

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



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

- Consolidated revenue was HK\$4,212 million, down 37.6% from last period.
- Loss attributable to shareholders was HK\$1,234 million.
- Loss per share was 13.77 HK cents.

INTERIM RESULTS

The board of directors (the “Board”) of Shougang Concord International Enterprises Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2015. These interim results have been reviewed by the Company’s Audit Committee and its Auditor.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	4,212,280	6,753,462
Cost of sales		<u>(4,555,513)</u>	<u>(7,176,353)</u>
Gross loss		(343,233)	(422,891)
Other income		35,005	47,063
Other gains and losses		3,807	(13,568)
Change in fair value of derivative financial instruments		(26,971)	58,628
Distribution and selling expenses		(55,558)	(45,753)
Administrative expenses		(248,433)	(265,318)
Impairment loss on interest in an associate	8	(395,000)	–
Finance costs		(360,896)	(394,272)
Share of results of associates		<u>(58,220)</u>	<u>(77,117)</u>
Loss before taxation		(1,449,499)	(1,113,228)
Income tax credit	4	<u>2,104</u>	<u>2,119</u>
Loss for the period	5	<u>(1,447,395)</u>	<u>(1,111,109)</u>

Other comprehensive income (expense)

Items that will not be reclassified to profit or loss:

Exchange differences arising on translation to presentation currency		3,156	34,682
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		(77)	(37,605)
Share of exchange differences of an associate arising on translation to presentation currency		149	(7,048)
Share of fair value gains (losses) on investment in equity instruments designated as at fair value through other comprehensive income of an associate		3,509	(83,247)

		Six months ended 30 June	
		2015	2014
	<i>NOTE</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		—	(52,273)
Other comprehensive income (expense) for the period		<u>6,737</u>	<u>(145,491)</u>
Total comprehensive expense for the period		<u>(1,440,658)</u>	<u>(1,256,600)</u>
Loss for the period attributable to owners of the Company		(1,233,708)	(865,750)
Loss for the period attributable to non-controlling interests		<u>(213,687)</u>	<u>(245,359)</u>
		<u>(1,447,395)</u>	<u>(1,111,109)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(1,228,249)	(1,013,658)
Non-controlling interests		<u>(212,409)</u>	<u>(242,942)</u>
		<u>(1,440,658)</u>	<u>(1,256,600)</u>
Loss per share	7		
– Basic		<u>(13.77) HK cents</u>	<u>(9.66) HK cents</u>
– Diluted		<u>(13.77) HK cents</u>	<u>(9.66) HK cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

		30 June	31 December
		2015	2014
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Investment properties		38,895	38,953
Property, plant and equipment		10,049,274	10,494,421
Prepaid lease rentals		306,447	310,705
Interests in associates	8	6,609,607	7,098,764
Equity investments	9	135,900	136,212
Deferred tax assets		34,328	36,635
Other financial assets		505,744	532,715
Deposits for acquisition of property, plant and equipment		22,573	14,944
Pledged bank deposits		18,458	57,397
		17,721,226	18,720,746
CURRENT ASSETS			
Inventories		1,995,408	2,408,300
Trade and bills receivables	10	2,301,633	1,615,640
Trade receivables from related companies	11	201,071	136,021
Trade receivables from ultimate holding company of a shareholder	12	1,370	1,226
Prepayments, deposits and other receivables		741,604	746,944
Prepaid lease rentals		7,777	7,787
Tax recoverable		128	–
Amounts due from related companies	11	44,354	60,869
Amount due from an associate		5,654	5,288
Amount due from a non-controlling shareholder of a subsidiary		3,803	3,803
Amount due from ultimate holding company of a shareholder	12	–	2,235
Restricted bank deposits		1,057,688	1,242,333
Pledged bank deposits		6,153	64,226
Bank balances and cash		894,090	872,250
		7,260,733	7,166,922

		30 June 2015	31 December 2014
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	4,231,896	4,139,378
Trade payables to related companies	<i>11</i>	807,763	374,330
Trade payables to ultimate holding company of a shareholder	<i>12</i>	6,774,052	6,587,884
Other payables, provision and accrued liabilities		1,117,443	1,076,322
Tax payable		152,255	162,719
Amounts due to related companies	<i>11</i>	235,347	256,638
Amount due to ultimate holding company of a shareholder	<i>12</i>	142,038	1,692
Bank borrowings – due within one year		6,800,786	7,212,409
Loans from ultimate holding company of a shareholder		871,926	873,453
		<u>21,133,506</u>	<u>20,684,825</u>
NET CURRENT LIABILITIES		<u>(13,872,773)</u>	<u>(13,517,903)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,848,453</u>	<u>5,202,843</u>
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		1,013,590	925,144
Deferred tax liabilities		32,121	34,299
		<u>1,045,711</u>	<u>959,443</u>
		<u>2,802,742</u>	<u>4,243,400</u>
CAPITAL AND RESERVES			
Share capital	<i>14</i>	5,345,183	5,345,183
Reserves		(1,747,630)	(519,381)
Equity attributable to owners of the Company		3,597,553	4,825,802
Non-controlling interests		(794,811)	(582,402)
		<u>2,802,742</u>	<u>4,243,400</u>

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have 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”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Group had net current liabilities of approximately HK\$13,872,773,000 as at 30 June 2015. Taking into account the financial resources of the Group, including the Group’s unutilised banking facilities, the Group’s ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, the directors of the Company (“Directors”) are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010 - 2012 Cycle</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011 - 2013 Cycle</i>

The application of the above new amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures as set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operating segments based on information reported to the Executive Directors of the Company, being the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

Steel manufacturing	–	manufacture and sale of steel products;
Commodity trading	–	trading of steel products, iron ore, coal and coke;
Mineral exploration and processing	–	mining, processing and sale of iron ore; and
Others	–	management services business.

