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 2013

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$7,509 million, down 11% from last period.

– Loss attributable to shareholders was HK$728 million.

– Basic loss per share was 8.1 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 2013. 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 2013

	Notes	**Six months ended 30 June 2013** *HK$'000* **(unaudited)**	2012 *HK$'000* (unaudited) (restated)
Continuing operations			
Revenue	3	**7,509,206**	8,470,373
Cost of sales		**(7,961,335)**	(8,971,679)
Gross loss		**(452,129)**	(501,306)
Other income		**36,950**	29,900
Other gains and losses		**17,452**	30,793
Change in fair value of derivative financial instruments		**(5,241)**	68,547
Distribution and selling expenses		**(41,101)**	(46,575)
Administrative expenses		**(308,901)**	(276,519)
Finance costs		**(365,608)**	(354,881)
Share of results of associates		**139,447**	233,742
Loss before taxation		**(979,131)**	(816,299)
Income tax (expense) credit	4	**(11,714)**	1,238
Loss for the period from continuing operations	7	**(990,845)**	(815,061)
Discontinued operations			
Loss for the period from discontinued operations	6	**–**	(21,693)
Loss for the period		**(990,845)**	(836,754)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**10,301**	(33,328)
Fair value losses on investments in equity instruments designated as at fair value through other comprehensive income		**(117,351)**	(17,770)
Share of exchange differences of an associate arising on translation to presentation currency		**13,405**	(4,412)
Share of fair value losses on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**(172,192)**	(102,907)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**49,623**	(22,285)

	Notes	Six months ended 30 June **2013** ***HK$'000*** **(unaudited)**	 2012 *HK$'000* (unaudited) (restated)
Other comprehensive expense for the period		**(216,214)**	(180,702)
Total comprehensive expense for the period		**(1,207,059)**	(1,017,456)
Loss for the period attributable to the owners of the Company			
– from continuing operations		**(728,478)**	(597,801)
– from discontinued operations		**–**	(21,693)
Loss for the period attributable to the owners of the Company		**(728,478)**	(619,494)
Loss for the period attributable to non-controlling interests			
– from continuing operations		**(262,367)**	(217,260)
		(990,845)	(836,754)
Total comprehensive expense attributable to:			
Owners of the Company		**(920,343)**	(792,353)
Non-controlling interests		**(286,716)**	(225,103)
		(1,207,059)	(1,017,456)
Loss per share	9		
From continuing and discontinued operations			
– Basic		**(8.13) HK cents**	(6.92) HK cents
– Diluted		**(8.13) HK cents**	(6.92) HK cents
From continuing operations			
– Basic		**(8.13) HK cents**	(6.68) HK cents
– Diluted		**(8.13) HK cents**	(6.68) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**39,222**	38,687
Property, plant and equipment		**11,574,941**	11,651,210
Prepaid lease rentals		**361,491**	361,815
Mining assets		**131,058**	129,004
Interests in associates		**7,469,065**	7,584,652
Equity investments	10	**77,711**	192,253
Deferred tax assets		**40,927**	46,482
Other financial assets		**581,366**	594,603
Deposits for acquisition of property, plant and equipment		**17,634**	25,071
Pledged bank deposits		**159,000**	92,403
		20,452,415	20,716,180
CURRENT ASSETS			
Inventories		**2,924,964**	3,258,761
Trade and bills receivables	11	**1,570,633**	1,982,962
Trade receivables from related companies	12	**150,958**	163,854
Prepayments, deposits and other receivables		**732,827**	637,760
Prepaid lease rentals		**9,029**	8,833
Tax recoverable		**490**	202
Amounts due from related companies	12	**49,086**	23,878
Amount due from an associate		**–**	2,911
Amount due from a non-controlling shareholder of a subsidiary		**3,700**	3,700
Amount due from ultimate holding company of a shareholder	13	**6,545**	5,220
Other financial assets		**157,828**	239,513
Restricted bank deposits		**962,666**	617,329
Pledged bank deposits		**40,825**	161,672
Bank balances and cash		**1,275,009**	1,563,345
		7,884,560	8,669,940

