SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

Stock Code : 697

2016

INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors	Zhang Bingcheng *(Chairman)* Li Shaofeng *(Managing Director)* Ding Rucai *(Deputy Managing Director)* Shu Hong *(Deputy Managing Director)* Ip Tak Chuen, Edmond *(Non-executive Director)* Leung Shun Sang, Tony *(Non-executive Director)* Kan Lai Kuen, Alice *(Independent Non-executive Director)* Wong Kun Kim *(Independent Non-executive Director)* Leung Kai Cheung *(Independent Non-executive Director)*
Executive Committee	Li Shaofeng *(Chairman)* Ding Rucai Shu Hong
Audit Committee	Kan Lai Kuen, Alice *(Chairman)* Wong Kun Kim Leung Kai Cheung
Nomination Committee	Zhang Bingcheng *(Chairman)* Leung Shun Sang, Tony Kan Lai Kuen, Alice Wong Kun Kim Leung Kai Cheung
Remuneration Committee	Wong Kun Kim *(Chairman)* Li Shaofeng Leung Shun Sang, Tony Kan Lai Kuen, Alice Leung Kai Cheung
Company Secretary	Cheng Man Ching

CORPORATE INFORMATION (continued)

Auditor	Deloitte Touche Tohmatsu
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office and Principal Place of Business	7th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Stock Code	697
Website	www.shougang-intl.com.hk

INTERIM RESULTS

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016. 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 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**3,424,687**	4,212,280
Cost of sales		**(3,612,077)**	(4,555,513)
Gross loss		**(187,390)**	(343,233)
Other income		**22,030**	35,005
Other gains and losses		**(17,788)**	3,807
Change in fair value of derivative financial instruments		**(11,267)**	(26,971)
Distribution and selling expenses		**(37,989)**	(55,558)
Administrative expenses		**(202,565)**	(248,433)
Impairment loss on interest in an associate	*9*	**(257,000)**	(395,000)
Finance costs		**(270,595)**	(360,896)
Share of results of associates		**(114,255)**	(58,220)
Loss before taxation		**(1,076,819)**	(1,449,499)
Income tax credit	*4*	**2,342**	2,104
Loss for the period	*5*	**(1,074,477)**	(1,447,395)

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

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June 2016 HK$'000 (unaudited)	2015 HK$'000 (unaudited)
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**119,903**	3,156
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income		**(49,698)**	(77)
Share of exchange differences of an associate arising on translation to presentation currency		**(11,115)**	149
Share of fair value gains on investment in equity instruments designated as at fair value through other comprehensive income of an associate		**34,440**	3,509
Items that may be subsequently reclassified to profit or loss:			
Share of exchange differences of an associate arising on translation of foreign operations		**(7,113)**	–
Other comprehensive income for the period		**86,417**	6,737
Total comprehensive expense for the period		**(988,060)**	(1,440,658)

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

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016	2015
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company		**(926,368)**	(1,233,708)
Loss for the period attributable to non-controlling interests		**(148,109)**	(213,687)
		(1,074,477)	(1,447,395)
Total comprehensive expense attributable to:			
Owners of the Company		**(856,835)**	(1,228,249)
Non-controlling interests		**(131,225)**	(212,409)
		(988,060)	(1,440,658)
Loss per share	*7*		
– Basic		**(10.34) HK cents**	(13.77) HK cents
– Diluted		**(10.34) HK cents**	(13.77) HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	**30 June 2016 *HK$'000* (unaudited)**	31 December 2015 *HK$'000* (audited)
NON-CURRENT ASSETS			
Investment properties	*8*	**38,115**	38,818
Property, plant and equipment	*8*	**8,652,778**	9,239,351
Prepaid lease rentals		**284,521**	292,754
Interests in associates	*9*	**4,925,003**	5,353,944
Equity investments	*10*	**5,335**	56,199
Deferred tax assets		**33,425**	32,582
Other financial assets	*19*	**301,585**	312,852
Deposits for acquisition of property, plant and equipment		**14,245**	15,665
Pledged bank deposits	*20(a)*	**44,967**	191,428
		14,299,974	15,533,593
CURRENT ASSETS			
Inventories		**1,499,250**	1,531,574
Trade and bills receivables	*11*	**1,838,173**	2,005,306
Trade receivables from related companies	*12*	**130,344**	126,205
Trade receivables from ultimate holding company of a shareholder	*13*	**1,241**	1,313
Prepayments, deposits and other receivables		**365,043**	399,431
Prepaid lease rentals		**7,417**	7,531
Amounts due from related companies	*12*	**76,000**	212,946
Amount due from an associate	*22(b)*	**7,303**	7,372
Restricted bank deposits		**641,172**	832,566
Pledged bank deposits	*20(a)*	**65,825**	85,062
Bank balances and cash		**489,095**	519,474
		5,120,863	5,728,780