The following is an analysis of the Group's revenue and results by operating segments:

Six months ended 30 June 2015 (unaudited)

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	4,027,234	173,522	9,724	1,800	4,212,280
Inter-segment sales	<u>56,756</u>	<u>36,991</u>	<u>112,043</u>	<u>–</u>	<u>205,790</u>
Segment revenue	<u>4,083,990</u>	<u>210,513</u>	<u>121,767</u>	<u>1,800</u>	4,418,070
Elimination					<u>(205,790)</u>
Group revenue					<u>4,212,280</u>
Inter-segment sales are charged at prevailing market rates.					
Segment (loss) profit	<u>(583,952)</u>	<u>(11,755)</u>	<u>(68,756)</u>	<u>16,398</u>	(648,065)
Interest income					28,476
Central administration costs					(15,794)
Impairment loss on interest in an associate					(395,000)
Finance costs					(360,896)
Share of results of associates					<u>(58,220)</u>
Loss before taxation					<u>(1,449,499)</u>

Six months ended 30 June 2014 (unaudited)

	Steel manufacturing HK\$'000	Commodity trading HK\$'000	Mineral exploration and processing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue					
External sales	4,834,096	1,414,595	502,218	2,553	6,753,462
Inter-segment sales	<u>39,694</u>	<u>51,325</u>	<u>327,453</u>	<u>–</u>	<u>418,472</u>
Segment revenue	<u>4,873,790</u>	<u>1,465,920</u>	<u>829,671</u>	<u>2,553</u>	7,171,934
Elimination					<u>(418,472)</u>
Group revenue					<u>6,753,462</u>
Inter-segment sales are charged at prevailing market rates.					
Segment (loss) profit	<u>(644,873)</u>	<u>55,710</u>	<u>(50,736)</u>	<u>(11,207)</u>	(651,106)
Interest income					28,148
Central administration costs					(20,113)
Finance costs					(394,272)
Gain from change in fair value of interest rate swap contracts					1,232
Share of results of associates					<u>(77,117)</u>
Loss before taxation					<u>(1,113,228)</u>

Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain from change in fair value of interest rate swap contracts, impairment loss on interest in an associate and share of results of associates. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

4. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	47	44
Overprovision of PRC Enterprise Income Tax in prior periods	—	(1)
	47	43
Deferred tax	(2,151)	(2,162)
Income tax credit	<u>(2,104)</u>	<u>(2,119)</u>

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2015 and 2014 since there is no assessable profits arising in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	205,655	203,433
– retirement benefits scheme contributions	27,210	27,714
– equity-settled share-based payment	—	326
	<u>232,865</u>	231,473
Amortisation of prepaid lease rentals	3,851	3,907
Depreciation of property, plant and equipment	<u>470,013</u>	<u>458,798</u>
Total depreciation and amortisation	473,864	462,705

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Change in fair value of derivative financial instruments		
– change in fair value of interest rate swap contracts	–	(1,232)
– change in fair value of commodity forward contracts	26,971	(57,396)
	26,971	(58,628)
Fair value of commodity forward contracts upon delivery, included in cost of sales	–	81,029
Interest expenses for bank borrowings wholly repayable within five years	228,695	282,364
Interest expenses for other borrowings wholly repayable within five years	27,404	26,455
Total borrowing costs	256,099	308,819
Less: Amounts capitalised	–	(10,626)
Add: Factoring cost for discounted receivables	104,797	96,079
Total finance costs	360,896	394,272
Allowance for doubtful debt of trade receivables, net	2,408	2,663
Write-down of inventories	238,660	160,330
Interest income from bank deposits	(28,476)	(28,148)
Loss (gain) on disposal of property, plant and equipment	74	(721)
Loss on disposal of subsidiaries	–	5
Research and development cost included in administrative expenses	14,623	5,155
Net foreign exchange (gain) loss	(6,288)	11,621

6. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors of the Company have determined that no dividend will be paid in respect of the interim period.

7. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	<u>(1,233,708)</u>	<u>(865,750)</u>

The denominators used are the same as those detailed below for both basic and diluted loss per share.

	Six months ended 30 June	
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>8,957,896,227</u>	<u>8,957,896,227</u>

For the six months ended 30 June 2015 and 2014, the computation of diluted loss per share does not assume the exercise of share options, as it would result in a decrease in loss per share.

8. INTERESTS IN ASSOCIATES

	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cost of investment in associates	6,854,540	6,854,540
Share of post-acquisition results and other comprehensive income, net of dividends received	514,280	608,437
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments (<i>Note</i>)	(364,213)	(364,213)
Impairment loss	(395,000)	–
	<u>6,609,607</u>	<u>7,098,764</u>

Note: The amount represents unrealised gain on disposal of available-for-sale investments to the Group's associate, Shougang Fushan Resources Group Limited ("Shougang Resources"), which is determined by the equity interest of Shougang Resources held by the Group upon completion of the disposal of available-for-sale investments to the associate in 2009.

During the year ended 31 December 2012, Shougang Resources early adopted HKFRS 9. As at 30 June 2015 and 31 December 2014, such investments are continuously held by Shougang Resources and classified as financial assets at FVTOCI.

Such unrealised gain will be reversed upon the loss of significant influence over Shougang Resources or disposal of such investments by Shougang Resources.

Included in cost of investment in Shougang Resources, an associate of the Group is goodwill of HK\$1,862,169,000 as at 30 June 2015 (31 December 2014: HK\$2,257,169,000) arising from the acquisition of Shougang Resources. The movement of goodwill is set out below.

	Goodwill HK\$'000
COST	
At 1 January 2014, 31 December 2014 (audited) and 30 June 2015 (unaudited)	<u>2,257,169</u>
IMPAIRMENT	
At 1 January 2015 (audited)	–
Impairment loss recognised in the period	<u>395,000</u>
At 30 June 2015 (unaudited)	<u>395,000</u>
CARRYING VALUES	
At 30 June 2015 (unaudited)	<u><u>1,862,169</u></u>
At 31 December 2014 (audited)	<u><u>2,257,169</u></u>

An impairment loss of HK\$395,000,000 has been recognised for the six months ended 30 June 2015 (for the six months ended 30 June 2014: nil) in respect of interest in Shougang Resources. The recoverable amount of the interest in Shougang Resources has been determined based on a value in use calculation. For impairment purpose, the calculation uses cash flow projections of the associate based on the financial budgets attributable to the equity interest of the Group approved by management covering a 5-year period and using a discount rate of 13.5% (for the six months ended 30 June 2014: 13.4%), and the cash flows beyond 5 years are extrapolated using a zero growth rate. Another key assumption for the value in use calculation relates to the estimation of cash inflows which include budgeted sales and gross margin, such estimation is based on the associate's past performance and management's expectations for the market development.