	Notes	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	14	**3,851,783**	3,540,071
Trade payables to related companies	12	**268,995**	354,459
Trade payables to ultimate holding company of a shareholder	13	**4,068,363**	3,282,689
Other payables, provision and accrued liabilities		**1,113,715**	1,133,790
Tax payable		**181,423**	206,152
Amounts due to related companies	12	**329,288**	363,801
Amount due to an associate		**6,064**	–
Amount due to ultimate holding company of a shareholder	13	**481,881**	396,870
Bank borrowings – due within one year		**7,905,174**	10,287,475
Other financial liabilities		**2,755**	3,936
Loans from ultimate holding company of a shareholder		**882,502**	868,673
		19,091,943	20,437,916
NET CURRENT LIABILITIES		**(11,207,383)**	(11,767,976)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,245,032**	8,948,204
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**1,949,604**	455,167
Deferred tax liabilities		**40,827**	30,233
		1,990,431	485,400
		7,254,601	8,462,804
CAPITAL AND RESERVES			
Share capital		**1,791,579**	1,790,661
Share premium and reserves		**5,383,346**	6,302,559
Equity attributable to owners of the Company		**7,174,925**	8,093,220
Non-controlling interests		**79,676**	369,584
		7,254,601	8,462,804

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 Company and its subsidiaries (collectively referred to as the "Group") had net current liabilities of approximately HK$11,207,383,000 as at 30 June 2013 of which current liabilities of approximately HK$7,905,174,000 were attributable to bank borrowings due within one year. 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 are of the opinion that the Group has sufficient working capital to meet in full its financial obligation 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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

- HKFRS 10 *Consolidated Financial Statements;*
- HKFRS 11 *Joint Arrangements;*
- HKFRS 12 *Disclosure of Interests in Other Entities;*
- Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance;*
- HKFRS 13 *Fair Value Measurement;*
- HKAS 19 (as revised in 2011) *Employee Benefits;*
- HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures;*

- Amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities;*
- Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income;*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2009–2011 Cycle; and*
- HK(IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine.*

Except as described below, the applications of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated historical statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The Directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) as to whether or not the Group has control over its investments in investees in accordance with the requirements of HKFRS 10. The Directors of the Company concluded the application of HKFRS 10 in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

HKFRS 12 ***Disclosure of interests in other entities***

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards in the consolidated financial statements.

The Directors concluded that the application of HKFRS 12 will result in more disclosures in the consolidated financial statements for the year ending 31 December 2013.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKFRS 7 ***Disclosures – Offsetting Financial Assets and Financial Liabilities***

The amendments to HKFRS 7 require entities to disclose information about rights to offset and related arrangements for financial instruments under an enforceable master netting agreement or similar agreement. Disclosures are set out in interim report. The Group has outstanding interest rate swap contracts presented as other financial liabilities in the condensed consolidated statement of financial position which are under master netting agreements.

The amendments have been applied retrospectively. For the purpose of preparing the condensed consolidated financial statements, the additional disclosures are not presented but will be included in the Group's consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments of HKAS 34 are set out in interim report and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's investment properties, will be presented in the consolidated financial statements for the year ending 31 December 2013.

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;
Shipping operations	–	vessel chartering and the leasing of floating cranes;
Commodity trading	–	trading of steel products, iron ore, coal and coke;
Mineral exploration	–	mining, processing and sale of iron ore; and
Others	–	management services business.

The vessel chartering under the shipping operations was discontinued during the year ended 31 December 2012. The segment information reported below included the amounts in relation to discontinued operations, which are described in more details in Note 6.

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

Six months ended 30 June 2013 (unaudited)

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Commodity trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue						
External sales	5,600,580	75	1,853,504	53,301	1,746	7,509,206
Inter-segment sales	4,515	–	–	255,676	–	260,191
Segment revenue	5,605,095	75	1,853,504	308,977	1,746	7,769,397
Elimination						(260,191)
Group revenue						7,509,206

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Commodity trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment (loss) profit	(696,777)	(2,176)	23,489	(87,396)	21,262	(741,598)
Interest income						17,853
Central administration costs						(30,406)
Finance costs						(365,608)
Gain from change in fair value of derivative financial instruments						1,181
Share of results of associates						139,447
Loss before taxation						(979,131)

Six months ended 30 June 2012 (unaudited)

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Commodity trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue						
External sales	6,053,801	57,633	1,963,871	446,686	1,746	8,523,737
Inter-segment sales	29,628	–	–	544,673	–	574,301
Segment revenue	6,083,429	57,633	1,963,871	991,359	1,746	9,098,038
Elimination						(574,301)
Group revenue						8,523,737

Inter-segment sales are charged at prevailing market rates.

