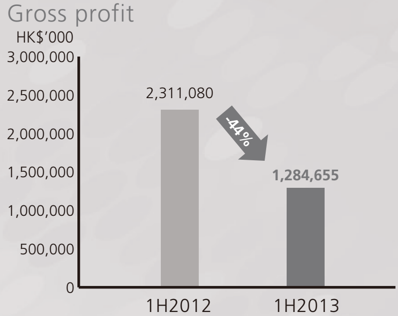
The board of directors has declared an 2013 interim dividend of HK2.7 cents (2012 interim: HK5.0 cents) per ordinary share.

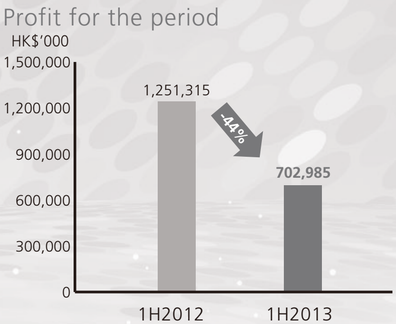
Notes:

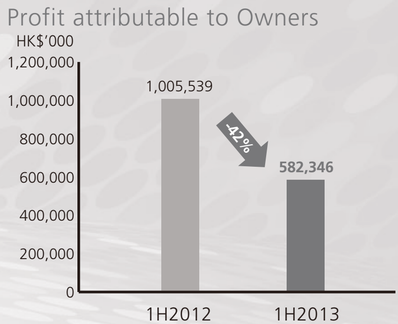
1. EBITDA is defined as operating profit plus depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.
3. Adjusted gearing ratio is computed from total borrowings (exclusive of asset-backed financing) divided by total equity.
4. Current ratio is computed from current assets divided by current liabilities.

FINANCIAL HIGHLIGHTS (continued)
Profit & Loss Summary

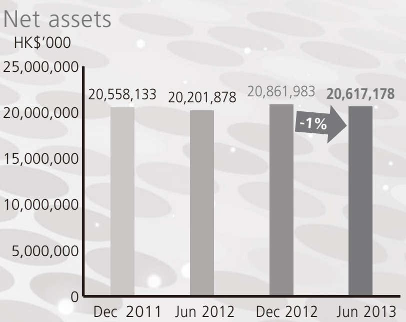


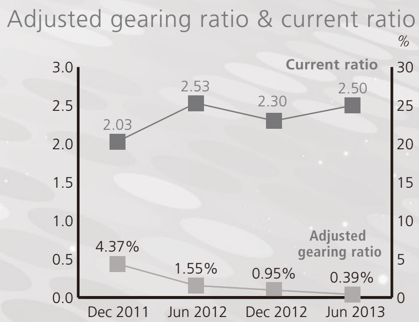






Healthy Financial Position





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 consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 (the "period under review").

In the first half of 2013, gross domestic production ("GDP") in China reached RMB24.8 trillion, year-on-year growth by 7.6%. GDP growth in the second quarter reached 7.5% that was slower than that of the first quarter by 0.2%. Crude steel production volume reached 389 million tonnes, year-on-year growth by 7.4%, daily crude steel production volume was 2.154 million tonnes, year-on-year growth by 7.4%. Fixed assets investments ("FAI") grew by 20.1% year-on-year, of which property investment increased by 20.3%, railway investments related to infrastructure increased by 22.2%, whereas investment in highway increased by 19.7%. Overall, demand for steel industry is growing at a slower pace than the supply growth, overcapacity led to price pressure as a result of making meager profits. However steel producers still have not taken the initiative to cut production, it is estimated that production volume for full year will exceed 790 million tonnes. As the steel industry has been a loss making situation in the first half of the year, coking coal industry as its upstream resource also faces similar challenges. The government has indicated that GDP growth of 7% is acceptable. As FAI accounted for historical high of the GDP, there will not be launching of any further large-scale of economic stimulus projects. In addition, the contract price for imported coal has been dropping and the imported coking coal price in the third quarter dropped significantly to US$145/tonne. The total volume of the imported coking coal in the first five months had exceeded 30 million tonnes, increased by 44% year-on-year. The drastic drop in the selling price of imported coking coal had created a price pressure on domestic coking coal, as a result domestic coking coal price had been going down since the second quarter. Despite the weak market, the management has taken proactive and appropriate measures in a timely manner, we produced 3.39 million tonnes of raw coking coal and 1.28 million tonnes of clean coking coal in the first half of the year.

During the period under review, the management had been following the market actively to promote the sales of both raw and clean coking coal. Although market demand was weak and the coking coal prices were affected, the Group's overall sales volume is similar to that of the last year. The average selling prices (inclusive of VAT) for raw and clean coking coal were RMB661/tonne and RMB1,158/tonne respectively, down by 38% and 31% year-on-year respectively. As a result of the lower average selling prices, the Group's gross profit decreased from HK$2.311 billion in the same period of 2012 to HK$1.285 billion in the period under review and gross profit margin dropped by 14 percentage points to 55%. The Group's operating profit was HK$1.023 billion, down by 43% year-on-year and the Group's net profit was HK$703 million, down by 44% year-on-year. For the period under review, the Group's profit attributable to owners was HK$582 million, down by 42% year-on-year.

To resolve the problem of industry excessive capacity is one of the key economic targets for the current government, the government continues to enforce policies to reduce those industries with excessive capacities, using measures to "reduce, transfer, integrate and eliminate" to rectify the problem of excessive capacity. According to "a notice issued by the State Council on further strengthening the elimination of backward production capacities" and "a notice issued by Ministry of Industry and Information Technology in 2013 identifying 19 industries with backward production capacities", of which steel, iron and coke production are those industries with backward production capacities that need to be rectified. By the year of 2013, they will need to cut backward production volume by 6.979 million tonnes, 2.77 million tonnes and 16.303 million tonnes respectively. These policies will affect the domestic premium quality coal production volume and thus create support to the coal price. We believe, as the domestic steel and coal industries improve, premium coking coal supply will continue to be tight, the Group will be benefited from this situation as we have three premium coking coal mines in Shanxi.

As one of the leading coking coal producers in China, Shougang Resources will monitor the market closely, through our solid management, we will continue to expand our coking coal business in a steady manner. In the second half of the year, we will continue to strengthen and deepen our strategic relationships with our existing customers such as the large scale steel producers, at the same time, we will actively develop business with other customers, to provide them our premium quality coking coal products.

Future Outlook

Looking ahead into the second half of the year, as the global economy is still weak, countries will rely on implementation of policies for quantitative easing to increase their liquidity. Under the weak economic environment, China's economy will be challenging. There will be launching of policies to support railway and urban infrastructure, including subway, light rail and other large-scale capacity of public transport facilities and infrastructure and strengthening works for the city bridges. FAI in national railway will reach RMB650 billion in 2013, compared with RMB630.98 billion in 2012 increased by about 3%, of which RMB520 billion will be capital investment for more than 5,200 km of new lines in operation. For the first half of 2013, FAI on railway had increased by 21% year-on-year. These projects will drive up the demand for steel, we believed that coking coal as the upstream resource to steel will be benefited eventually.