During the six months ended 30 June 2015, the estimated cash flows of the cash-generating unit ("CGU") was revised due to the slowdown of economy in the PRC. As the re-estimation of the recoverable amount of the CGU is less than the carrying amount (before impairment) of the interest in Shougang Resources and an impairment loss of HK\$395,000,000 on interest in Shougang Resources is recognised for the six months ended 30 June 2015.

9. EQUITY INVESTMENTS

Equity investments comprise:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Listed investments:		
– Equity securities listed in Australia, at fair value	666	2,310
Unlisted investments:		
– PRC equity securities, at fair value (<i>Note</i>)	135,234	133,902
Total	135,900	136,212

Note:

The unlisted PRC equity securities represent the investment in 10% equity interest of a private entity established in the PRC by Qinhuangdao Shouqin Metal Materials Co., Ltd., for which the principal activities are ship building, ship repairing and retrofitting. The fair value gain of HK\$1,567,000 (for the six months ended 30 June 2014: fair value loss of HK\$32,013,000) is recognised as other comprehensive income and is included in security investment reserve of the Group under HKFRS 9 during the period. The fair value of the unlisted equity securities as at 30 June 2015 and 31 December 2014 was measured using valuation technique with significant unobservable inputs.

10. TRADE AND BILLS RECEIVABLES

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The credit term of trade receivables are normally not more than 60 days. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 60 days	1,608,831	1,254,488
61 – 90 days	120,115	75,471
91 – 180 days	374,477	101,265
181 – 365 days	198,210	184,416
	2,301,633	1,615,640

The following were the Group's bills receivables as at 30 June 2015 and 31 December 2014 that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables and has recognised the cash received from the banks as secured borrowings. These financial assets are carried at amortised cost in the condensed consolidated statement of financial position.

	Bills receivables discounted to banks with full recourse HK\$'000	Bills receivables endorsed to suppliers with full recourse HK\$'000	Total HK\$'000
At 30 June 2015 (unaudited)			
Carrying amount of bills receivables	595,584	360,592	956,176
Carrying amount of borrowings and trade payables	<u>(595,584)</u>	<u>(360,592)</u>	<u>(956,176)</u>
At 31 December 2014 (audited)			
Carrying amount of bills receivables	162,359	242,321	404,680
Carrying amount of borrowings and trade payables	<u>(162,359)</u>	<u>(242,321)</u>	<u>(404,680)</u>

11. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM (TO) RELATED COMPANIES

The amounts due from (to) related companies represent amounts due from (to) the subsidiaries of Shougang Corporation, ultimate holding company of the major shareholder of the Company (collectively referred to as the "Shougang Group"). The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days.

The trade receivables from related companies and an aged analysis of such balances net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 60 days	127,082	132,894
61 – 90 days	70,188	–
91 – 180 days	578	1,133
181 – 365 days	1,122	–
1 – 2 years	<u>2,101</u>	<u>1,994</u>
	<u>201,071</u>	<u>136,021</u>

The trade payables to related companies and an aged analysis of such balances presented based on the invoice date at the end of the reporting period are as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 90 days	682,584	118,891
91 – 180 days	66,561	45,532
181 – 365 days	13,880	61,815
1 – 2 years	36,376	98,862
Over 2 years	8,362	49,230
	<u>807,763</u>	<u>374,330</u>

12. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

As at 30 June 2015 and 31 December 2014, the amount due from (to) ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

The trade receivables from/trade payables to the ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days.

The trade receivables from ultimate holding company of a shareholder and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 60 days	–	1,226
181 - 365 days	1,370	–
	<u>1,370</u>	<u>1,226</u>

The trade payables to the ultimate holding company of a shareholder and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period, which approximate the respective revenue recognition dates are as follows:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 90 days	3,696,359	1,239,262
91 – 180 days	1,748,270	1,973,195
181 – 365 days	1,329,423	2,574,254
1 – 2 years	–	801,173
	<u>6,774,052</u>	<u>6,587,884</u>

13. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Within 90 days	2,521,673	2,372,482
91 – 180 days	1,316,551	1,414,865
181 – 365 days	205,568	156,028
1 – 2 years	130,833	146,615
Over 2 years	57,271	49,388
	<u>4,231,896</u>	<u>4,139,378</u>

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2014		
– Ordinary shares of HK\$0.20 each	<u>20,000,000,000</u>	<u>4,000,000</u>
At 30 June 2014, 31 December 2014 and 30 June 2015	<u>N/A (Note)</u>	<u>N/A (Note)</u>

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

	Number of shares	Amount HK\$'000
Issued and fully paid:		
At 1 January 2014		
– Ordinary shares of HK\$0.20 each	8,957,896,227	1,791,579
Transfer from share premium and capital redemption reserve upon abolition of par value	<u>–</u>	<u>3,553,604</u>
At 30 June 2014, 31 December 2014 and 30 June 2015		
– Ordinary shares with no par value	<u>8,957,896,227</u>	<u>5,345,183</u>

15. DISPOSAL OF SUBSIDIARIES

On 3 June 2014, the Group entered into a sale and purchase agreement with an independent third party (the “Acquirer”) to dispose of its entire interest in Keylevel Investments Limited (“Keylevel”) and its wholly owned subsidiary, 深圳市首康國際貿易有限公司 (“Shoukang”), to the Acquirer at a total cash consideration of RMB53,010,000 (equivalent to approximately HK\$66,077,000) less transaction costs of approximately HK\$65,000. Keylevel acted as investment holding company and Shoukang was one of the Group's subsidiary carried out commodity trading operations. Subsequent to the disposal, the Group continues to carry out commodity trading operations through other subsidiaries. The disposal was completed on 13 June 2014, when the Group lost control of Keylevel and Shoukang.