Segment (loss) profit	(655,461)	(18,639)	(34,015)	(35,829)	3,045	(740,899)
Interest income						22,578
Central administration costs						(32,237)
Finance costs						(354,881)
Gain from change in fair value of derivative financial instruments						582
Gain on deemed acquisition of interests in an associate						17,564
Gain on disposal of a subsidiary						15,559
Share of results of associates						233,742
Loss arising from discontinued operations						21,693
Loss before taxation from continuing operations						(816,299)

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 derivative financial instruments, gain on disposal of a subsidiary, gain on deemed acquisition of interests 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 EXPENSE (CREDIT)

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations		
PRC Enterprise Income Tax	**144**	807
Underprovision of PRC Enterprise Income Tax in prior periods	**1,186**	136
	1,330	943
Deferred tax	**10,384**	(2,181)
Income tax expense (credit)	**11,714**	(1,238)

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2013 and 2012 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. DISPOSAL OF A SUBSIDIARY

On 27 March 2012, the Group entered into a sale and purchase agreement with an independent third party (the "Acquirer") to dispose of its entire interest in Shougang Concord Godown Limited ("Godown") to the Acquirer. The disposal was completed on 2 April 2012, when the Group lost control of Godown.

	HK$'000
The net assets of Godown at the date of disposal were as follows:	
Investment properties	10,476
Property, plant and equipment	645
Prepaid lease rentals	822
Net assets disposed of	11,943
Gain on disposal of a subsidiary:	
Consideration received	27,502
Net assets disposed of	(11,943)
Gain on disposal *(Note)*	15,559
Consideration satisfied by:	
Cash	27,502
Cash inflow arising on disposal:	
Cash consideration received	27,502

Note: The gain on disposal of Godown was mainly attributable to the leasehold land previously held for owner-occupation which was previously recognised as prepaid lease rentals and measured at cost.

An amount of revaluation reserve of HK$4,987,000, represented the difference between the carrying value and fair value of the prepaid lease rentals arisen from the transfer from prepaid lease rentals to investment property as its use had changed as evidenced by end of owner-occupation in previous years, was transferred directly to accumulated profits upon disposal of Godown.

6. DISCONTINUED OPERATIONS

The Group mainly conducted the vessel chartering operations through two vessels named as SG Enterprises and SG Prosperity. During the year ended 31 December 2012, the Directors decided to cease the vessel chartering operations, which were previously included in shipping operations segment, the rental contracts of these two vessels had been terminated as agreed with the ship-owner, an independent third party. SG Enterprises and SG Prosperity have been delivered to ship-owner on 25 August 2012 and 28 September 2012 respectively. Vessel chartering operations have been presented as discontinued operations and the comparative figures have been represented.

The result of the vessel chartering operations for the period was as follows:

	Six months ended 30 June 2012 *HK$'000* (unaudited)
Revenue	53,364
Cost of sales	(68,905)
Other gains and losses	(21)
Administrative expenses	(6,131)
Loss for the period	(21,693)

	Six months ended 30 June 2012 *HK$'000* (unaudited)
Loss for the period from discontinued operations include the following:	
Auditor's remuneration	97
Staff costs	441
Release of provision for onerous contracts	(35,134)
Exchange loss	21

For the six months ended 30 June 2012, the vessel chartering operations paid HK$50 million which related to the Group's net operating cash flows, paid HK$61,000 in respect of investing activities and received HK$57 million in respect of financing activities.

7. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Loss for the period has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**194,374**	249,402
– retirement benefits scheme contributions	**26,731**	33,682
– share-based payments	**763**	1,429
	221,868	284,513
Amortisation of prepaid lease rentals	**4,629**	4,203
Depreciation of property, plant and equipment	**462,081**	426,438
Total depreciation and amortisation	**466,710**	430,641
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**–**	(787)
– change in fair value of interest rate swap contracts	**(1,181)**	205
– change in fair value of commodity forward contracts	**6,422**	(67,965)
	5,241	(68,547)
Fair value of commodity forward contracts upon delivery, included in cost of sales	**88,500**	87,965
Interest expenses for bank borrowings	**281,635**	329,741
Interest expenses for other borrowings	**26,672**	32,059
Total borrowing costs	**308,307**	361,800
Less: Amounts capitalised	**(13,355)**	(45,081)
Add: Factoring cost for discounted receivables	**70,656**	38,162
Total finance costs	**365,608**	354,881
Allowance for (reversal of) doubtful debt of trade receivables, net	**1,231**	(382)
Write-down of inventories	**201,428**	107,054
Interest income from bank deposits	**(17,853)**	(22,578)
Gain on disposal of property, plant and equipment	**(33)**	(18)
Gain on deemed acquisition of interests in an associate	**–**	(17,564)
Gain on disposal of a subsidiary	**–**	(15,559)
Research and development cost included in administrative expenses	**12,138**	10,041
Other tax expenses	**17,487**	20,730
Net foreign exchange (gain) loss	**(18,650)**	2,730

8. 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.