In the future, the Group will continue to strengthen internal training as we have done in the past and to achieve our production target while ensuring safety in production. Our strong financial strength lays a solid foundation for the Group's future business development. At the same time, we are also actively and prudently searching in the domestic and overseas countries to find suitable acquisitions, which will increase our reserve on resources, further expand our production capacity and strengthen the Group's leading position and influence in the coking coal industry. We are confident of our future development and believe they will create greater investment value for our shareholders.

To reward the continual support of our shareholders, the Board of Directors of Shougang Resources declared 2013 interim dividend of HK2.7 cents per 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 continual support to the Group over the years.

Li Shaofeng
Chairman

Hong Kong, 28 August 2013

INDEPENDENT REVIEW REPORT

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111 Connaught Road Central
Hong Kong

To the Board of Directors of
Shougang Fushan Resources Group Limited
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 10 to 40 which comprise the consolidated statement of financial position of Shougang Fushan Resources Group Limited and its subsidiaries as of 30 June 2013 and the related consolidated statement of profit or loss and other 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 an 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.

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

Hong Kong, 28 August 2013

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 2013. 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 2013

		Six months ended 30 June	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**2,321,979**	3,339,013
Cost of sales		**(1,037,324)**	(1,027,933)
Gross profit		**1,284,655**	2,311,080
Other operating income	*4*	**217,227**	143,519
Selling and distribution expenses		**(62,305)**	(196,332)
General and administrative expenses		**(153,596)**	(199,415)
Other operating expenses		**(262,870)**	(257,918)
Operating profit		**1,023,111**	1,800,934
Finance costs	*5*	**(13,994)**	(11,702)
Change in fair value of derivative financial instruments		**(1,436)**	(11,350)
Share of loss of an associate		**(385)**	(203)
Profit before income tax	*6*	**1,007,296**	1,777,679
Income tax expense	*7*	**(304,311)**	(526,364)
Profit for the period		**702,985**	1,251,315

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

For the six months ended 30 June 2013

	Notes	Six months ended 30 June **2013** ***HK$'000*** **(Unaudited)**	 2012 *HK$'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		**207,150**	(91,876)
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on financial assets measured at fair value through other comprehensive income		**(623,658)**	(372,392)
Total comprehensive income for the period		**286,477**	787,047
Profit for the period attributable to:			
Owners of the Company		**582,346**	1,005,539
Non-controlling interests		**120,639**	245,776
Profit for the period		**702,985**	1,251,315
Total comprehensive income for the period attributable to:			
Owners of the Company		**138,415**	552,431
Non-controlling interests		**148,062**	234,616
Total comprehensive income for the period		**286,477**	787,047
		HK(Cents)	*HK(Cents)*
Earnings per share	*9*		
– Basic		**10.98**	18.79
– Diluted		**10.98**	18.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**3,616,989**	3,599,184
Prepaid lease payments		**60,979**	60,785
Mining rights		**10,451,371**	10,440,937
Goodwill		**2,301,107**	2,264,910
Interest in an associate		**19,301**	19,376
Financial assets measured at fair value through other comprehensive income	11	**676,591**	1,300,109
Deposits, prepayments and other receivables		**338,767**	346,484
Deferred tax assets		**30,826**	31,592
Total non-current assets		**17,495,931**	18,063,377
Current assets			
Inventories		**243,151**	163,282
Trade and bill receivables	12	**2,765,853**	3,540,491
Deposits, prepayments and other receivables		**174,154**	161,376
Amounts due from other parties		**28,365**	21,481
Derivative financial instruments		**4,089**	24,645
Pledged bank deposits	13	**271,447**	171,855
Time deposits with original maturity over three months	14	**2,889,588**	1,692,681
Cash and cash equivalents	14	**2,487,034**	2,981,333
Total current assets		**8,863,681**	8,757,144
Current liabilities			
Trade and bill payables	15	**591,156**	717,908
Other payables and accruals		**1,391,469**	1,656,613
Dividend payables		**530,184**	–
Borrowings	16	**670,323**	1,075,448
Derivative financial instruments		**2,315**	241
Amounts due to other parties		**20,684**	18,690
Amounts due to non-controlling interests of subsidiaries		**23,105**	21,475
Tax payables		**322,646**	325,252
Total current liabilities		**3,551,882**	3,815,627
Net current assets		**5,311,799**	4,941,517
Total assets less current liabilities		**22,807,730**	23,004,894

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Non-current liabilities			
Deferred tax liabilities		**2,190,552**	2,142,911
Total non-current liabilities		**2,190,552**	2,142,911
Net assets		**20,617,178**	20,861,983
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**530,184**	530,184
Reserves		**18,301,731**	18,693,500
Total equity attributable to owners of the Company		**18,831,915**	19,223,684
Non-controlling interests		**1,785,263**	1,638,299
Total equity		**20,617,178**	20,861,983

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Statutory reserve *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Share-based compensation reserve *HK$'000*	Security investment reserve *HK$'000*	Translation reserve *HK$'000*	Total *HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2012 (Audited)	537,751	14,618,903	305	383,099	331,725	2,176,977	564,179	(559,127)	912,767	18,966,579	1,591,554	20,558,133
Shares repurchased (Unaudited)	(7,567)	–	7,567	–	–	(197,535)	–	–	–	(197,535)	–	(197,535)
2011 final dividends approved (Unaudited)	–	–	–	–	–	(689,239)	–	–	–	(689,239)	–	(689,239)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	–	(256,528)	(256,528)
Transactions with owners of the Company (Unaudited)	(7,567)	–	7,567	–	–	(886,774)	–	–	–	(886,774)	(256,528)	(1,143,302)
Profit for the period (Unaudited)	–	–	–	–	–	1,005,539	–	–	–	1,005,539	245,776	1,251,315
Other comprehensive income:												
– Fair value loss on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	–	–	–	(372,392)	–	(372,392)	–	(372,392)
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	–	–	–	(80,716)	(80,716)	(11,160)	(91,876)
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	1,005,539	–	(372,392)	(80,716)	552,431	234,616	787,047
Appropriations to statutory reserve (Unaudited)	–	–	–	29,120	–	(29,120)	–	–	–	–	–	–
Appropriations to other reserves (Unaudited)	–	–	–	–	167,211	(167,211)	–	–	–	–	–	–
At 30 June 2012 (Unaudited)	530,184	14,618,903	7,872	412,219	498,936	2,099,411	564,179	(931,519)	832,051	18,632,236	1,569,642	20,201,878