The results of Keylevel and Shoukang for the preceding interim period were as follows:

	Six months ended 30 June 2014 HK\$'000 (unaudited)
Revenue	55,436
Cost of sales	(54,757)
Other income	2,278
Distribution and selling expenses	(160)
Administrative expenses	<u>(2,853)</u>
Loss before tax	(56)
Income tax credit	<u>1</u>
Loss for the period	<u><u>(55)</u></u>
	HK\$'000
The net assets at the date of disposal were as follows:	
Property, plant and equipment	117
Amounts due from related companies	36
Prepayments, deposits and other receivables	968
Tax recoverable	188
Bank balances and cash	66,717
Amounts due to related companies	(358)
Other payables, provision and accrued liabilities	<u>(1,651)</u>
Net assets disposed of	<u>66,017</u>
Loss on disposal of subsidiaries:	
Consideration received	66,012
Net assets disposed of	<u>(66,017)</u>
Loss on disposal	<u>(5)</u>
Consideration satisfied by:	
Cash	<u><u>66,012</u></u>
Net cash outflow arising on disposal:	
Cash consideration received	66,012
Less: Bank balances and cash disposed of	<u>(66,717)</u>
	<u><u>(705)</u></u>

An amount of statutory reserve fund of approximately HK\$1,424,000 which represented the appropriation from the profit after tax under the applicable laws and regulations in the PRC and an amount of cumulative exchange reserve of approximately HK\$5,329,000 were transferred directly to accumulated losses upon disposal of Shoukang in the preceding interim period.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

Our operations are mainly segregated into three segments, namely, steel manufacturing, mineral exploration and commodity trading. Our principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei province, PRC. In addition, we own a deep processing centre on steel products to extend our business to the downstream value chain. Our mineral exploration segment mainly includes the holding of approximately 27.61% equity stake of Shougang Fushan Resources Group Limited (“Shougang Resources”), a Hong Kong-listed hard coking coal producer in China. On commodity trading, we have long-term iron ore offtake agreements with an Australia-listed iron ore producer Mount Gibson Iron Limited (“Mt. Gibson”). Mt. Gibson will supply iron ore to the Group in a long term basis so as to stabilise our upstream supply chain. Our vertical integration strategy with different upstream, mid-stream and downstream activities is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

	For the six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Loss attributable to shareholders before		
share of results of associates	(1,176)	(789)
Share of results of associates	(58)	(77)
Loss attributable to shareholders	(1,234)	(866)

The market of the Group's core business in steel manufacturing was still weak in the first half of 2015. Excessive production capacity and imbalance between supply and demand were still the key issues within the industry which could not be resolved in the near term. The steel price was persisting weak under these circumstances. Affected by the continual drop in coking coal price, the operating profit of our principal associate, Shougang Resources which engages in coking coal mining and sales was also further reduced. Shougang Resources was forced to make further impairment loss on its investment in coal mines assets. The Company was also required to make impairment loss on the goodwill in relation to the investment in Shougang Resources in the amount of HK\$395 million during the period.

For the six months ended 30 June 2015, loss attributable to shareholders amounted to HK\$1,234 million, the loss was increased by 42.5% comparing with that of last period. The Group recorded a consolidated turnover of HK\$4,212 million during this period, representing a drop of 37.6% comparing to that of last period. Loss per share was 13.77 HK cents.

FINANCIAL REVIEW

Six months ended 30 June 2015 compared to the six months ended 30 June 2014

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK\$4,212 million for this period, lower by about 37.6% when comparing to the HK\$6,753 million last period. Lower turnover mainly due to the significant drop in sales quantities of the commodity trading segment following the suspension of the Koolan Island mine of Mt. Gibson due to the occurrence of seawall slump and flooding in late 2014. Lower turnover was also due to the 17.6% drop in the overall average selling price ("ASP") in the steel manufacturing segment as affected by the persisting weak demand.

Cost of sales for the period was HK\$4,556 million, comparing to HK\$7,176 million in last period, a drop of 36.5%. The cost of sales decreased because of the substantial downsize in commodity trading business and the decline in purchasing cost of raw materials for steel manufacturing.

LBITDA and Core Operating Loss

For the period under review, loss before interest, tax, depreciation, amortization, impairment loss and change in fair value of financial derivative of the Group was HK\$120 million (2014: HK\$151 million).

Loss after tax but before share of results of associates included significant non-cash and/or non-recurring charges and are reconciled below:

	For the six months ended 30 June	
	2015	2014
	HK\$ Million	HK\$ Million
Loss attributable to shareholders before share of results of associates	(1,176)	(789)
Adjusted by:		
Impairment loss on the goodwill in relation to the investment in Shougang Resources	395	–
Fair value loss on iron ore offtake agreements with Mt. Gibson	27	24
	<u> </u>	<u> </u>
Core operating loss before share of results of associates	<u>(754)</u>	<u>(765)</u>

Finance costs

For the period under review, finance costs amounted to HK\$361 million, 8.5% lower than that of last period. The decrease in finance costs was mainly due to the decrease in the overall loan amount of the Group.

Share of results of associates

In this period, we have recognized profit of HK\$11 million from Shougang Resources and loss of HK\$69 million from Shougang Concord Century Holdings Limited (“Shougang Century”) respectively.

Taxation

In this period, it was HK\$2 million in net tax income, same as the amount in last period.

