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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 2017

FINANCIAL HIGHLIGHTS

– Consolidated revenue from continuing operations was HK$1,306 million, up 173.2% from the same period last year.

– Profit attributable to shareholders was HK$142 million.

– Earnings per share was 1.58 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 2017. 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 2017

	NOTES	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
Continuing operations			
Revenue	*3*	**1,305,909**	478,001
Cost of sales		**(1,294,570)**	(442,500)
Gross profit		**11,339**	35,501
Other income		**4,084**	3,672
Other gains and losses		**2,830**	(8,186)
Change in fair value of derivative financial instruments		**(25,564)**	(11,267)
Administrative expenses		**(19,661)**	(19,887)
Impairment loss on interest in an associate	*8*	**–**	(257,000)
Finance costs		**(10,079)**	(14,407)
Share of results of associates		**178,776**	(114,004)
Profit (loss) before taxation		**141,725**	(385,578)
Income tax expense	*4*	**–**	–
Profit (loss) for the period from continuing operations	*5*	**141,725**	(385,578)
Discontinued operations			
Loss for the period from discontinued operations		**–**	(688,899)
Profit (loss) for the period		**141,725**	(1,074,477)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**–**	119,903
Fair value gain (loss) on investments in equity instruments designated as at fair value through other comprehensive income		**57**	(49,698)
Share of exchange differences of an associate arising on translation to presentation currency		**16,835**	(11,115)
Share of fair value gains on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**509**	34,440

	NOTES	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited) (restated)
Item that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**95,304**	(7,113)
Other comprehensive income for the period		**112,705**	86,417
Total comprehensive income (expense) for the period		**254,430**	(988,060)
Profit (loss) for the period attributable to owners of the Company:			
– from continuing operations		**141,725**	(385,578)
– from discontinued operations		**–**	(540,790)
		141,725	(926,368)
Loss for the period attributable to non-controlling interests from discontinued operations		**–**	(148,109)
		141,725	(1,074,477)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**254,430**	(856,835)
Non-controlling interests		**–**	(131,225)
		254,430	(988,060)
Earnings (loss) per share	*7*		
From continuing and discontinued operations			
– Basic and diluted		**1.58 HK cents**	(10.34) HK cents
From continuing operations			
– Basic and diluted		**1.58 HK cents**	(4.30) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment property		**6,000**	6,000
Property, plant and equipment		**2,377**	2,246
Interests in associates	*8*	**4,901,965**	4,654,460
Equity investment		**840**	783
Deferred tax assets		**34,626**	32,291
Other financial assets		**148,970**	181,716
		5,094,778	4,877,496
CURRENT ASSETS			
Trade and bills receivables	*9*	**403,485**	394,779
Trade receivables from related companies	*10*	**23,570**	8,704
Prepayments, deposits and other receivables		**10,311**	5,414
Dividend receivable from an associate		**43,919**	–
Amounts due from related companies	*10*	**399**	456
Amounts due from associates		**15**	26
Other financial assets		**8,390**	–
Pledged bank deposits		**–**	23,073
Bank balances and cash		**241,470**	537,488
		731,559	969,940
CURRENT LIABILITIES			
Trade and bills payables	*11*	**92,050**	276,093
Trade payables to related companies	*10*	**–**	8,212
Other payables, provision and accrued liabilities		**31,166**	48,831
Tax payable		**154,287**	192,307
Bank borrowings – due within one year		**587,986**	616,783
Other financial instruments		**1,208**	–
		866,697	1,142,226
NET CURRENT LIABILITIES		**(135,138)**	(172,286)
NET ASSETS		**4,959,640**	4,705,210
CAPITAL AND RESERVES			
Share capital	*12*	**5,345,183**	5,345,183
Reserves		**(385,543)**	(639,973)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**4,959,640**	4,705,210

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 financial information relating to the year ended 31 December 2016 that is included in the 2017 interim results announcement as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Group had net current liabilities of approximately HK$135,138,000 as at 30 June 2017. Taking into account the financial resources of the Group, including the financial support from the ultimate holding company of the major shareholder of the Company, Shougang Group Co., Ltd. (formerly known as 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 value, 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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 HKFRS 7	Disclosures Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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 makers for the purposes of resource allocation and performance assessment are as follows:

Trading business – trading of steel products and iron ore;
Others – management services and leasing income.