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2013

	Equity attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Statutory reserve *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Share-based compensation reserve *HK$'000*	Security investment reserve *HK$'000*	Translation reserve *HK$'000*	Total *HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2013 (Audited)	530,184	14,618,903	7,872	448,068	519,374	2,572,860	564,179	(1,030,122)	992,366	19,223,684	1,638,299	20,861,983
Contribution from non-controlling interests of subsidiary (Unaudited)	–	–	–	–	–	–	–	–	–	–	91,875	91,875
2012 final dividends approved (Unaudited)	–	–	–	–	–	(530,184)	–	–	–	(530,184)	–	(530,184)
Dividends paid to non-controlling interests of subsidiaries (Unaudited)	–	–	–	–	–	–	–	–	–	–	(92,973)	(92,973)
Transactions with owners of the Company (Unaudited)	–	–	–	–	–	(530,184)	–	–	–	(530,184)	(1,098)	(531,282)
Profit for the period (Unaudited)	–	–	–	–	–	582,346	–	–	–	582,346	120,639	702,985
Other comprehensive income:												
– Fair value loss on financial assets measured at fair value through other comprehensive income (Unaudited)	–	–	–	–	–	–	–	(623,658)	–	(623,658)	–	(623,658)
– Exchange differences on translation of financial statements of foreign operations (Unaudited)	–	–	–	–	–	–	–	–	179,727	179,727	27,423	207,150
Total comprehensive income for the period (Unaudited)	–	–	–	–	–	582,346	–	(623,658)	179,727	138,415	148,062	286,477
Appropriations to other reserves (Unaudited)	–	–	–	–	100,116	(100,116)	–	–	–	–	–	–
Lapse of share options (Unaudited)	–	–	–	–	–	2,083	(2,083)	–	–	–	–	–
At 30 June 2013 (Unaudited)	530,184	14,618,903	7,872	448,068	619,490	2,526,989	562,096	(1,653,780)	1,172,093	18,831,915	1,785,263	20,617,178

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before income tax	**1,007,296**	1,777,679
Adjustments for:		
Amortisation of prepaid lease payments	**781**	766
Amortisation of mining rights	**156,716**	140,032
Depreciation of property, plant and equipment	**138,276**	130,025
Finance costs	**13,994**	11,702
Provision for impairment on trade receivables	**3,380**	11,211
Share of loss of an associate	**385**	203
Interest income	**(63,714)**	(70,653)
Dividend income on financial assets measured at fair value through other comprehensive income	**(26,260)**	(27,463)
Change in fair value of derivative financial instruments	**1,436**	11,350
Net foreign exchange (gain)/loss	**(75,727)**	18,004
Operating profit before working capital changes	**1,156,563**	2,002,856
Increase in inventories	**(77,235)**	(8,907)
Decrease in trade and bill receivables	**526,556**	510,528
Increase in deposits, prepayments and other receivables	**(988)**	(180,622)
Increase in amounts due from other parties	**(6,538)**	(1,800)
Decrease in trade and bill payables	**(46,472)**	(44,861)
Decrease in other payables and accruals	**(191,837)**	(417,892)
Increase in amounts due to other parties	**1,693**	2,210
Increase in amounts due to non-controlling interests of subsidiaries	**1,284**	1,247
Proceed from financial assets measured at fair value through profit or loss	**–**	935
Cash generated from operations	**1,363,026**	1,863,694
Income tax paid	**(297,923)**	(865,769)
Net cash generated from operating activities	**1,065,103**	997,925

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(276,400)**	(357,037)
Payments to acquire mining rights		**–**	(68,797)
Receipts of the repayments on a loan to a party		**–**	234,342
Increase in pledged bank deposits		**(96,820)**	(10,086)
Increase in time deposits with original maturity over three months		**(1,196,907)**	(1,620,121)
Interest received		**53,746**	57,204
Dividend received		**26,260**	27,463
Net cash used in investing activities		**(1,490,121)**	(1,737,032)
Cash flows from financing activities			
Payments on shares repurchased		**–**	(197,535)
Repayments of bank borrowings		**(116,550)**	(580,663)
Repayments of other borrowings		**–**	(1,891)
Finance costs paid		**(13,302)**	(19,929)
Dividends paid to owners of the Company		**–**	(689,095)
Dividends paid to non-controlling interests of subsidiaries		**(92,973)**	(256,528)
Capital injection from non-controlling interests of subsidiaries		**91,875**	–
Net cash used in financing activities		**(130,950)**	(1,745,641)
Net decrease in cash and cash equivalents		**(555,968)**	(2,484,748)
Cash and cash equivalents at 1 January		**2,981,333**	4,517,196
Effect of foreign exchange rates changes		**61,669**	(7,710)
Cash and cash equivalents at 30 June		**2,487,034**	2,024,738
Cash and cash equivalents at 30 June, represented by:			
Bank balances and cash		**5,376,622**	3,644,859
Less: Time deposits with original maturity over three months		**(2,889,588)**	(1,620,121)
Cash and cash equivalents	*14*	**2,487,034**	2,024,738

NOTES TO THE INTERIM FINANCIAL REPORT

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. There were no significant changes in the Group's operations during the six months ended 30 June 2013.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial report for the six months ended 30 June 2013 (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 "Listing Rules"). The Interim Financial Report should be read in conjunction with the annual financial statements for the year ended 31 December 2012, 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 28 August 2013.

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

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 2012, except for the adoption of the following standards as of 1 January 2013:

Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs (Amendments)	Annual Improvements 2009–2011 Cycle

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

2.1 Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future and those that may not. The Group's presentation of other comprehensive income in the Interim Financial Report has been modified accordingly.

2.2 Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32. The adoption of the amendments does not have an impact on the Interim Financial Report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

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

2.3 HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the presentation of consolidated financial statements and HK(SIC) Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2.4 HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries, associates and joint arrangements. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in the Interim Financial Report as a result of adopting HKFRS 12.

2.5 HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the Interim Financial Report. The Group has provided those disclosures in Note 18.

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

2.6 HKFRSs (Amendments) Annual Improvements 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision marker (the "CODM") and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and now also discloses segment liabilities in Note 3.

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 segment:

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 2013, 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)

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

	Coking coal mining		Total		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Sales to external parties	**2,321,979**	3,339,013	**2,321,979**	3,339,013	**2,321,979**	3,339,013
Segment operating profit	**931,245**	1,764,191	**931,245**	1,764,191	**931,245**	1,764,191
Interest income			**63,714**	70,653	**63,714**	70,653
Other operating income not allocated			**76,727**	27,463	**76,727**	27,463
General and administrative expenses not allocated			**(48,575)**	(61,373)	**(48,575)**	(61,373)
Operating profit			**1,023,111**	1,800,934	**1,023,111**	1,800,934
Finance costs			**(13,994)**	(11,702)	**(13,994)**	(11,702)
Change in fair value of derivative financial instruments			**(1,436)**	(11,350)	**(1,436)**	(11,350)
Share of loss of an associate			**(385)**	(203)	**(385)**	(203)
Profit before income tax			**1,007,296**	1,777,679	**1,007,296**	1,777,679

	Coking coal mining		Corporate		Consolidated	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**21,042,313**	20,895,453	**4,586,492**	4,549,346	**25,628,805**	25,444,799
Segment liabilities	**1,966,741**	2,338,365	**589,857**	76,321	**2,556,598**	2,414,686

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Bank interest income	**63,714**	67,986
Other interest income	**–**	2,667
Dividend income on financial assets measured at fair value through other comprehensive income	**26,260**	27,463
Income from sales of scrapped products	**49,276**	45,387
Net foreign exchange gain *(Note 6)*	**75,727**	–
Others	**2,250**	16
	217,227	143,519