REVIEW OF OPERATIONS

Summary of net profit/(loss) contribution to the group by operation/entity:

Operation/Entity	Attributable interest	For the six months ended 30 June	
		2015 HK\$ Million	2014 HK\$ Million
1. Steel manufacturing			
Shouqin ¹	76%	(634)	(690)
Qinhuangdao Plate Mill ²	100%	(61)	(39)
Sub-total		(695)	(729)
2. Mineral exploration			
Shougang Resources (before impairment loss)	27.61%	51	17
Shouqin Longhui	67.84%	(61)	(66)
Sub-total		(10)	(49)
3. Commodity trading			
The Trading Group	100%	17	81
Sub-total		17	81
4. Others			
Shougang Century	35.71%	(69)	(14)
Fair value loss on Mt. Gibson iron ore offtake agreements	–	(27)	(24)
Share of impairment loss made by Shougang Resources	–	(40)	(83)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	(395)	–
Corporate and others	–	(15)	(48)
Sub-total		(546)	(169)
Total		(1,234)	(866)

¹ Included the Group and Shouqin's share of results in its subsidiary, Qinhuangdao Shouqin Steels Machining and Delivery Co. Ltd. ("Processing Centre")

² Included Qinhuangdao Plate Mill's share of results in its subsidiaries other than Shouqin Longhui. The results of Shouqin Longhui is included in the mineral exploration segment.

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. (“Shouqin”) and Qinhuangdao Shougang Plate Mill Co., Ltd. (“Qinhuangdao Plate Mill”). The steel industry still faces a dire operating environment. This core segment recorded net loss of HK\$695 million during the period, while that of last period was net loss HK\$729 million. Summary of production and sales quantities of the two manufacturing plants in the current and last period under this segment is as follows:

For the six months ended 30 June	Slabs		Heavy Plates	
	2015 '000 tonnes	2014 '000 tonnes	2015 '000 tonnes	2014 '000 tonnes
(i) Production				
Shouqin	1,224	1,150	865	762
Qinhuangdao Plate Mill	–	–	258	262
Total	1,224	1,150	1,123	1,024
Change	+6%		+10%	
(ii) Sales				
Shouqin [#]	259	299	861	797
Qinhuangdao Plate Mill	–	–	255	260
Total	259	299	1,116	1,057
Change	-13%		+6%	

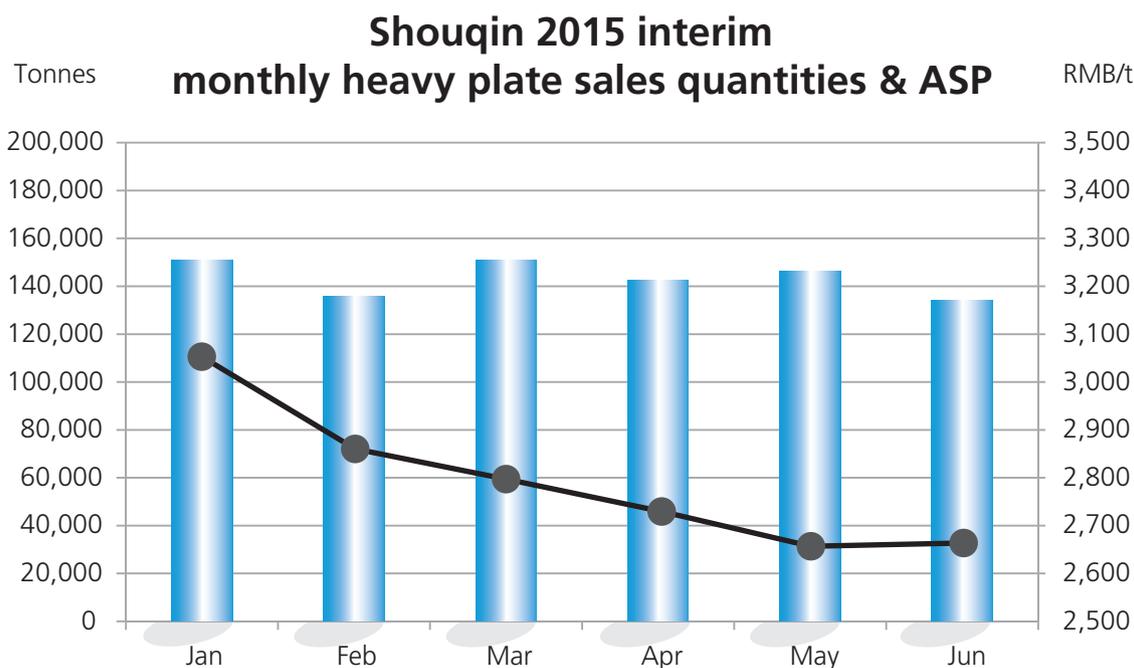
[#] Difference between production and sales of slabs was mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales were mainly made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation.

Shouqin

The Group holds an effective interest of 76% in Shouqin, the remaining 20% and 4% were held by Hyundai Heavy Industries Limited and Shougang Corporation respectively.

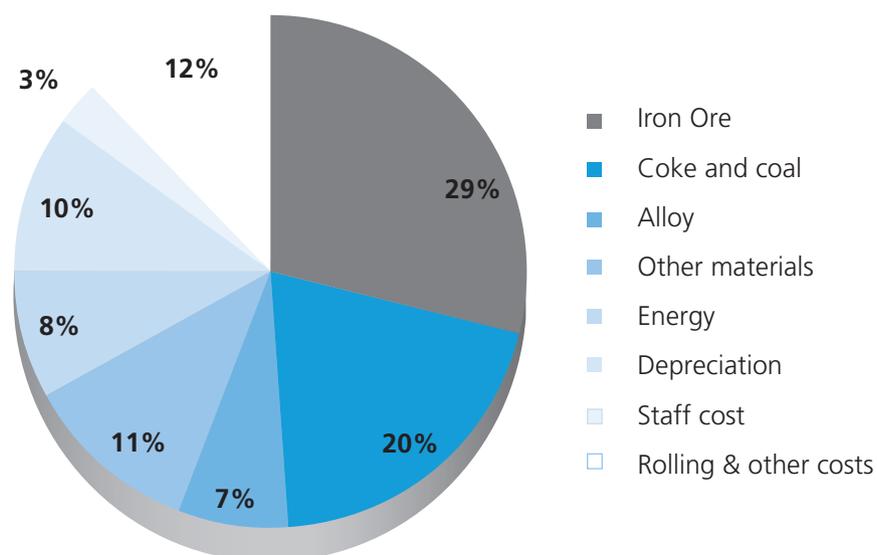
Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production. It has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates are among the most advanced in the PRC. Its annual production capacities of heavy plate have reached 1.8 million tonnes. For the current period, Shouqin reported a turnover of HK\$3,670 million before inter-group sales elimination, recording a 18.0% drop on the comparative period. The drop was mainly due to decrease in ASP of heavy plates and slabs. The ASP (exclude VAT) of heavy plate was RMB2,798 (HK\$3,486) per tonne, 17.1% lower than that of the last period. Production of slab was mainly used for Shouqin's internal consumption while most of the sales were made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation. The ASP (exclude VAT) of slab was RMB1,984 (HK\$2,472) per tonne, 24.9% lower than that of last period.