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2016

	NOTES	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	14	**3,045,884**	3,464,157
Trade payables to related companies	12	**691,198**	652,676
Trade payables to ultimate holding company of a shareholder	13	**7,202,572**	7,074,234
Other payables, provision and accrued liabilities		**1,305,816**	1,175,267
Tax payable		**148,295**	144,669
Amounts due to related companies	12	**223,900**	263,378
Amount due to ultimate holding company of a shareholder	13	**1,628**	2,137
Bank borrowings – due within one year	15	**5,729,334**	5,986,616
Loans from ultimate holding company of a shareholder – due within one year	16	**991,818**	1,013,135
		19,340,445	19,776,269
NET CURRENT LIABILITIES		**(14,219,582)**	(14,047,489)
TOTAL ASSETS LESS CURRENT LIABILITIES		**80,392**	1,486,104
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	15	**413,310**	818,938
Deferred tax liabilities		**26,776**	29,318
Loans from ultimate holding company of a shareholder – due after one year	16	**409,117**	417,910
		849,203	1,266,166
		(768,811)	219,938
CAPITAL AND RESERVES			
Share capital	17	**5,345,183**	5,345,183
Reserves		**(4,865,706)**	(4,008,871)
Equity attributable to owners of the Company		**479,477**	1,336,312
Non-controlling interests		**(1,248,288)**	(1,116,374)
		(768,811)	219,938

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Revaluation reserve HK$'000 (Note a)	Exchange reserve HK$'000	Share option reserve HK$'000	Enterprise expansion fund and statutory reserve fund HK$'000 (Note b)	Security investment reserve HK$'000	Non-distributable reserve HK$'000 (Note c)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015 (audited)	5,345,183	28,338	1,211,901	289,560	727,735	(744,169)	51,979	(2,084,725)	4,825,802	(582,402)	4,243,400
Loss for the period	–	–	–	–	–	–	–	(1,233,708)	(1,233,708)	(213,687)	(1,447,395)
Exchange differences arising on translation	–	–	2,254	–	–	–	–	–	2,254	902	3,156
Fair value (loss) gain on investments in equity instruments designated as at fair value through other comprehensive income	–	–	–	–	–	(453)	–	–	(453)	376	(77)
Share of other comprehensive income of associates	–	–	149	–	–	3,509	–	–	3,658	–	3,658
Total comprehensive income/(expense) for the period	–	–	2,403	–	–	3,056	–	(1,233,708)	(1,228,249)	(212,409)	(1,440,658)
At 30 June 2015 (unaudited)	5,345,183	28,338	1,214,304	289,560	727,735	(741,113)	51,979	(3,318,433)	3,597,553	(794,811)	2,802,742
At 1 January 2016 (audited)	**5,345,183**	**28,338**	**1,152,585**	**289,560**	**726,572**	**(836,485)**	**51,979**	**(5,421,420)**	**1,336,312**	**(1,116,374)**	**219,938**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(926,368)**	**(926,368)**	**(148,109)**	**(1,074,477)**
Exchange differences arising on translation	**–**	**–**	**91,087**	**–**	**–**	**–**	**–**	**–**	**91,087**	**28,816**	**119,903**
Fair value loss on investments in equity instruments designated as at fair value through other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(37,766)**	**–**	**–**	**(37,766)**	**(11,932)**	**(49,698)**
Share of other comprehensive (expense) income of associates	**–**	**–**	**(18,228)**	**–**	**–**	**34,440**	**–**	**–**	**16,212**	**–**	**16,212**
Total comprehensive income/(expense) for the period	**–**	**–**	**72,859**	**–**	**–**	**(3,326)**	**–**	**(926,368)**	**(856,835)**	**(131,225)**	**(988,060)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(689)**	**(689)**
At 30 June 2016 (unaudited)	**5,345,183**	**28,338**	**1,225,444**	**289,560**	**726,572**	**(839,811)**	**51,979**	**(6,347,788)**	**479,477**	**(1,248,288)**	**(768,811)**

Notes:

(a) Revaluation reserve mainly represents the difference between the fair value and carrying value of the prepaid lease rentals for the original equity interest held, which is 51%, upon the step-up acquisition of the additional equity interest in Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") in 2005.