During the year ended 31 December 2016, the segments of steel manufacturing and mineral exploration and processing were discontinued following the disposal of Ultimate Century Investments Limited on 30 December 2016.

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

Continuing operations

Six months ended 30 June 2017 (unaudited)

	Trading business HK$'000	Others HK$'000	Total HK$'000
Revenue			
External sales	**1,304,001**	**1,908**	**1,305,909**
Segment profit (loss)	**15,338**	**(6,534)**	**8,804**
Other income			**4,084**
Central administration costs			**(15,504)**
Change in fair value of commodity forward contracts			**(24,356)**
Finance costs			**(10,079)**
Share of results of associates			**178,776**
Profit before taxation			**141,725**

Six months ended 30 June 2016 (unaudited) (restated)

	Trading business HK$'000	Others HK$'000	Total HK$'000
Revenue			
External sales	476,201	1,800	478,001
Inter-segment sales	54,121	–	54,121
Segment revenue	530,322	1,800	532,122
Elimination			(54,121)
Group revenue			478,001
Segment profit (loss)	29,525	(6,538)	22,987
Other income			3,672
Central administration costs			(15,559)
Change in fair value of commodity forward contracts			(11,267)
Impairment loss on interest in an associate			(257,000)
Finance costs			(14,407)
Share of results of associates			(114,004)
Loss before taxation			(385,578)

Inter-segment sales are charged at prevailing market rates.

Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of other income, central administration costs, change in fair value of commodity forward contracts, impairment loss on interest in an associate, finance costs 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

Continuing operations

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2017 and 2016.

No provision for Hong Kong profits tax from continuing operations is made for the six months ended 30 June 2017 and 2016 since there is no assessable profits arising in Hong Kong.

5. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Profit (loss) for the period has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**9,870**	9,976
– retirement benefits scheme contributions	**396**	507
	10,266	10,483
Depreciation of property, plant and equipment	**122**	153
Change in fair value of derivative financial instruments		
– change in fair value of commodity forward contracts	**24,356**	11,267
– change in fair value of foreign currency forward contracts	**1,208**	–
	25,564	11,267
Reversal of allowance for trade receivables, net (included in other gains and losses)	**(10)**	(10)
Interest income from bank deposits, included in other income	**(4,084)**	(3,672)
Net foreign exchange loss (included in other gains and losses)	**5,392**	8,196

6. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2017 and 2016. Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2017 and 2016.

7. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	**141,725**	(926,368)

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

	Six months ended 30 June	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**8,957,896,227**	8,957,896,227

For the six months ended 30 June 2017, the computation of diluted earnings per share does not assume the exercise of the share options as the exercise price of those share options is higher than the average market price for shares for the six months ended 30 June 2017.

For the six months ended 30 June 2016, the computation of diluted loss per share does not assume the exercise of the share options, as it would result in a decrease in loss per share.

From continuing operations

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

	Six months ended 30 June	
	2017	2016
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	**141,725**	(385,578)

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

	Six months ended 30 June	
	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**8,957,896,227**	8,957,896,227

For the six months ended 30 June 2017, the computation of diluted earnings per share does not assume the exercise of the share options as the exercise price of those share options is higher than the average market price for shares for the six months ended 30 June 2017.

For the six months ended 30 June 2016, the computation of diluted loss per share does not assume the exercise of the share options, as it would result in a decrease in loss per share.

8. INTERESTS IN ASSOCIATES

	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Cost of investment in associates	**6,834,092**	6,834,092
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(359,233)**	(606,738)
Unrealised gain on transfer from security investment reserve upon disposal of available-for-sale investments *(Note)*	**(364,213)**	(364,213)
Impairment loss	**(1,208,681)**	(1,208,681)
	4,901,965	4,654,460

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"), arising from 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 2017 and 31 December 2016, such investments are continuously held by Shougang Resources and classified as financial assets at fair value through other comprehensive income.

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$1,048,488,000 as at 30 June 2017 (31 December 2016: HK$1,048,488,000) arising from the acquisition of Shougang Resources. The movement of goodwill is set out below.