	2015 Interim	2014 Interim	Change
Quantities sold – heavy plate (tonnes)	861,000	797,000	+8.0%
ASP (RMB)	2,798	3,376	-17.1%



In the above chart, the bar represents sales quantities while the line represents ASP.

Component of manufacturing costs – Shouqin



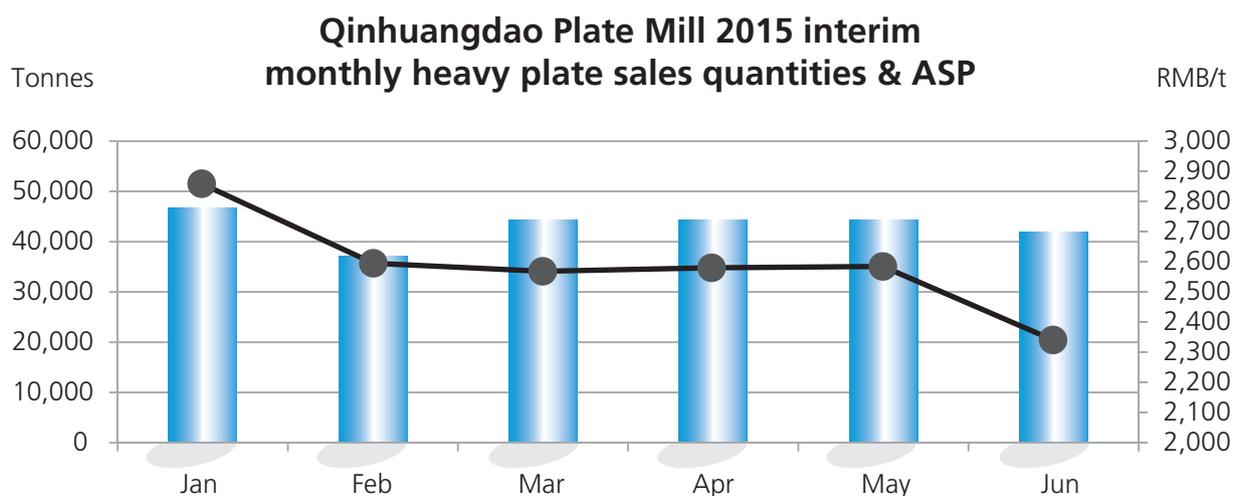
Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. In this period, this entity recorded HK\$341 million in turnover, which is 33.4% decrease compared with that of last period.

For the six months ended 30 June 2015, the aggregate net loss of Shouqin and Processing Centre attributable to the Group was HK\$634 million. The loss was decreased by HK\$56 million comparing to the net loss of HK\$690 million in last period as slightly benefited from the drop in raw materials purchasing prices.

Qinhuangdao Plate Mill

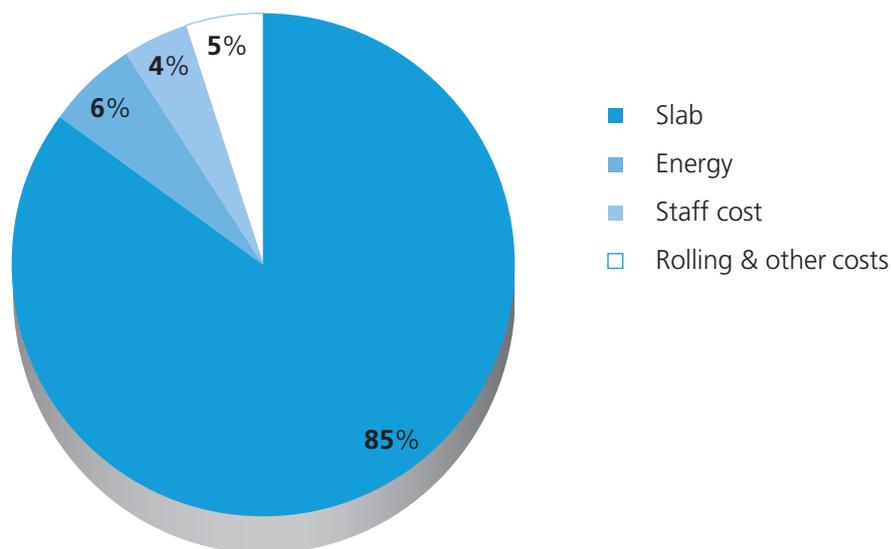
Qinhuangdao Plate Mill recorded a turnover of HK\$925 million before inter-group sales elimination for the six months ended 30 June 2015, a drop of 17.5% comparing with that of last period. The drop was mainly due to lower selling price in the weak market. ASP (exclude VAT) was RMB2,577 (HK\$3,210) per tonne, 19.7% lower than that of last period. The Group's share of net loss of Qinhuangdao Plate Mill increased to HK\$61 million comparing to net loss of HK\$39 million in last period as affected by the deteriorated operating environment.

	2015	2014	Change
	Interim	Interim	
Quantities sold – heavy plate (tonnes)	255,000	260,000	-1.9%
ASP (RMB)	2,577	3,210	-19.7%



In the above chart, the bar represents sales quantities while the line represents ASP.