(b) Enterprise expansion fund and statutory reserve fund, which are non-distributable, are appropriated from the profit after tax of the Company's subsidiaries under the applicable laws and regulations in the People's Republic of China (the "PRC") (other than Hong Kong).

(c) Non-distributable reserve represented the capitalisation of the dividends paid out of the enterprise expansion fund and statutory reserve fund.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash from (used in) operating activities	**242,978**	(273,396)
Net cash from investing activities		
Decrease of restricted bank deposits	**173,877**	182,474
Purchase of property, plant and equipment	**(18,032)**	(32,069)
Placement of pledged bank deposits	**(59,485)**	(60,390)
Deposits paid for acquisition of property, plant and equipment	**(14,575)**	(22,599)
Withdrawal of pledged bank deposits	**225,183**	157,368
Interest received	**14,477**	25,127
Proceeds from disposal of property, plant and equipment	**124**	660
Increase in amount due from ultimate holding company of a shareholder	**–**	(151)
Increase in amount due from an associate	**(86)**	(375)
	321,483	250,045
Net cash (used in) from financing activities		
New bank borrowings raised	**3,079,155**	4,405,932
Advance from related companies	**69,197**	1,363
Advance from ultimate holding company of a shareholder	**1,118**	234,578
Repayment to ultimate holding company of a shareholder	**(1,627)**	(94,231)
Advance on discounted bills	**1,770**	670,043
Repayment of bank borrowings	**(3,626,855)**	(5,149,234)
Repayment to related companies	**(108,675)**	(22,653)
Dividends paid to non-controlling shareholders of a subsidiary	**(689)**	–
	(586,606)	45,798
Net (decrease) increase in cash and cash equivalents	**(22,145)**	22,447
Cash and cash equivalents at 1 January	**519,474**	872,250
Effect of foreign exchange rate changes	**(8,234)**	(607)
Cash and cash equivalents at 30 June, represented by bank balances and cash	**489,095**	894,090

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 financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements 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 2015 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 and net liabilities of approximately HK$14,219,582,000 and HK$768,811,000 as at 30 June 2016, respectively. Taking into account the financial resources of the Group, including the Group's unutilised banking facilities of approximately HK$1,070,043,000, the Group's ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, the directors of the Company ("Directors") are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair 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 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

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 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception

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:

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

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

Six months ended 30 June 2016 (unaudited)

	Steel manufacturing *HK$'000*	Commodity trading *HK$'000*	Mineral exploration and processing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	2,946,686	476,201	–	1,800	3,424,687
Inter-segment sales	–	54,121	1,561	–	55,682
Segment revenue	2,946,686	530,322	1,561	1,800	3,480,369
Elimination					(55,682)
Group revenue					3,424,687

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing *HK$'000*	Commodity trading *HK$'000*	Mineral exploration and processing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment (loss) profit	(398,521)	29,525	(47,086)	(6,538)	(422,620)
Interest income					14,477
Central administration costs					(15,559)
Change in fair value of derivative financial instruments					(11,267)
Impairment loss on interest in an associate					(257,000)
Finance costs					(270,595)
Share of results of associates					(114,255)
Loss before taxation					(1,076,819)

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2015 (unaudited)

	Steel manufacturing *HK$'000*	Commodity trading *HK$'000*	Mineral exploration and processing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue					
External sales	4,027,234	173,522	9,724	1,800	4,212,280
Inter-segment sales	56,756	36,991	112,043	–	205,790
Segment revenue	4,083,990	210,513	121,767	1,800	4,418,070
Elimination					(205,790)
Group revenue					4,212,280

Inter-segment sales are charged at prevailing market rates.