9. LOSS PER SHARE

From continuing and discontinued operations

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	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic loss per share:		
Loss for the period attributable to owners of the Company	**(728,478)**	(619,494)
Effect of dilutive potential ordinary shares of associates:		
Adjustment to the share of profits of associates based on dilution of their earnings	**–**	(146)
Loss for the purpose of diluted loss per share	**(728,478)**	(619,640)

	Six months ended 30 June	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,363,686**	8,953,306,227

Note: For the six months ended 30 June 2013 and 2012, 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.

From continuing operations

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

Loss figures are calculated as follows:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company	**(728,478)**	(619,494)
Less:		
Loss for the period from discontinued operations	**–**	(21,693)
Loss for the purpose of basic loss per share from continuing operations	**(728,478)**	(597,801)
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings	**–**	(146)
Loss for the purpose of diluted loss per share from continuing operations	**(728,478)**	(597,947)

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

From discontinued operations

For the six months ended 30 June 2012, basic and diluted loss per share for the discontinued operations is 0.24 HK cents per share based on the loss for the period from the discontinued operations of HK$21,693,000 and the denominators detailed above for both basic and diluted loss per share.

10. EQUITY INVESTMENTS

Equity investments comprise:

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Listed investments:		
– Equity securities listed in Australia, at fair value	**5,955**	15,782
Unlisted investments:		
– PRC equity securities, at fair value *(Note)*	**71,756**	176,471
Total	**77,711**	192,253

Note: The unlisted PRC equity securities represent the Group's investment in 10% equity interest of unlisted equity securities issued by a private entity established in the PRC, for which the principal activities are ship building, ship repairing and retrofitting. The unlisted equity investments are measured at fair value under HKFRS 9. The fair value of the investment as at 31 December 2012 and 30 June 2013 was measured using valuation technique with significant unobservable inputs.

11. 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 Group allows a range of credit period to its customers 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 revenue recognition date:

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Within 60 days	**1,275,270**	1,615,374
61 – 90 days	**101,768**	155,462
91 – 180 days	**173,755**	88,963
181 – 365 days	**19,840**	123,163
	1,570,633	1,982,962

The following were the Group's bills receivables as at 30 June 2013 and 31 December 2012 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 balances 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 2013 (unaudited)			
Carrying amount of bills receivables	**69,762**	**189,651**	**259,413**
Carrying amount of borrowings and trade payables	**(69,762)**	**(189,651)**	**(259,413)**
At 31 December 2012 (audited)			
Carrying amount of bills receivables	252,813	141,858	394,671
Carrying amount of borrowings and trade payables	(252,813)	(141,858)	(394,671)

12. 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 a shareholder of the Company (collectively referred as "Shougang Group"). The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days. The non-trade receivables/payables from (to) related companies are unsecured, interest-free and are repayable on demand.

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

	30 June 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 60 days	**122,357**	151,834
61 – 90 days	**28,147**	11,625
91 – 180 days	**62**	–
181 – 365 days	**184**	–
1 – 2 years	**208**	395
	150,958	163,854

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 2013	31 December 2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**131,498**	284,948
91 – 180 days	**54,668**	37,832
181 – 365 days	**59,917**	11,918
1 – 2 years	**8,115**	8,342
Over 2 years	**14,797**	11,419
	268,995	354,459

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

As at 30 June 2013 and 31 December 2012, the amount due from ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

The trade payables to ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days. The non-trade payable to ultimate holding company of a shareholder is unsecured, interest-free and is repayable on demand.