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest charged on:		
– bank borrowings repayable within five years	**2,099**	12,097
– discounted bill receivables	**11,895**	8,545
Finance charges on finance leases	**–**	368
	13,994	21,010
Less: interest capitalised in construction in progress* *(Note 10)*	**–**	(9,308)
Total finance costs	**13,994**	11,702

* *No borrowing costs were capitalised for the six months ended 30 June 2013 (Six months ended 30 June 2012: Borrowing costs were capitalised at the rates ranging from 2% to 7% per annum).*

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	**1,037,324**	1,027,933
Amortisation of		
– prepaid lease payments	**781**	766
– mining rights	**156,716**	140,032
Depreciation of property, plant and equipment		
– owned assets	**138,276**	129,139
– leased assets	**–**	886
Employee benefit expenses *(including directors' remuneration and retirement benefits scheme contributions)*	**335,389**	333,237
Net foreign exchange (gain)/loss *(Note 4)*	**(75,727)**	18,004
Provision for impairment on trade receivables	**3,380**	11,211
Operating lease charges in respect of land and buildings	**3,432**	3,177

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC income tax	**290,071**	531,396
Deferred tax	**14,240**	(5,032)
	304,311	526,364

7. INCOME TAX EXPENSE (continued)

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 2013 and 2012.

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, are subject to 25% enterprise income tax in the PRC.

The Group is also subject to a withholding tax at the rate of 5% (Six months ended 30 June 2012: 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. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividend of HK2.7 cents per ordinary share (Six months ended 30 June 2012: HK5.0 cents per ordinary share)	**143,150**	265,092

Interim dividend of HK2.7 cents (Six months ended 30 June 2012: HK5.0 cents) per ordinary share declared after 30 June 2013 (Six months ended 30 June 2012: 30 June 2012) has not been recognised as a liability as at the reporting date.

Interim dividend for the six months ended 30 June 2013 is expected to be paid on or about 10 October 2013 to all owners of the Company whose names appear on the register of members of the Company at the close of business on 13 September 2013. As at 30 June 2013, the number of the issued share capital of the Company is 5,301,837,842 (As at 30 June 2012: 5,301,837,842).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit used to determine basic and diluted earnings per share	**582,346**	1,005,539

	'000 shares	*'000 shares*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,301,837**	5,351,476
Effect of dilutive potential ordinary shares – share options	**2,188**	2,744
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,304,025**	5,354,220

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment at a total cost of approximately HK$98,859,000 (Six months ended 30 June 2012: approximately HK$435,267,000) mainly in relation to the additions of mining equipment and construction in progress for mining infrastructure and coal preparation plants. No property, plant and equipment was disposed during the six months ended 30 June 2013 (Six months ended 30 June 2012: nil).

During the period, no interest expense was capitalised (Six months ended 30 June 2012: approximately HK$9,308,000) (Note 5) in property, plant and equipment.

The Group has no property, plant and equipment held under finance leases as at 30 June 2013. As at 31 December 2012, net carrying amount held under finance leases was approximately HK$6,507,000.

The Group's buildings are situated in the PRC and are held on leases of between 10 to 50 years. As at 30 June 2013, the Group is still in the process of obtaining the building ownership certificates for certain buildings with net carrying amount of approximately HK$149,527,000 (RMB118,672,000 equivalent) (31 December 2012: approximately HK$146,550,000 (RMB118,185,000 equivalent)). In the opinion of directors of the Company, the Group has obtained the rights to use the buildings.

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Equity securities, at fair value		
– listed in Australia	**547,315**	1,101,185
– listed in Hong Kong	**120,456**	190,244
	667,771	1,291,429
Unlisted equity interest	**8,820**	8,680
	676,591	1,300,109

12. TRADE AND BILL RECEIVABLES

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Trade receivables	**870,936**	1,094,307
Less: provision for impairment losses	**(192,390)**	(185,983)
	678,546	908,324
Bill receivables	**2,087,307**	2,632,167
	2,765,853	3,540,491

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
0 – 90 days	**1,345,384**	2,591,068
91 – 180 days	**1,419,320**	944,869
181 – 365 days	**1,149**	4,554
	2,765,853	3,540,491

Trade receivables generally have credit terms ranging from 60 to 90 days (Six months ended 30 June 2012: 60 to 90 days) and no interest has been charged during the period.

As at 30 June 2013, bill receivables included an amount of RMB112,517,000 (HK$141,771,000 equivalent) (31 December 2012: RMB333,955,000 (HK$414,104,000 equivalent)) which was pledged for bill payables of RMB67,003,000 (HK$84,424,000 equivalent) (31 December 2012: RMB292,417,000 (HK$362,598,000 equivalent)) (Note 15).

12. TRADE AND BILL RECEIVABLES (continued)

The Group discounted and endorsed certain 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 2013, bill receivables of RMB575,309,000 (HK$724,889,000 equivalent) (31 December 2012: RMB848,744,000 (HK$1,052,443,000 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 (Note 16), trade payables (Note 15) 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 2013, the asset-backed financing liabilities and bill receivables endorsed to trade creditors and other creditors amounted to RMB468,790,000 (HK$590,675,000 equivalent) (31 December 2012: RMB708,296,000 (HK$878,288,000 equivalent)), RMB39,435,000 (HK$49,688,000 equivalent) (31 December 2012: RMB18,509,000 (HK$22,950,000 equivalent)) and RMB67,084,000 (HK$84,526,000 equivalent) (31 December 2012: RMB121,939,000 (HK$151,205,000 equivalents)) 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. PLEDGED BANK DEPOSITS

As at 30 June 2013, all pledged bank deposits (31 December 2012: All) were denominated in RMB and were pledged for bill payables of RMB211,449,000 (HK$266,426,000 equivalent) (31 December 2012: RMB138,593,000 (HK$171,855,000 equivalent)) (Note 15).

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.

14. BANK BALANCES AND CASH

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Cash at banks and on hand	**233,536**	55,788
Time deposits at banks	**5,143,086**	4,618,226
Bank balances and cash	**5,376,622**	4,674,014
Less: Time deposits with original maturity over three months	**(2,889,588)**	(1,692,681)
Cash and cash equivalents	**2,487,034**	2,981,333

15. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit periods ranging from 30 to 180 days (Six months ended 30 June 2012: 30 to 180 days) during the period. Based on the invoice dates, ageing analysis of trade and bill payables as at 30 June 2013 is as follows:

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
0 – 90 days	**220,782**	396,084
91 – 180 days	**264,636**	282,908
181 – 365 days	**83,126**	13,387
Over 365 days	**22,612**	25,529
	591,156	717,908

15. TRADE AND BILL PAYABLES (continued)

As at 30 June 2013, bill payables of RMB278,452,000 (HK$350,850,000 equivalent) (31 December 2012: RMB431,010,000 (HK$534,453,000 equivalent)) were secured by all (31 December 2012: All) pledged bank deposits of the Group (Note 13) and bill receivables of RMB112,517,000 (HK$141,771,000 equivalent) (31 December 2012: RMB333,955,000 (HK$414,104,000 equivalent)) (Note 12).