Segment (loss) profit	(583,952)	15,216	(68,756)	16,398	(621,094)
Interest income					28,476
Central administration costs					(15,794)
Change in fair value of derivative financial instruments					(26,971)
Impairment loss on interest in an associate					(395,000)
Finance costs					(360,896)
Share of results of associates					(58,220)
Loss before taxation					(1,449,499)

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, change in fair value of derivative financial instruments, impairment loss on interest in an associate and share of results of associates. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

4. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	**36**	47
Deferred tax	**(2,378)**	(2,151)
Income tax credit	**(2,342)**	(2,104)

No provision for Hong Kong Profits Tax is made for the six months ended 30 June 2016 and 2015 since there is no assessable profits arising in Hong Kong.

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

5. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2016 **HK$'000** **(unaudited)**	2015 HK$'000 (unaudited)
Loss for the period has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**171,502**	205,655
– retirement benefits scheme contributions	**24,349**	27,210
	195,851	232,865
Amortisation of prepaid lease rentals	**3,754**	3,851
Depreciation of property, plant and equipment	**431,967**	470,013
Total depreciation and amortisation	**435,721**	473,864
Change in fair value of derivative financial instruments		
– change in fair value of commodity forward contracts	**11,267**	26,971
Interest expenses for bank borrowings wholly repayable within five years	**164,079**	228,695
Interest expenses for other borrowings wholly repayable within five years	**38,517**	27,404
Total borrowing costs	**202,596**	256,099
Add: Factoring cost for discounted receivables	**67,999**	104,797
Total finance costs	**270,595**	360,896
Allowance for doubtful debt of trade and other receivables, net (Note a)	**7,682**	2,408
Allowance for inventories (Note b)	**287,508**	238,660
Interest income from bank deposits	**(14,477)**	(28,476)
(Gain) loss on disposal of property, plant and equipment (Note a)	**(22)**	74
Research and development cost included in administrative expenses	**519**	14,623
Net foreign exchange loss (gain) (Note a)	**10,128**	(6,288)

Note a: Amounts included in other gains and losses.

Note b: During the six months ended 30 June 2016, the net realisable value of certain inventories fell below their respective costs because of the decline in selling prices. As a result, the allowance for inventories of HK$287,508,000 (for the six months ended 30 June 2015: HK$238,660,000) has been recognised in cost of sales.

6. DIVIDENDS

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

7. LOSS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company	**(926,368)**	(1,233,708)

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

	Six months ended 30 June	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**8,957,896,227**	8,957,896,227

For the six months ended 30 June 2016 and 2015, the computation of diluted loss per share does not assume the exercise of share options, as it would result in a decrease in loss per share.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

In the opinion of the Directors, the carrying amount of the Group's investment properties as at 30 June 2016 does not differ significantly from their estimated market value. Consequently, no change in fair value has been recognised in respect of the Group's investment properties in the current period.

The fair value measurement of the investment properties located in HK and PRC are categorised into Level 3 as the significant inputs to the fair value measurement are unobservable.

The key input used in valuing the investment property for the period ended 30 June 2016 and year ended 31 December 2015, which is situated in Hong Kong, is by taking reference to the historical average unit price of similar properties recently were available on the market in 2016.

The key inputs used in valuing the investment properties for the period ended 30 June 2016 and year ended 31 December 2015, which are situated in the PRC, are taken into consideration of the monthly rental income ranging from approximately RMB53,000 to RMB77,000 and discount rate of 6%.

There were no transfers into or out of Level 3 during the period/year ended 30 June 2016 and 31 December 2015.

During the period, the Group incurred approximately HK$33,697,000 (for the six months ended 30 June 2015: HK$47,015,000) on acquisition of property, plant and equipment in order to upgrade its operating capacities, of which an amount of HK$15,665,000 (for the six months ended 30 June 2015: HK$14,944,000) was transferred from deposits for acquisition of property, plant and equipment paid in the previous year.

9. INTERESTS IN ASSOCIATES

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Cost of investment in associates	**6,854,540**	6,854,540
Share of post-acquisition results and other comprehensive expense, net of dividends received	**(356,643)**	(184,702)
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)**	(951,681)
	4,925,003	5,353,944

9. INTERESTS IN ASSOCIATES (continued)

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 2016 and 31 December 2015, such investments are continuously held by Shougang Resources and classified as financial assets at fair value through other comprehensive income ("FVTOCI").