The trade payables to 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 as follows:

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Within 90 days	**1,859,912**	2,102,859
91 – 180 days	**1,824,633**	1,179,689
181 – 365 days	**383,675**	–
1 – 2 years	**143**	141
	4,068,363	3,282,689

14. 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 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Within 90 days	**2,877,700**	2,818,279
91 – 180 days	**738,703**	527,424
181 – 365 days	**158,544**	120,582
1 – 2 years	**68,467**	70,339
Over 2 years	**8,369**	3,447
	3,851,783	3,540,071

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2013 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

We are a flagship listed vehicle of Shougang Corporation in Hong Kong. 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, 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 27.6% equity stake of Shougang Fushan Resources Group Limited ("Shougang Resources"), a Hong Kong-listed hard coking coal producer in China. For commodity trading, we have long-term iron ore offtake agreements with Australia-listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson") to enhance our investment in 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

In HK$ million	**For the six months ended 30 June**		
	2013	2012	Change
Loss attributable to shareholders before share of results of associates	**(867)**	(853)[1]	-2%
Share of results of associates	**139**	234	-41%
Loss attributable to shareholders	**(728)**	(619)[1]	-18%

[1] *These amounts included loss attributable to shareholders contributed by discontinued operations*

The market of the Group's core business in steel manufacturing was still weak in the first half of 2013. 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. Our share of profit from Shougang Resources, an associate with principal business in coking coal mining and sales also showed a sharp decline due to the drop in selling price of coking coal.

For the first six months of 2013, loss attributable to shareholders amounted to HK$728 million, a further loss of HK$109 million comparing to attributable loss of HK$619 million[1] in the last corresponding period. However, if comparing with the attributable loss of HK$1,328 million[1] in the second half of 2012, the loss amount for this interim period has been significantly reduced. The Group recorded a consolidated turnover of HK$7,509 million in this period, representing a drop of 11% comparing to that of last period. Basic loss per share was 8.1 HK cents.

FINANCIAL REVIEW

Six months ended 30 June 2013 compared to the six months ended 30 June 2012

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$7,509 million for this interim period, lower by about 11% when comparing to that of last period. Lower turnover mainly came from the drop in average selling price ("ASP") in the steel manufacturing segment.

Cost of sales for the period was HK$7,961 million, comparing to HK$8,972 million in last period, a drop of 11%.

EBITDA and Core Operating Loss

For the interim period, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$111 million, comparing to EBITDA of HK$165 million in last period.

[1] *These amounts included loss attributable to shareholders contributed by discontinued operations*

Loss after tax included significant non-cash and/or non-recurring charges and are reconciled below:

In HK$ million	For the six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Loss attributable to shareholders before share of results of associates	**(867)**	(853)[1]
Adjusted by:		
Fair value loss on iron ore offtake contract with Mt Gibson, net	**95**	20
Employee share option expenses	**1**	1
Core operating loss before share of results of associates	**(771)**	(832)[1]
Share of results of associates	**139**	234
Core operating loss of the Group	**(632)**	(598)[1]

Finance costs

For the interim period under review, finance costs amounted to HK$366 million, 3% higher than that of last period. The Group maintains a higher leverage currently to take advantage of the low interest environment.

Share of results of associates

In this interim period, we have recognized profit of HK$148 million from Shougang Resources and loss of HK$11 million from Shougang Concord Century Holdings Limited ("Shougang Century").

Taxation

In this interim period, it was HK$12 million in net tax expense, comparing to HK$1 million in net tax credit last period. The tax expense in the current period was mainly the reversal of deferred tax assets recognized previously due to foreseeable tax losses utilization.

[1] *These amounts included loss attributable to shareholders contributed by discontinued operations*

REVIEW OF OPERATIONS

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

HK$'000		For the six months ended 30 June	
Operation/Entity	**Attributable interest**	**2013 (unaudited)**	2012 (unaudited)
1. Steel manufacturing			
Shouqin	76%	**(719,509)**	(659,906)
Qinhuangdao Plate Mill	100%	**(60,919)**	(87,542)
Sub-total		**(780,428)**	(747,448)
2. Mineral exploration			
Shougang Resources	27.6%	**148,107**	279,721
Shouqin Longhui	67.8%	**(80,979)**	(35,558)
Sub-total		**67,128**	244,163
3. Commodity trading			
The Trading Group	100%	**118,933**	(1,043)
4. Others			
Shougang Century	35.7%	**(10,716)**	(33,154)
Fair value loss on Mt. Gibson offtake contract, net	100%	**(94,922)**	(20,000)
Corporate and others	100%	**(28,473)**	(40,319)
Sub-total		**(134,111)**	(93,473)
Total – continue operation business		**(728,478)**	(597,801)
Discontinued operation business –			
Shipping operation	100%	**–**	(21,693)
Total		**(728,478)**	(619,494)