As at 30 June 2013, included in trade payables of RMB39,435,000 (HK$49,688,000 equivalent) (31 December 2012: RMB18,509,000 (HK$22,950,000 equivalent)) represents the amount of bill receivables endorsed to trade creditors which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets have been included in bill receivables (Note 12).

16. BORROWINGS

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current		
Bank borrowings – secured	**77,380**	193,100
Other borrowings	**2,268**	2,232
Finance lease payables	**–**	1,828
Asset-backed financing *(Note 12)*	**590,675**	878,288
Total borrowings	**670,323**	1,075,448

As at 30 June 2013, all bank borrowings (31 December 2012: all) are interest-bearing at LIBOR plus 1.85% per annum and secured by the undertaking given by Shougang Holding (Hong Kong) Limited ("Shougang Holding"), guarantees, shares pledged and undertaking provided by Jade Green Investments Holding Limited, Thechoice Finance Limited ("Thechoice"), Worldman Industrial Limited ("Worldman"), Gumpert Industries Limited ("Gumpert"), Thechoice Finance (HK) Limited, Worldman Industrial (HK) Limited and Gumpert Industries (HK) Limited, the negative share pledge of Xingwu, Jinjiazhuang and Zhaiyadi directly or indirectly owned by Thechoice, Worldman and Gumpert respectively.

17. SHARE CAPITAL

	Number of shares		Amount	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
	'000 shares	*'000 shares*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Authorised:				
Ordinary shares of HK$0.10 each				
At 30 June/31 December	**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	**5,301,837**	5,377,507	**530,184**	537,751
Shares repurchased	**–**	(75,670)	**–**	(7,567)
At 30 June/31 December	**5,301,837**	5,301,837	**530,184**	530,184

During the year ended 31 December 2012, the Company repurchased 75,670,000 ordinary shares of the Company on the Stock Exchange for a total consideration of HK$197,535,000. These 75,670,000 repurchased ordinary shares were cancelled in that year. The issued share capital of the Company was reduced by the par value of the total repurchased ordinary shares.

18. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

	As at 30 June 2013 ***HK$'000*** **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Non-current assets		
Financial assets measured at amortised cost:		
– Deposits and other receivables	**201,604**	215,378
Financial assets measured at fair value through other comprehensive income	**676,591**	1,300,109
	878,195	1,515,487
Current assets		
Financial assets measured at amortised cost:		
– Trade and bill receivables	**2,765,853**	3,540,491
– Deposits and other receivables	**77,049**	65,219
– Amounts due from other parties	**28,365**	21,481
– Pledged bank deposits	**271,447**	171,855
– Time deposits with original maturity over three months	**2,889,588**	1,692,681
– Cash and cash equivalents	**2,487,034**	2,981,333
Financial assets measured at fair value through profit or loss:		
– Derivative financial instruments	**4,089**	24,645
	8,523,425	8,497,705
Total	**9,401,620**	10,013,192

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

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

	As at 30 June 2013 *HK$'000* **(Unaudited)**	As at 31 December 2012 *HK$'000* (Audited)
Current liabilities		
Financial liabilities measured at amortised cost:		
– Trade and bill payables	**591,156**	717,908
– Other payables and accruals	**943,593**	989,968
– Dividend payables	**530,184**	–
– Borrowings	**670,323**	1,075,448
– Amounts due to other parties	**20,684**	18,690
– Amounts due to non-controlling interests of subsidiaries	**23,105**	21,475
Financial liabilities measured at fair value through profit or loss:		
– Derivative financial instruments	**2,315**	241
Total	**2,781,360**	2,823,730

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 30 June 2013.

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

(b) Fair value measurement recognised in the consolidated statement of financial position

The following table presents the carrying value of financial assets and liabilities measured at fair value at the end of the reporting period in the consolidated statement of financial position in accordance with the fair value hierarchy as defined in HKFRS 13 Fair Value Measurement. The hierarchy categorises fair value measurements into three levels based on the significant inputs to the valuation techniques used. The fair value hierarchy has the following levels:

– Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

– Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

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

(b) Fair value measurement recognised in the consolidated statement of financial position (continued)

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

	Notes	**30 June 2013** **Level 1** ***HK$'000*** **(Unaudited)**	 **Level 2** ***HK$'000*** **(Unaudited)**	 **Level 3** ***HK$'000*** **(Unaudited)**	 **Total** ***HK$'000*** **(Unaudited)**
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	*(a)*	**667,771**	**–**	**–**	**667,771**
– Unlisted equity securities	*(b)*	**–**	**–**	**8,820**	**8,820**
Financial assets measured at fair value through profit or loss					
– Derivative financial assets	*(c)*	**–**	**4,089**	**–**	**4,089**
Total fair value		**667,771**	**4,089**	**8,820**	**680,680**
Financial liabilities measured at fair value through profit or loss					
– Derivative financial liabilities	*(c)*	**–**	**(2,315)**	**–**	**(2,315)**

	Notes	31 December 2012 Level 1 *HK$'000* (Audited)	 Level 2 *HK$'000* (Audited)	 Level 3 *HK$'000* (Audited)	 Total *HK$'000* (Audited)
Financial assets measured at fair value through other comprehensive income					
– Listed equity securities	*(a)*	1,291,429	–	–	1,291,429
– Unlisted equity securities	*(b)*	–	–	8,680	8,680
Financial assets measured at fair value through profit or loss					
– Derivative financial assets	*(c)*	–	24,645	–	24,645
Total fair value		1,291,429	24,645	8,680	1,324,754
Financial liabilities measured at fair value through profit or loss					
– Derivative financial liabilities	*(c)*	–	(241)	–	(241)

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

(b) Fair value measurement recognised in the consolidated statement of financial position (continued)

There were no transfers between Level 1 and 2 of the fair value hierarchy during the six months ended 30 June 2013 (Year ended 31 December 2012: nil).

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

(a) Listed securities

These are denominated in AUD and HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date and have been translated using the spot foreign currency rates at the end of the reporting period where appropriate.

(b) Unlisted securities

The fair value of unlisted securities is determined using cost approach. The valuation requires management to make certain estimation on measuring an asset's current replacement cost by reference to the entity's financial position at the reporting date.

(c) Derivative financial assets

Where derivatives are traded either on exchanges or liquid over-the-counter markets, the Group uses the closing price at the reporting date. Normally, the derivatives entered into by the Group are not traded on active markets. The fair values of such contracts are estimated using a valuation technique that maximises the use of observable market inputs e.g. market currency and interest rates (Level 2). The derivatives entered into by the Group are included in Level 2 and consist of foreign currency forward contracts.

19. COMMITMENTS

(a) Operating lease commitments

At 30 June 2013, 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 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Within one year	**5,876**	6,441
In the second to fifth years	**15,131**	16,117
After the fifth years	**43,174**	43,918
	64,181	66,476

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 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) Capital commitments

Capital commitments of the Group at 30 June 2013 are as follows:

	30 June 2013 *HK$'000* **(Unaudited)**	31 December 2012 *HK$'000* (Audited)
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**206,448**	194,803
– Exploration and design fees for a potential mining project	**9,425**	9,275
	215,873	204,078

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 2012: 2012 to 2014). Such subsidies are charged in consolidated statement of profit or loss and other comprehensive income in the corresponding years accordingly. As at 30 June 2013, management expects that one (31 December 2012: two) further payment of RMB198,000,000 (HK$249,480,000 equivalent) (31 December 2012: RMB198,000,000 (HK$245,520,000 equivalent)) is payable in 2014 (31 December 2012: 2013 to 2014).

20. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the Interim Financial Report, the following transactions for the six months ended 30 June 2013 and 2012 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 2012: HK$780,000) to Shougang Concord International Enterprises Company Limited ("Shougang International"), which is the largest shareholder of the Company.

(b) During the period, the Group paid office rental expenses of HK$1,170,000 (Six months ended 30 June 2012: HK$931,000) to a wholly-owned subsidiary of Shougang Holding, which is the controlling shareholder of Shougang International.

(c) During the period, the Group sold clean coking coal amounting to HK$274,548,000 (Six months ended 30 June 2012: HK$708,611,000) to Shougang Corporation, being Shougang Holding's ultimate holding company, and its group companies of Shougang Corporation (collectively referred to as the "Shougang Group"). These sales are made at market prices with a maximum discount of 3%. As at 30 June 2013, amount due from Shougang Group was HK$160,049,000 (31 December 2012: HK$372,660,000).

20. RELATED PARTY TRANSACTIONS (continued)

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries, bonuses, fees, allowances and benefits	**22,805**	31,170
Retirement benefits scheme contributions	**1,263**	1,714
	24,068	32,884

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 2013 (the "period under review") together with that of the same period of 2012 is summarised as follows:

	Unit	**Six months ended 30 June 2013**	2012	Change Quantity/ Amount	Change %	2012 FY	Change %
Production volume:							
Raw coking coal	Mt	**3.39**	3.04	+0.35	+12%	6.10	
Clean coking coal	Mt	**1.28**	1.23	+0.05	+4%	2.48	
Sales volume:							
Raw coking coal	Mt	**1.32**	1.12	+0.20	+18%	2.33	
Clean coking coal	Mt	**1.12**	1.18	-0.06	-5%	2.41	
Average realised selling price (inclusive of VAT):							
Raw coking coal	RMB/tonne	**661**	1,064	-403	-38%	838	-21%
Clean coking coal	RMB/tonne	**1,158**	1,687	-529	-31%	1,423	-19%

For the six months ended 30 June 2013, the Group produced approximately 3.39 million tonnes ("Mt") (Six months ended 30 June 2012: approximately 3.04 Mt) of raw coking coal, representing a year-on-year increase of 12% and also produced approximately 1.28 Mt (Six months ended 30 June 2012: approximately 1.23 Mt) of clean coking coal, representing a year-on-year increase of 4%. Operation of our three premium operating coking coal mines continued running smoothly throughout the period under review.

Notwithstanding the influence of the economic slowdown in the Mainland China and the cheap imported coal, the sales volume of raw coking coal of the Group increased by 18% and the sales volume of clean coking coal just dropped by 5% during the period under review.

Business Review (continued)

The significant decline in average realised selling prices of our coal products were in line with the slump in market coal prices. For the six months ended 30 June 2013, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal decreased by 38% to Renminbi ("RMB") 661/tonne when compared with that of the same period of 2012 (Six months ended 30 June 2012: RMB1,064/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal decreased by 31% to RMB1,158/tonne when compared with that of the same period of 2012 (Six months ended 30 June 2012: RMB1,687/tonne). Except for the slump in market coal prices, the decline in average realised selling price of raw coking coal was also due to the increase in proportion to sell No.9 raw coking coal which its selling price is lower than that of No.4 raw coking coal during the period under review. In terms of sales volume, sales of No.4 and No.9 raw coking coal accounted for 61% and 39% of the total sales volume respectively for the six months ended 30 June 2013 compared against 88% and 12% of the total sales volume respectively for the six months ended 30 June 2012. In addition, the decline in average realised selling price of clean coking coal was also due to the increase in proportion of sales volume of clean coking coal at ex-factory prices for the period under review. In terms of sales volume, sales of ex-factory prices and C&F prices of clean coking coal accounted for 96% and 4% of the total sales volume respectively for the six months ended 30 June 2013 compared against 60% and 40% of the total sales volume respectively for the six months ended 30 June 2012.

Financial Review

For the six months ended 30 June 2013, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$") 2,322 million, representing a decrease of approximately HK$1,017 million or 30% as compared with that of approximately HK$3,339 million for the same period of 2012. The reduction in turnover was mainly attributable to the decline in average realised selling prices of raw and clean coking coal by 38% and 31% respectively during the period under review. In terms of turnover, sales of raw and clean coking coal accounted for 40% and 60% of the Group's turnover respectively for the six months ended 30 June 2013 compared against 37% and 63% respectively for the same period of 2012.

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

For the six months ended 30 June 2013, gross profit margin was 55% while 69% for the same period in 2012. Decrease in gross profit margin was mainly due to the decline in average realised selling prices as explained above.

Financial Review (continued)

For the six months ended 30 June 2013, the Group recorded net profit of approximately HK$703 million, representing a significant decrease of approximately HK$548 million or 44% as compared with that of approximately HK$1,251 million for the same period of 2012. For the six months ended 30 June 2013, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$582 million, representing a significant decrease of approximately HK$424 million or 42% as compared with that of approximately HK$1,006 million for the same period of 2012. The significant drop in net profit and profit attributable to the Owners for the six months ended 30 June 2013 were mainly attributable to the decrease in turnover as explained above.

During the period under review, basic earnings per share was HK10.98 cents (Six months ended 30 June 2012: HK18.79 cents), representing a year-on-year decrease of 42%.

Cost of Sales

During the period under review, cost of sales was approximately HK$1,037 million, representing an increase of approximately HK$9 million or 1%, as compared with that of approximately HK$1,028 million for the same period of 2012.

The unit production costs are summarised as follows:

		Six months ended 30 June		Change			Change
	Unit	**2013**	2012	Amount	%	2012 FY	%
Production cost of raw coking coal	RMB/tonne	**248**	270	–22	–8%	260	–5%
of which, depreciation and amortisation	*RMB/tonne*	***60***	*56*	*+4*	*+7%*	*61*	*–2%*
Processing cost for clean coking coal	RMB/tonne	**50**	53	–3	–6%	54	–7%
of which, depreciation	*RMB/tonne*	***11***	*11*	*–*	*–*	*11*	*–*

Financial Review (continued)

Cost of Sales (continued)

The decrease in unit production cost of raw coking coal by 8% was resulted from the increase in production volume of raw coking coal by 12% to reduce the fixed costs per tonne during the period under review; and the decrease in other costs such as (a) the decrease in mine resources compensation fee which is charged at 1% of the realised selling price of raw coking coal by approximately HK$10 million for the six months ended 30 June 2013; (b) the decrease of levies of city constructional tax and educational surcharge which is charged at 5% of the VAT by approximately HK$14 million for the six months ended 30 June 2013; and (c) the significant decrease in the usage of ancillary material by approximately HK$45 million for the six months ended 30 June 2013.