	HK$'000
COST	
At 1 January 2016, 31 December 2016 (audited) and 30 June 2017 (unaudited)	2,257,169
IMPAIRMENT	
At 1 January 2016 (audited)	951,681
Impairment loss recognised during the year ended 31 December 2016	257,000
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	1,208,681
CARRYING VALUES	
At 31 December 2016 (audited) and 30 June 2017 (unaudited)	1,048,488

No impairment loss has been recognised for the six months ended 30 June 2017 (for the six months ended 30 June 2016: HK$257,000,000) in respect of the 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 prepared by the management with reference to the information provided by the management of the associate covering a 5-year period and using a discount rate of 12.87% (for the six months ended 30 June 2016: 12.14%), and the cash flows beyond 5 years are extrapolated using a zero growth rate. Key assumptions used in the value in use calculation are the estimation of cash inflows arising from forecasted sales and gross margins, derived from the associate's past performance and management's expectations of the market development.

During the six months ended 30 June 2017, as the recoverable amount of the estimated cash flows of the cash-generating unit is higher than the carrying amount of the interest in Shougang Resources, no impairment loss has been recognised on interest in Shougang Resources for the six months ended 30 June 2017.

During the six months ended 30 June 2016, the estimated cash flows of the cash-generating unit was revised due to the slowdown of economy in the PRC. As the reassessment of the recoverable amount of the cash-generating unit was less than the carrying amount of the interest in Shougang Resources, an impairment loss of HK$257,000,000 on interest in Shougang Resources had been recognised for the six months ended 30 June 2016.

9. TRADE AND BILLS RECEIVABLES

The credit terms of trade receivables are normally 90 to 180 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 2017	31 December 2016
	HK$'000	HK$'000
	(unaudited)	(audited)
Within 60 days	**237,538**	356,854
61 – 90 days	**75,850**	37,925
91 – 180 days	**90,097**	–
	403,485	394,779

The following were the Group's bills receivables as at 30 June 2017 and 31 December 2016 that were transferred to banks by discounting 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 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
At 30 June 2017 (unaudited)	
Carrying amount of bills receivables	59,051
Carrying amount of borrowings	(59,051)

There was no bills receivables discounted to the bank as at 31 December 2016.

10. TRADE RECEIVABLES/TRADE PAYABLES/AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies represent amounts due from the subsidiaries of Shougang Group Co., Ltd., the 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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within 60 days	**23,560**	8,704
61 – 90 days	**10**	–
	23,570	8,704

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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Over 2 years	**–**	8,212

11. 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 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Within 90 days	**92,050**	276,093

12. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares issued and fully paid:		
At 1 January 2016, 30 June 2016, 31 December 2016 and 30 June 2017		
– Ordinary shares with no par value	8,957,896,227	5,345,183

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

After the disposal of the Qinhuangdao business at the end of last year, the Group ended the running of many years of steel business. The Group's business has been focused to trading of iron ore. At the same time, through investment in two associates listed in Hong Kong, Shougang Fushan Resources Group Limited ("Shougang Resources") and Shougang Concord Century Holdings Limited ("Shougang Century"), the business of the Group also includes exploration and sales of hard coking coal and manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products in China.

The first interim results of the Group after the disposal of its steel business demonstrated an encouraging performance, making a turnaround from substantial loss in successive years to a profit of HK$142 million for the period. Significant improvement in performance was mainly a result from excluding the substantial loss of steel business, coupled with the outstanding results of its two associates, achieving turnaround for the period.

PERFORMANCE REVIEW

	For the six months ended 30 June	
	2017	2016
	HK$ Million	HK$ Million (Restated)
Results from continuing operations		
Loss attributable to shareholders before share of results of associates	**(37)**	(271)
Share of results of associates	**179**	(114)
	142	(385)
Results from discontinued operations	**–**	(541)
Profit (loss) attributable to shareholders	**142**	(926)

KEY PERFORMANCE INDICATORS

	For the six months ended 30 June	
	2017	2016
	HK$ Million	HK$ Million
Turnover	**1,306**	478
Gross profit margin	**0.9%**	7.4%
Profit (loss) attributable to shareholders		
Continuing operations	**142**	(385)
Discontinued operations	**–**	(541)
	142	(926)
Earnings (loss) per share (HK cents)		
Continuing operations	**1.58**	(4.30)
Discontinued operations	**–**	(6.04)
	1.58	(10.34)

	As at 30 June 2017	As at 31 December 2016
	HK$ Million	HK$ Million
Gross assets	**5,826**	5,847
Net assets	**4,960**	4,705
Cash and bank balances	**241**	561
Bank loans	**588**	617
Gearing ratio*	**7.0%**	1.2%

The Group's profit attributable to shareholders for the six months ended 30 June 2017 was HK$142 million as compared to the loss of HK$926 million for the same period last year. The Group's continuing operations business recorded an consolidated turnover of HK$1,306 million, representing an increase of 173.2% over the same period last year. The earnings per share for the period was 1.58 HK cents while the loss per share for the same period last year was 10.34 HK cents.