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 faces a dire operating environment. This core segment recorded net loss of HK$780 million during the current period, while that of last period was net loss HK$747 million. Summary of production and sales quantities of the two manufacturing plants in the current and last interim period under this segment is as follows:

In '000 mt.		Slabs		Heavy Plates	
For the six months ended 30 June		**2013**	2012	**2013**	2012
(i)	**Production**				
	Shouqin	**1,191**	1,306	**864**	857
	Qinhuangdao Plate Mill	**–**	–	**317**	292
	Total	**1,191**	1,306	**1,181**	1,149
	Change	-9%		+3%	
(ii)	**Sales**				
	Shouqin#	**273**	319	**874**	850
	Qinhuangdao Plate Mill	**–**	–	**307**	258
	Total	**273**	319	**1,181**	1,108
	Change	-14%		+7%	

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 are eliminated on consolidation

Shouqin

The Group holds an effective interest of 76% in Shouqin, the remaining 20% and 4% are 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 slab and heavy plate have reached 3.6 million tonnes and 1.8 million tonnes respectively. For the current interim period, Shouqin reported a turnover of HK$5,090 million before elimination, recording a 11% drop on the comparative period. The drop was mainly due to decrease of ASP of heavy plates. The ASP (exclude VAT) of heavy plate was HK$4,633 (RMB3,692) per tonne, about 12% lower than that of the last period. Production of slab was mainly used for Shouqin consumption while some sales were made towards Qinhuangdao Plate Mill and are eliminated on consolidation. The ASP (exclude VAT) of slab was HK$3,561 (RMB2,838) per tonne, about 12% lower than that of the last period.

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 interim period, this entity recorded HK$256 million in turnover, 113% higher than that of last period as a result of more processing activities in specific plates.

For the six months ended 30 June 2013, the net loss of Shouqin attributable to the Group was HK$720 million, comparing to the net loss of HK$660 million in last period.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$1,489 million before elimination for the six months ended 30 June 2013, a drop of 5% comparing with that of last period. The drop was mainly due to lower selling price in the weak market, ASP (exclude VAT) was HK$4,184 (RMB3,334) per tonne, about 12% lower than that of last interim period. As a result, the Group's share of net loss of Qinhuangdao Plate Mill was HK$61 million, comparing to net loss of HK$88 million in last period.

Mineral exploration

Production and sale of coking coal

Shougang Resources is a 27.6% held associate of the Group and is a major hard coking coal producer in China, currently operating three premium coking coal mines in Shanxi, PRC with an annual production capacity of over 6 million tonnes. Its consolidated turnover for the interim period was HK$2,322 million; net profit attributable to shareholders was HK$582 million, a drop of 30% and 42% respectively over that of last interim period. Profit attributable to the Group was HK$148 million in this interim period.

Although selling price of coking coal was in a downside during the period, with the brand quality of Shougang Resources's products, we are confident towards its future operations. We are expecting this upstream business can still provide a significant profit base for the Group.

Production of iron ore products

The Group holds an effective 67.8% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Shouqin Longhui") which is situated in Qinglong County, Qinhuangdao City, Hebei, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

During the interim period under review, Shouqin Longhui's production was still affected by improvement initiatives towards environmental requirements. It sold approximately 206,900 tonnes pellets during the period while average selling price was HK$1,296 (RMB1,033) per tonne. It recorded a turnover of HK$309 million for the period, loss attributable to the group was about HK$81 million, comparing to an attributable loss of HK$36 million in last period.

Commodity trading ("Trading")

Our Trading operations are jointly conducted by SCIT Trading Limited and Shougang Concord Steel Holdings Limited and its subsidiaries ("The Trading Group"), both of which are wholly owned by the Group. The Trading Group reported a turnover of HK$1,854 million in the six months ended 30 June 2013, lower by 6% comparing to last period. It sold approximately 1.29 million tonnes of iron ore, which was lower from the 1.40 million tonnes sold from that of last period, through long term offtake arrangements with Mt Gibson starting from mid of 2009. Selling price was increased by 7% to HK$1,099 (USD141) per tonne. During the period, management has re-negotiated with Mt. Gibson on the iron ore offtake price. The monthly offtake price has been changed from the monthly average price of the Platts Index based on one month preceding price to the price of current month. The results attributable to the Group thus turned from loss to profit. The resulting net profit was HK$119 million in the interim period, comparing to a loss of HK$1 million in last period. Results from this operation are expected to be more favorable in the foreseeable future.