Included in cost of sales, amortisation of mining rights was approximately HK$157 million for the six months ended 30 June 2013, representing an increase of approximately HK$17 million or 12%, as compared with that of approximately HK$140 million for the same period of 2012. The increase in amortisation of mining rights was mainly due to the increase in production volume of raw coking coal by 12% and the effect on the appreciation of RMB by approximately 2% during the period under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the period ended 30 June 2013 was approximately HK$1,285 million, representing a significant decrease of approximately HK$1,026 million or 44% as compared with that of approximately HK$2,311 million for the same period of 2012. During the period under review, gross profit margin was 55% compared with 69% for the same period of 2012. The drop in gross profit margin was mainly due to the decrease in average realised selling prices for the six months ended 30 June 2013 when compared with that in the same period of 2012 as explained above, even though the unit production cost of raw coking coal decreased as explained above.

Other Operating Income

During the period under review, other operating income was approximately HK$217 million, representing a significant increase of approximately HK$73 million or 51% as compared with approximately HK$144 million of the same period in 2012. The increase in other operating income was mainly attributable to the substantial increase in net exchange gain of approximately HK$76 million during the period under review which was mainly arising from re-translation of the Group’s current assets denominated in RMB as at 30 June 2013 as a result of the appreciation of RMB by approximately 2% as at 30 June 2013 compared with that as at 31 December 2012 (As at 30 June 2012: depreciation by approximately 1%). It was recorded net exchange loss for the same period of the last year.

Financial Review (continued)

Selling and Distribution Expenses

During the period under review, selling and distribution expenses were approximately HK$62 million, representing a significant decrease of approximately HK$134 million or 68% as compared with that of approximately HK$196 million for the same period of 2012. The decrease was mainly as a result of the substantial decrease in transportation costs arising from the decrease in sales volume of clean coking coal at C&F prices by approximately 89% from approximately 470,000 tonnes for the six months ended 30 June 2012 to approximately 50,000 tonnes for the six months ended 30 June 2013.

General and Administrative Expenses

During the period under review, administrative expenses were approximately HK$154 million, representing a significant decrease of approximately HK$45 million or 23% as compared with approximately HK$199 million for the same period of 2012. The decrease was resulted from (a) the effective cost control; and (b) the decrease in directors' remuneration by approximately HK$9 million during the period under review.

Other Operating Expenses

During the period under review, other operating expenses were approximately HK$263 million, of which mainly represented the committed annual payment of charitable donation amounting to approximately HK$248 million for the year of 2013 paid by the Group to the Liulin Provincial Government, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2012.

Finance Costs

During the period under review, actual finance costs were approximately HK$14 million, representing a significant decrease of approximately HK$7 million or 33% as compared with that of approximately HK$21 million for the same period of 2012. During the period under review, no borrowing costs were capitalised in the construction in progress (Six months ended 30 June 2012: approximately HK$9.31 million was capitalised). The decrease in actual finance costs was due to the decrease in bank borrowings by approximately HK$116 million from approximately HK$193 million as at 31 December 2012 to approximately HK$77 million as at 30 June 2013. The average annual interest rate charges on the bank borrowings were approximately 3% for the six months ended 30 June 2013 (Six months ended 30 June 2012: approximately 5%). During the period under review, the Group adopted short term financing such as early redemption of bill receivables instead of long-term bank borrowings. As a result, the actual finance costs were decreased by approximately HK$7 million during the period under review.

Financial Review (continued)

Income Tax Expense

During the period under review, income tax expense was approximately HK$304 million (Six months ended 30 June 2012: approximately HK$526 million), of which approximately HK$55 million (Six months ended 30 June 2012: approximately HK$61 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 enterprise income tax rate for the Group's major PRC Subsidiaries is 25%. The substantial decrease in income tax expense was in line with profits 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$582 million, representing a decrease of approximately HK$424 million or 42% as compared with that of approximately HK$1,006 million for the same period of 2012.

Material Investments and Acquisitions

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

Material Disposals

During the period under review, 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.

Financial Review (continued)

Charges on Assets

As at 30 June 2013, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

(i) bank deposits of approximately HK$271 million and bill receivables of approximately HK$142 million were used for securing bills facilities of approximately HK$351 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$") 10 million of bank loan for the Company.

Contingent Liabilities

As at 30 June 2013, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 30 June 2013, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 3.25%. Exclusion the effect on early redemption of bill receivables amounting to approximately HK$591 million, the Group's gearing ratio would be approximately 0.39%. The actual total borrowings (exclusive of the discounted bill receivables amounting to approximately HK$591 million) amounted to approximately HK$79 million as at 30 June 2013.

Exposure to Fluctuations in Exchange Rates

As at 30 June 2013, 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 2013, RMB was appreciated by approximately 2% while AUD was depreciated by approximately 11% when compared to that as at 31 December 2012. As the aggregate amount of assets denominated in AUD represented approximately 3% of the Group's total asset values as at 30 June 2013, the drop in exchange rate of AUD did not have any material effect on the Group's financial position.

Financial Review (continued)

Liquidity and Financial Resources

As at 30 June 2013, the Group's current ratio (current assets divided by current liabilities) was approximately 2.5 times and the Group's cash and bank deposits amounted to approximately HK$5,648 million, of which approximately HK$271 million was deposited to secure bills facilities of the same amount.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$2,087 million (of which approximately HK$725 million was for discounted and endorsed bill receivables and approximately HK$142 million was used for securing bills facilities of approximately HK$84 million) as at 30 June 2013 that were readily convertible into cash, but would be subject to finance cost when conversion before the maturity. Taking into account for the free bill receivables of approximately HK$1,220 million, the Group's free cash resources would have approximately HK$6,597 million as at 30 June 2013.

Capital Structure

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 30 June 2013, the amount of capital was approximately HK$21,288 million.

During the period under review, there is no change of the issued capital of the Company. As at 30 June 2013, the issued capital of the Company was approximately HK$530 million, represented approximately 5,302 million shares in number.

As at 30 June 2013, the total borrowings of approximately HK$670 million denominated in US$ and RMB. The USD borrowing of approximately HK$77.40 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable in September 2013. The RMB borrowings of approximately HK$591 million are asset-backed financing. The remaining balances of RMB borrowings are interest free and are repayable within 1 year from 30 June 2013.

Employees

As at 30 June 2013, the Group had 29 Hong Kong employees and 6,494 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides a mandatory and voluntary provident fund scheme for its employees in Hong Kong and the state-sponsored retirement plan for its employees in PRC. The Group has a share option scheme. During the period under review, no share option was granted or exercised.

Future Prospects

Looking ahead into the second half of the year, as the global economic is still weak, countries still rely on implementation of policies for quantitative easing to increase their liquidity. Under the weak economic environment, China's economy will be challenging. Annual gross domestic product growth target is at 7.5% and consumer price index is controlled at 3.5% in the Mainland China for the year. The Mainland China will strengthen constructions such as the subway, light rail and other large-scale capacity of public transport facilities and infrastructure, and strengthening works for the city bridges. National railway fixed assets investment is estimated to be reached RMB650 billion in 2013 compared with RMB630.98 billion in 2012, increased by 3% year-on-year. Of which RMB520 billion will be capital construction investment for more than 5,200 km of new lines in operation. For the first half of 2013, national railway fixed assets investment increased by 21% year-on-year. These projects will drive up the demand for steel, we believed that coking coal as the upstream resource to steel will be benefited eventually.