Component of manufacturing costs- Qinhuangdao Plate Mill



Mineral exploration

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coking coal mines in Shanxi province, PRC namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine with an annual production capacity of over 6 million tonnes. Its consolidated turnover for the period was HK\$1,093 million, a drop of 35.8% over that of last period. As the material for the refining of coke, which is the second largest raw materials for steel manufacturing, the selling price and sales volume of coking coal continued to decline. The operating profit of Shougang Resources was reduced and Shougang Resources was forced to make further impairment loss on its coal mines assets in the amount of HK\$144 million during the period. Profit attributable to shareholders of Shougang Resources was HK\$85 million while there was loss of HK\$192 million in last period. Profit of Shougang Resources attributable to the Group was HK\$11 million in this period.

Although the selling price and sales volume of coking coal were still weak during the period, with the brand quality of Shougang Resources's products, we are still confident towards its future operations.

Production and processing of iron ore products

The Group holds an effective 67.84% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd (“Shouqin Longhui”) which is situated at Qinglong County, Qinhuangdao City, Hebei province, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

During the period under review, Shouqin Longhui sold approximately 140,000 tonnes pellets while average selling price was RMB613 (HK\$764) per tonne. It recorded a turnover of HK\$122 million before inter-group sales elimination for the period, loss of Shouqin Longhui attributable to the Group was HK\$61 million, a decrease of HK\$5 million comparing to an attributable loss of HK\$66 million in last period.

Commodity trading

Our trading operations are jointly conducted by SCIT Trading Limited, SCIT Services Limited and Shougang Concord Steel Holdings Limited and its subsidiaries (“The Trading Group”), all of which are wholly owned by the Group. The Trading Group reported a turnover of HK\$210 million before inter-group sales elimination for the six months period ended 30 June 2015, significantly decreased by 85.7% comparing to last period. The Trading Group mainly traded the iron ores provided under the offtake agreements with Mt. Gibson since 2009. Following the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014, it sold only 0.51 million tonnes of iron ores inventory during the current period, which was much lower than the 1.71 million tonnes sold of last period. Selling price also decreased by 54.2% to USD44 (HK\$342) per tonne. The resulting net profit of this segment was only HK\$17 million in this period, comparing to HK\$81 million in last period.

Other business

Manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products

Shougang Century is a 35.71% associate of the Group listed in Hong Kong whose businesses are manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products. There is keen competition in the steel cord market. The selling price of steel cords continued to drop during the period. The Group's share of its net loss was HK\$69 million, comparing to share of net loss of HK\$14 million in last period. The share of loss increased significantly because of the further impairment loss of HK\$93 million made by Shougang Century on its property, plant and equipment. Our share of this loss was approximately HK\$33 million.

Further to the non-legally binding memorandum of understanding ("MOU") dated 13 July 2014 and the supplemental MOU dated 30 June 2015 between Shougang Century and an independent third party in relation to the proposed capital injection into one of the wholly-owned major subsidiaries of Shougang Century, 滕州東方鋼簾線有限公司 (Tengzhou Eastern Steel Cord Co., Ltd[#]) ("TESC") as well as the proposed strategic cooperation between Shougang Century and the independent third party. Upon completion of the proposal, Shougang Century and the independent third party will each own 50% interests in TESC. The proposed capital injection would enhance the capital base of TESC and provide additional financial resources to TESC, which will be utilised to fund the phase II construction of TESC's steel cord production facilities with an annual production capacity of 100,000 tonnes. The completion of the proposal is subject to the fulfilment of certain conditions.

[#] *For identification only*

Environmental Protection Measures

The most important operating activity of the Company is the manufacturing and sales of steel. Shouqin, the Company's flagship subsidiary, is the main operator of this business segment. Shouqin focuses on investment in environmental protection and creating green production. With the construction goal of environment protective type, energy recycling type and cost-effective type, which comprised of the following measures:

1. Dust Clearing System

Shouqin has applied fully enclosed joint silos, which eliminates the traditional raw steel enterprises yard mode and integrates storage and distribution as a whole. This resolves the dusting problem of raw materials, reduces the cost of dumping and ensures the quality of raw materials and fuels whilst eliminating pollution. Dust is removed in a fully enclosed loop, which utilizes all vacuum suction tankers in pneumatic conveying to eliminate secondary dusting. In addition, pulse dust-dry technique is applied at large blast furnace to treat blast furnace gas.

2. Water System

Shouqin has constructed a centralized water supply and closed-loop water system, which implements the water for use in production on cascade basis. By combining the principles of voicing diversion, rain and sewage diversion and loop principle, the smelting of steel, iron and rolling of steel were built with water treatment system with separate loop. There is zero waste water discharge from production.

3. Energy Recycling

The residual resources are adequately utilized from comprehensive application of power generation projects (pressure generation), which do not only save energy but reduce emissions of pollutants and noise. The recovery of gas from by-products through the use of advanced technologies are all applied in sintering, hot stove, sleeve kilns, furnaces and captive power generation.

- Recycling of blast furnace gas

The blast furnace gas generated from the production of Shouqin after going through gravity dusting and dry dusting are all recovered and stored, which are applied pressure generation of electricity, sintering ignition, stove, furnace coal injection mixing air and rolling furnace production.

- Converter gas recovery and utilization

The converter gas generated from the production of Shouqin after one time dusting are applied in torpedo baking, bake steel package, captive power plant boilers, lime sleeve kiln production.

- Residual heat recycling

The steam generated from the factory area of Shouqin accounted for 75% of the total usage of steam in the residual heat recycling within the factory area, which is applied to sintering mixing, RH furnace production, the production of liquid oxygen and other areas.

4. Energy-Saving Measures

- Energy centre

Through information technology, digital technology, precise control, segment management, Shouqin implements total process management over the procurement, production, operation, use and recycle of energy products. Comprehensive monitoring and economic distribution of energy is realized and the goals of systematic energy saving are achieved.

- Energy Management Contracts

Shouqin first introduced new mechanisms of energy saving for energy management contracts in the steel industry, which accumulated the implementation for a number of energy conservation projects, with annual reduction capacity in energy conservation.