Other business

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

Shougang Century is a 35.7% associate of the Group. The Group's share of its net loss was HK$11 million, comparing to share of loss of HK$33 million in last period.

The keen competition in the steel cord industry has driven lower profit margin while the fixed costs still remain which lead to a loss situation.

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. Leverage

The financial leverage of the Group as at 30 June 2013 as compared to 31 December 2012 is summarized below:

HK$ million	**30 June 2013 (unaudited)**	31 December 2012 (audited)
Total Debt		
– from banks*	**9,785**	10,490
– from parent company	**883**	869
Sub-total	**10,668**	11,359
Cash and bank deposits	**2,438**	2,435
Net debt	**8,230**	8,924
Total capital (Equity and debt)	**17,843**	19,452
Financial leverage		
– Net debt to total capital	**46.1%**	45.9%
– Net debt to total assets	**29.0%**	30.4%

* *excluding financing from discounted bills.*

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 2013, approximately 80% 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. Notional amounts of such derivative instruments amounted to HK$194 million (USD25 million).

3. Financing activities

The Company has concluded one new bank financing during this interim period, totaling HK$350 million, of tenor 36 months.

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 during this interim period.

CAPITAL STRUCTURE

The Company issued 4,590,000 new shares during this interim period.

The issued share capital of the Company was HK$1,792 million (represented by 8,958 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,300 employees as at 30 June 2013.

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

PROSPECTS

Steel industry was still facing an onerous situation in the first half of 2013. The fluctuations in the global economy was reflected from the volatility in stock market and exchange rate of Japan, the debt crisis overcasting many European countries and the future direction of quantitative easing policy in the United States. Coupled with the continuous slowdown in the growth rate of economy in China, instability of the economy is prevailing worldwide.

Under such unstable situation of the global economy, the steel industry was also affected significantly. Despite the mild rise in steel prices during the first quarter, it began to fall again in the second quarter. Notwithstanding the above, the prices of major raw materials used in steel manufacturing, such as iron ore and coke, also fell sharply during the period, along the fall in steel price and alleviate the manufacturing cost accordingly.

Being affected by the drop of prices in commodity market and the impact brought by weak demand for steel, the selling prices of coking coal made by Shougang Resources (our major investment in the upstream operation) also fell significantly during the period. The Group's share of profit from Shougang Resources was reduced correspondingly. It is believed that coking coal prices will continue to follow the trend of economic cycle and steel prices in future. As to iron ore trading, very satisfactory results was achieved after renegotiation on the determination of iron ore offtake price. The offtake price has been changed to the monthly daily average price of the Platts price index in the current month in which the iron ore is trading. It is expected that a substantial amount of profit will be generated from this segment to the Group in the second half of this year and going forward.

Looking ahead, in the second half year, excess production capacity will still remain as the key issue in the industry pending to be resolved. It is foreseeable that only those companies with strong fundamentals can survive after restructuring of the steel industry. Our investments in the upstream operations, together with the processing operations in the downstream will form the entire production chain and a vertical integration. By capitalizing on the excellent quality of our products and our emphasis on environmental protection, our leading position against our peers will become more obvious. The policies adopted by the Chinese government towards urbanization and accelerated consolidation of the steel industry in future will also be conducive to the turnaround of the steel industry.

On the cost side, iron ore prices decreased from the hike during the period. As there will be more iron ore mines commencing operation in overseas and China within the coming future, supply will increase and it is anticipated to create pressure on iron ore prices in medium to long-term. If iron ore prices sustains at a low level, this may bring considerable positive improvement on the manufacturing cost of steel. The steel industry is a key pillar industry both to the nation and the society. Upon the gradual recovery of the economy, the prospect of steel industry is still promising. With the great support from our parent company, Shougang Corporation, we are confident with the prospects of the steel industry.

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 "Code") during the six months ended 30 June 2013, except for the following deviation:

- Under the first part of code provision E.1.2 of the 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 18 June 2013 (the "2013 AGM") as he had other engagements. The Managing Director of the Company, who took the chair of the 2013 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 2013 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2013 AGM were already of sufficient calibre and number for answering questions at the 2013 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
Li Shaofeng
Managing Director

Hong Kong, 28 August 2013

As at the date of this announcement, the Board comprises Mr. Xu Ning (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (Non-executive 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).