As we have strong financial strength and an excellent professional team, these lay a solid foundation for the Group's future business development. At the same time, we are also actively and prudently searching in the domestic and overseas countries to find suitable acquisitions, which will increase our reserves on resource, further expand our production capacity and strengthen the Group's leading position and influence in the coking coal industry. We are confident of our future development and believe they will create greater investment value for our shareholders.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2.7 cents per ordinary share for the six months ended 30 June 2013 (2012: HK5 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 13 September 2013. 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, 13 September 2013 for registration. The interim dividend is expected to be paid on or about Thursday, 10 October 2013.

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 2013 had the following interests in the shares and underlying shares of the Company as at 30 June 2013 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares 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	Derivative interests*	Total interests	Total interests as to % of the issued share capital of the Company as at 30.06.2013
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Wong Lik Ping	Beneficial owner	–	4,500,000	4,500,000	0.08%
So Kwok Hoo	Beneficial owner	4,000,000	3,500,000	7,500,000	0.14%
Chen Zhaoqiang	Beneficial owner	280,000	8,000,000	8,280,000	0.15%
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	0.06%
Chan Pat Lam	Beneficial owner	200,000	3,200,000	3,400,000	0.06%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 20 June 2003 (the "2003 Scheme"). Upon exercise of the share options in accordance with the 2003 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.*

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

Save as disclosed above, as at 30 June 2013, 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 2013.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2013, 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 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:

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

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2013	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	1,582,864,490	29.85%	*1*
Shougang Concord International Enterprises Company Limited ("Shougang International")	Beneficial owner, interests of controlled corporations	1,463,962,490	27.61%	*1*
Fine Power Group Limited ("Fine Power")	Beneficial owner	663,918,497	12.52%	*1*

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

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

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2013	*Note(s)*
Ultimate Capital Limited (“Ultimate Capital”)	Beneficial owner	650,000,000	12.25%	*1*
Sino Life Insurance Co., Ltd.	Beneficial owner	1,015,352,306	19.15%	
Xing Libin	Beneficial owner, interests of controlled corporation, interests of spouse	419,163,934	7.90%	*2, 3*
Firstwealth Holdings Limited (“Firstwealth”)	Beneficial owner	305,532,694	5.76%	*2*
JPMorgan Chase & Co. (“JPMorgan”)	Beneficial owner, investment manager, custodian corporation/ approved lending agent	273,785,558	5.16%	*4*

(b) Short positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the issued share capital of the Company as at 30.06.2013	*Note*
JPMorgan	Beneficial owner	11,000,000	0.20%	*5*

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

Notes:

1 Shougang Holding indicated in its disclosure form dated 8 December 2011 (being the latest disclosure form filed up to 30 June 2013) that as at 6 December 2011, its interests included the interests held by Shougang International, a company which was held as to 47.78% by Shougang Holding, as well as Fine Power and Ultimate Capital, each of which was a 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 2013) that as at 5 May 2011, its interests included the interests held by Fine Power and Ultimate Capital.

2 Mr. Xing Libin indicated in his disclosure form dated 28 February 2013 (being the latest disclosure form filed up to 30 June 2013) that as at 26 February 2013, his interests included the interests held by Firstwealth, a company which was wholly-owned by Mr. Xing Libin.

3 The interests included 4,500,000 equity derivatives which are share options granted pursuant to the 2003 Scheme. Upon exercise of the share options in accordance with the 2003 Scheme, ordinary shares of HK$0.10 each in the share capital of the Company are issuable. The share options are personal to Mr. Xing Libin. Further details of the share options are set out in the section headed "Share Options" below.

4 JPMorgan indicated in its disclosure form dated 25 March 2013 (being the latest disclosure form filed up to 30 June 2013) that as at 20 March 2013, amongst the long position in the shares of the Company, (i) 156,795,872 shares were held in the lending pool; (ii) 5,000,000 shares were cash settled unlisted derivatives; and (iii) 11,000,000 shares were held by J.P. Morgan Securities plc which was 98.95% owned by J.P. Morgan Chase International Holdings which in turn was an indirect wholly-owned subsidiary of JPMorgan.

5 JPMorgan indicated in its disclosure form dated 25 March 2013 (being the latest disclosure form filed up to 30 June 2013) that as at 20 March 2013, the short position in the shares of the Company was held by J.P. Morgan Securities plc which was 98.95% owned by J.P. Morgan Chase International Holdings which in turn was an indirect wholly-owned subsidiary of JPMorgan.

Save as disclosed above, as at 30 June 2013, 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 shareholders of the Company adopted the 2003 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2003 Scheme (to the effect that no further share option shall be granted by the Company under the 2003 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2003 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2003 Scheme.

Particulars of share options in relation to each of the 2003 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2003 Scheme

No share option was granted, exercised or cancelled in accordance with the terms of the 2003 Scheme during the six months ended 30 June 2013. Details of movements in the share options under the 2003 Scheme during the period are as follows:

	Options to subscribe for shares of the Company					
Category or name of grantees	**At the beginning of the period**	**Lapsed during the period**	**At the end of the period**	**Date of grant**	**Exercise period**	**Exercise price per share**
Directors of the Company						
Chen Zhouping	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Wong Lik Ping	4,500,000	–	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
So Kwok Hoo	3,500,000	–	3,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chen Zhaoqiang	8,000,000	–	8,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00

SHARE OPTIONS (continued)

(a) The 2003 Scheme (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the period	Lapsed during the period	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)						
Liu Qingshan	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Leung Shun Sang, Tony	6,000,000	–	6,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Zhang Yaoping	4,500,000	–	4,500,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Kee Wah Sze	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Choi Wai Yin	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
Chan Pat Lam	3,200,000	–	3,200,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	48,100,000	–	48,100,000			
Employees of the Group	6,000,000	(6,000,000)[1]	–	26.04.2006	26.04.2008 – 25.04.2013	HK$1.50
	97,100,000	(200,000)[2]	96,900,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	103,100,000	(6,200,000)	96,900,000			
Other participants	116,000,000	–	116,000,000	19.08.2009	19.08.2011 – 19.08.2016	HK$6.00
	116,000,000	–	116,000,000			
	267,200,000	(6,200,000)	261,000,000			

SHARE OPTIONS (continued)

(a) The 2003 Scheme (continued)

Notes:

1 *Such share options lapsed on 26 April 2013, being the expiry date of the relevant exercise period.*

2 *The share options were held by a grantee who ceased to be an employee of the Group on 1 January 2013. Such share options lapsed on 1 January 2013 according to the terms of the 2003 Scheme.*

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2013 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 22 August 2013 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2013.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2013.

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 2013.

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
Li Shaofeng
Chairman

Hong Kong, 28 August 2013