* *Gearing ratio is defined as bank loans less cash and bank balances divided by shareholders' funds.*

FINANCIAL REVIEW

Six months ended 30 June 2017 compared to the six months ended 30 June 2016

Turnover and Cost of Sales

The Group recorded consolidated turnover from continuing operations of HK$1,306 million for this period, represented an increase of 173.2% when comparing to HK$478 million the same period last year. The increase in turnover was mainly due to the surge in trading volume of iron ore and the increase in average selling price.

Cost of sales from continuing operations for the period was HK$1,295 million, up 192.6% when comparing to HK$443 million in the same period last year. Increase in cost of sales was also attributable to the surge in trading volume of iron ore.

Gross profit from continuing operations for the period was HK$11 million. The gross profit margin was 0.9% in this period while it was 7.4% in the same period last year. The decrease in gross profit margin was mainly because there were still inventory of medium grade iron ore provided by Mount Gibson Iron Limited ("Mt. Gibson") for trading purpose under the offtake agreements entered into with Mt. Gibson, and the agreements include rebate on marketing commission for purchase of iron ore from Mt. Gibson in the same period last year. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. Therefore, although the Group devoted much effort in procurement from other suppliers so as to drive the trading volume, the gross profit margin in this period was lower as there were more rebates on marketing commission and the trading of special graded iron ore in the same period last year.

EBITDA

For the period under review, earnings before interest, tax, depreciation, amortization, impairment loss and change in fair value of iron ore offtake agreements of the Group for the continuing operations was HK$176 million (2016 interim: earnings of HK$10 million).

Finance costs

For the period under review, finance costs for the continuing operations amounted to HK$10 million, 30.0% lower than that of the same period last year. The decrease in finance costs was mainly due to the decrease in the overall loan amounts of the Group.

Share of results of associates

In this period, we have shared a profit of HK$170 million and HK$9 million from each of Shougang Resources and Shougang Century, whereas for the same period last year, the share of loss from Shougang Resources and Shougang Century were HK$97 million and HK$17 million respectively.

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 2017 HK$ Million	2016 HK$ Million
Continuing operations			
1. Trading business	100%	**12**	29
Sub-total		**12**	29
2. Share of results of associates			
Shougang Resources	27.61%	**170**	(97)
Shougang Century	35.71%	**9**	(17)
Sub-total		**179**	(114)
3. Others			
Fair value loss on iron ore offtake agreements with Mt. Gibson	–	**(24)**	(11)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	**–**	(257)
Exchange loss	–	**(5)**	(8)
Corporate and others	–	**(20)**	(24)
Sub-total		**(49)**	(300)
Results from continuing operations		**142**	(385)
Results from discontinued operations		**–**	(541)
Profit (loss) attributable to shareholders		**142**	(926)

Continuing operations

Trading business

The trading business of the Group mainly involves the trading of iron ore imported by the PRC. Iron ore is a vital raw material for the manufacturing of steel, while steel is one of the important material widely applied in our daily life, including development of infrastructures, real estates, shipbuilding, railways, industrial machineries, automobiles and home appliances, etc. Currently, the steel production of the PRC accounts to approximately 50% of the world's production, which makes the PRC the world's leading steel manufacturer and iron ore consumer. With better quality, imported iron ore helps reducing substantial mining and processing costs for steel manufacturing, therefore, there is strong demand for imported iron ore in the PRC.

Below is the imported iron ore price movement for the 18 months ended 30 June 2017.

The trading of iron ore imported by the PRC was facing increasing difficulties. China banned ground steel strips, which significantly reduced the demand for scrap steel, the raw material of ground steel strips. As steel mills purchased more scrap steel as their raw materials after the falling of the scrap steel price, the use of iron ore was decreased, which made the supply of iron ore further exceed its demand. Based on actual situation, the Group has adjusted its business mode and started to adopt hedging tools such as iron ore future/swap to reduce the operational risks of its trading business.