5. Noise Control

Shouqin selected low-noise equipment, using silencers, noise separation, vibration reduction and flexible connections in air compressors, oxygen compressors, blowers, etc.

6. Green Landscaping

The green landscaping site in the factory area of Shouqin amounted to 720,000 square metres with a green ratio of 39%.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

We aim to diversify our funding sources through utilization of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Cash/Bank Balances and Loans

The cash and bank balances, loans and financial leverage of the Group as at 30 June 2015 as compared to 31 December 2014 is summarized below:

	PRC (exclude HK) 30 June 2015 HK\$ Million	Other than PRC 30 June 2015 HK\$ Million	Group Total 30 June 2015 HK\$ Million	Group Total 31 December 2014 HK\$ Million
Cash and bank balances				
– Restricted bank deposits	1,058	–	1,058	1,242
– Pledged bank deposits	–	24	24	122
– Other cash and bank balances	328	566	894	872
	<u>1,386</u>	<u>590</u>	<u>1,976</u>	<u>2,236</u>
Total cash and bank balances				
Loans				
– from banks*	6,050	1,169	7,219	7,975
– from parent company	872	–	872	873
	<u>6,922</u>	<u>1,169</u>	<u>8,091</u>	<u>8,848</u>
Total loans				
	<u>17,171</u>	<u>7,811</u>	<u>24,982</u>	<u>25,888</u>
Total assets				
	<u>40.3%</u>	<u>15.0%</u>	<u>32.4%</u>	<u>34.2%</u>
Total loans to total assets				

* excluding financing from discounted bills.

Our ultimate holding company, Shougang Corporation has provided corporate guarantee for most of the bank loans in PRC granted to the Group. Taking into account the financial resources of the Group, including the Group's ability to renew and refinance the banking facilities upon maturity, the Group has sufficient working capital to meet in full its financial obligations.

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it through borrowings. For the six months ended 30 June 2015, approximately 96% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks if necessary. No amount of such derivatives was outstanding as at the end of the period.

3. Financing Activities

The Company has concluded one new bank financing during this period, totaling USD50 million, of tenors 3.5 years.

There are various financial covenants under the existing bank loan agreements entered into by the Company. The Company has been from time to time monitoring the compliance with such financial covenants. In the event the Company foresees the possibility that the Company may not be able to attain any required financial indicators for any relevant period, the Company will take pre-caution measures to obtain consents from the relevant banks either to waive compliance with the relevant financial covenants for the relevant period or to revise the relevant financial covenants, as the case may be.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals by the Group during this period.

CAPITAL STRUCTURE

The Company did not issue any new shares during this period.

The issued share capital of the Company was HK\$5,345 million (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,140 employees as at 30 June 2015.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salaries, discretionary bonuses, medical subsidies and hospitalization scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the employees as part of their staff benefits. The remuneration packages of employees in the PRC include salaries, discretionary bonuses, medical subsidies and welfare fund contribution as part of their staff benefits.

PROSPECTS

During the first half of 2015, the global economy remained clouded with many uncertainties. In particular, the market kept an eye on the US as to whether this world-dominating economy would start the interest rate hiking cycle as such decision would be a key to the future performance of the global economy. In Europe, the Greece's debt crisis has been lingering on for years. There was no improvement but deteriorating, which caused serious challenge to the stability of Euro and the unification of Europe. The economy of China has been slowdown gradually with its stock market experienced substantially fluctuation during the period. Since November last year, the People's Bank of China lowered interest rate for five times so as to alleviate the risk arising from downturn of economy. It is anticipated that stable growth policy will be placed as the first priority of the future administration objectives of the central government.

The steel manufacturing business, which is the most vital segment of the Group, still faces the issues of excess capacity and weak demand. The steel price encountered repeated drop, while the price of raw materials declined also, which slightly benefited the industry. However, the fundamental problems of the industry have not yet been improved. The operating environment remains difficult, and the serious loss-making situation remains unchanged.

In respect of mineral exploration, the Group has been engaged in the exploration and sales of hard coking coal through its listed associate Shougang Resources. As the material for the refining of coke, which is the second largest raw materials for steel manufacturing, the selling price and sales volume of coking coal continued to decline. Shougang Resources was forced to make further impairment loss on its investment in the coal mines assets during the period. Despite the coking coal market lies at the cyclical trough, the financial strength of Shougang Resources is still very strong with extremely low gearing ratio and substantial cash, which enables it to maximize its value when appropriate opportunities arise.

For the commodity trading, in late last year, the seawall outside Mt. Gibson's mine in Koolan Island collapsed and resulted in flooding in the mine. At present, the production of which is suspended. As such, the turnover of the commodity trading segment dropped significantly over the corresponding period of last year. There is still no definite schedule for production restoration of the mine in Koolan Island. Slowdown in the commodity trading business will be continued until restoration of production of this mine.

Under the pressure exerted from various unfavourable factors, all segments of the Group recorded unsatisfactory performance. The recently promulgated "One Belt and One Road" initiative by the PRC government will help to facilitate the construction of infrastructures of the nearby regions. By expanding international exposure, the problem of excess capacity in PRC is expected to be alleviated and thereby fostering demand for steel products. All these will enable rebound of the sluggish steel manufacturing industry. Although the Group is still facing difficulties ahead, with the strong support from its parent company Shougang Corporation, we are fully confident to overcome all challenges in the future.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “CG Code”) during the six months ended 30 June 2015, except for the following deviation:

- Under the first part of code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

The Chairman of the Board, who is also the chairman of the Nomination Committee of the Company, did not attend the annual general meeting of the Company held on 22 May 2015 (the “2015 AGM”) as he had another business engagement. The Managing Director of the Company, who took the chair of the 2015 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the 2015 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2015 AGM were already of sufficient calibre and number for answering questions at the 2015 AGM.

APPRECIATION

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

By Order of the Board
**Shougang Concord International
Enterprises Company Limited**
Li Shaofeng
Managing Director

Hong Kong, 27 August 2015

As at the date of this announcement, the Board comprises Mr. Zhang Gongyan (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Ding Rucai (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).