Trading business recorded turnover of HK$1,304 million for the six months ended 30 June 2017, representing an increase of 173.8% when comparing to the same period last year. Ever since 2009, the trading business had mainly involved trading of iron ore pursuant to the offtake agreements entered into with Mt. Gibson. However, the amount of iron ore provided by Mt. Gibson to the Group dropped significantly following the suspension of the Koolan Island mine of Mt. Gibson due to the occurrence of seawall slump and flooding in late 2014. From last year, the Group started to generate more sources of procurement from other suppliers so as to increase the trading volume. During the period, sales volume of approximately 2,525,000 tonnes of iron ore was achieved, representing a rise of 81.4% when comparing to the same period last year, and the average selling price also ascended 34.7% to US$66 per tonne. While turnover rose, gross profit margin dropped. The decrease in gross profit margin was due to the sale of the inventories of medium grade iron ore in the same period last year provided by Mt. Gibson under the offtake agreements entered into with Mt. Gibson. The agreements include rebate on marketing commission for purchase of the iron ore from Mt. Gibson. Besides, trading of medium grade iron ore brought higher gross profit margin than trading of mainstream minerals. This segment contributed net profit of HK$12 million for the period, while net profit of HK$29 million was recorded in the same period last year.

In December 2016, the Group entered into another offtake agreement with Mt. Gibson for the purchase of about one fourth of the first year's production volume of iron ore from Iron Hill, a new project of Mt. Gibson. The offtake agreement has a term of 12 months, with purchase price to be determined based on CFR term market price with reference to Platts iron ore price index, plus general market premium on lump, and penalties in relation to the purity of the iron ore. Under the terms of the CFR, supplier needs to arrange shipment of the goods to the destination port of the buyer at the cost of the supplier. The Group is entitled to extend the term of the agreement to a maximum of 12 months. The agreement has been approved by the regulatory bodies in Australia during the period and has officially come into effect after obtaining the approval from the shareholders of Mt. Gibson at the general meeting of Mt. Gibson in April 2017.

Mt. Gibson has also announced the restoration plan for Koolan Island mine during the period, which states that Mt. Gibson decided to resume the production of Koolan Island mine based on its results of feasibility study and technical assessments on Koolan Island mine. The preliminary results shows that the mine has a reserve of high grade iron ore (66% Fe) of 12,800,000 tonnes and an estimated life of 3.5 years. It is expected that the mine will restart the sales of iron ore in early 2019. In addition, the potential production of 7,000,000 tonnes for the second phase is still under assessment. Under the offtake agreements, the Group purchases from Koolan Island with rebate on marketing commission. It is expected more profits will be contributed to the Group after resuming production of Koolan Island mine.

Performance of associates

Shougang Resources

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong and is a large 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. It sold 732,000 tonnes raw coking coal and 997,000 tonnes clean coking coal during the period and its consolidated turnover for the period was HK$1,918 million, an increase of 182.9% over that of the same period last year. The selling price (exclude VAT) of raw coking coal and clean coking coal sold during the period were RMB601 and RMB1,254 respectively, represented increases of 151.5% and 152.3% respectively over the same period last year. With the significant rebound of coking coal price, profit attributable to shareholders of Shougang Resources in this period was significantly increased to HK$662 million while there was loss of HK$307 million in the same period last year. Profit of Shougang Resources attributable to the Group was HK$170 million in this period, while it was a loss of HK$97 million attributable to the Group in the same period last year.

The strong financial base of Shougang Resources with close to zero gearing ratio and bank balances of approximately HK$4.4 billion enable it to maximize its value when appropriate investment opportunities arise.

Customers are confident of the high quality products of Shougang Resources which are regarded as panda coal.

Shougang Century

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 in Shandong province and Zhejiang province, PRC. The Group's share of its net profit was HK$9 million in this period, comparing to share of loss of HK$17 million in the same period last year. It recorded a profit in this period mainly due to the increase in selling price of steel cord, which led to great improvement of its profit margin.

Further to the non-legally binding memorandum of understanding ("MOU") dated 13 July 2014 and the supplemental MOUs dated 30 June 2015 and 30 June 2016 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. According to the relevant MOUs, Shougang Century and the independent third party agreed to extend the completion of formal agreement until 12 July 2018.

For identification only

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 2017 as compared to 31 December 2016 is summarized below:

	As at 30 June 2017 HK$ Million	As at 31 December 2016 HK$ Million
Cash and bank balances	**241**	561
Bank loans		
– term loans	**418**	617
– short term trading loans	**170**	–
Total bank loans	**588**	617
Shareholders' funds	**4,960**	4,705
Gearing ratio	**7.0%**	1.2%

As at 30 June 2017, all bank borrowings of the Group are denominated in US dollars and repayable within one year. Based on the past financing experience, the Group has the ability to renew or refinance the banking facilities upon maturity.

As at 30 June 2017, the Group pledged 863,000,000 shares of Shougang Resources, a listed associate, to secure its bank borrowings.

2. Price, 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's currency, interest rate and counterparty risks. Derivatives are mainly used for managing such risks. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and the 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 2017, almost 100% of the Group's turnover for the continuing operations was denominated in US dollars. Floating rate borrowings are used in the portfolio of the Group's borrowing. The Group will also enter into certain interest rate swaps to mitigate interest rate risks if necessary. To cope with the trading situation, the Group started to use iron ore future/swap and foreign exchange forward to hedge the price risks of the purchase cost and selling price arising from iron ore trading.

At the end of the reporting period, the Group hold forward foreign exchange contracts of September 2017 to purchase USD7.69 million and sell RMB53.49 million, to lock its trading receivables of iron ore to be settled in RMB in September 2017.

3. Financing activities

The Company has no new term loan financing from bank during this period.

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$5,345,183,055 (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of 43 employees as at 30 June 2017.

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 hospitalization scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the employees as part of their staff benefits.

PROSPECTS

In the first half of 2017, a favourable global economic trend has been maintained, which was mainly benefited from the sufficient supply of capital arising from the global low interest rate environment and the quantitative easing policies. However, with initiatives like repeatedly rate hikes and shrinking the balance sheet, coupled with the unpredictable policy of the new US government, potential changes may be seen in the future economic environment.

After the major reorganisation of the Group at the end of 2016 and upon the disposal of traditional steel business which had been running for many years, the Group currently focus on trading of iron ore imported by the PRC. The Group achieved a turnaround in its first interim results after the reorganisation. However, suffering from the weakening demand, iron ore trading business encountered difficulties as the traditional back to back trading of mainstream minerals can only generate little profit to the Group. Nevertheless, leveraged on the professional team of the Group which has extensive experiences and is sensitive to the market, by utilising hedging tools of iron ore future/swap, the Group still recorded certain profit for its trading business under such difficult market conditions. The Group will continue to adjust its business model to accommodate the changing market conditions. In April, Mt. Gibson announced its restoration plan of Koolan Island mine and the sale of iron ore is expected to resume in early 2019. Under the offtake agreements entered into between the Group and Mt. Gibson, purchase of iron ore of Koolan Island mine includes rebate on marketing commission. Thus, the restoration of Koolan Island mine is expected to increase the profit for the Group in future.

Shougang Resources and Shougang Century, the two main associates of the Group, have performed well during the period, with both achieving turnaround comparing to the same period of last year. Benefiting from the continuous price upturn of coking coal, Shougang Resources especially has made favourable profit. As reported, the financial base of Shougang Resources is strong with close to zero gearing ratio and substantial cash and bank balances enable the Group to maximise its value when appropriate investment opportunities arise.

The Group has already achieved its first target of making turnaround. The Group will be more proactive in seeking appropriate new business for the Group, enabling it to have more growing points. The Group would like to express gratitude for the immense support from Shougang Group, the controlling shareholder of the Company, to assist the Company to navigate such difficult times. Thus, the Company has transited smoothly.

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 2017, 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 26 May 2017 (the "2017 AGM") as he had another business engagement. The Managing Director of the Company took the chair of the 2017 AGM. Other members of the Board including the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the 2017 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2017 AGM were already of sufficient calibre and number for answering questions at the 2017 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, 24 August 2017

As at the date of this announcement, the Board comprises Mr. Zhang Bingcheng (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Ding Rucai (Deputy Managing Director), Mr. Shu Hong (Deputy Managing 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).