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

Included in cost of investment in Shougang Resources, an associate of the Group, is goodwill of HK$1,048,488,000 as at 30 June 2016 (31 December 2015: HK$1,305,488,000) arising from the acquisition of Shougang Resources. The movement of goodwill is set out below.

	Goodwill
	HK$'000
COST	
At 1 January 2015, 31 December 2015 (audited) and 30 June 2016 (unaudited)	2,257,169
IMPAIRMENT	
At 1 January 2016 (audited)	951,681
Impairment loss recognised in the period	257,000
At 30 June 2016 (unaudited)	1,208,681
CARRYING VALUES	
At 30 June 2016 (unaudited)	1,048,488
At 31 December 2015 (audited)	1,305,488

9. INTERESTS IN ASSOCIATES (continued)

An impairment loss of HK$257,000,000 has been recognised for the six months ended 30 June 2016 (for the six months ended 30 June 2015: HK$395,000,000) 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 12.14% (for the six months ended 30 June 2015: 13.5%), 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 2016, the estimated cash flows of the cash-generating unit ("CGU") was revised due to the slowdown of economy in the PRC. As the reassessment of the recoverable amount of the CGU is less than the carrying amount of the interest in Shougang Resources, an impairment loss of HK$257,000,000 on interest in Shougang Resources has been recognised for the six months ended 30 June 2016.

10. EQUITY INVESTMENTS

Equity investments comprise:

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Listed investments:		
– Equity securities listed in Australia, at fair value	**811**	790
Unlisted investments:		
– PRC equity securities, at fair value *(Note)*	**4,524**	55,409
Total	**5,335**	56,199

10. EQUITY INVESTMENTS (continued)

Note:

The unlisted PRC equity securities represent a 9.47% (31 December 2015: 10%) interest in the equity of a private entity established in the PRC by Qinhuangdao Shouqin Metal Materials Co., Ltd., the principal activities of which are ship building, ship repairing and retrofitting. A fair value loss of HK$49,719,000 (for the six months ended 30 June 2015: fair value gain of HK$1,567,000) has been recognised in other comprehensive expense in the security investment reserve of the Group according to HKFRS 9 during the period. The fair value of the unlisted equity securities as at 30 June 2016 and 31 December 2015 was measured using valuation technique with significant unobservable inputs (Note 19).

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 credit terms of trade receivables are normally not more than 60 days. The following is an aged analysis of trade and bills receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Within 60 days	**1,131,672**	1,473,375
61 – 90 days	**234,037**	148,094
91 – 180 days	**259,215**	149,918
181 – 365 days	**213,249**	233,919
	1,838,173	2,005,306

11. TRADE AND BILLS RECEIVABLES (continued)

The following were the Group's bills receivables as at 30 June 2016 and 31 December 2015 that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables and has recognised the cash received from the banks as secured borrowings. These financial assets are carried at amortised cost in the condensed consolidated statement of financial position.

	Bills receivables discounted to banks with full recourse *HK$'000*	Bills receivables endorsed to suppliers with full recourse *HK$'000*	Total *HK$'000*
At 30 June 2016 (unaudited)			
Carrying amount of bills receivables	**197,171**	**306,247**	**503,418**
Carrying amount of borrowings and trade payables	**(197,171)**	**(306,247)**	**(503,418)**
At 31 December 2015 (audited)			
Carrying amount of bills receivables	195,400	402,172	597,572
Carrying amount of borrowings and trade payables	(195,400)	(402,172)	(597,572)

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, 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 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 60 days	**48,746**	45,325
61 – 90 days	**8,577**	75,728
91 – 180 days	**11,361**	3,072
181 – 365 days	**59,625**	176
1 – 2 years	**2,035**	1,904
	130,344	126,205

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 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**68,094**	506,913
91 – 180 days	**52,729**	61,075
181 – 365 days	**508,424**	41,537
1 – 2 years	**53,599**	34,796
Over 2 years	**8,352**	8,355
	691,198	652,676

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

As at 30 June 2016 and 31 December 2015, the amount due to ultimate holding company of a shareholder is non-trade in nature, unsecured, interest-free and is repayable on demand.

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

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

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 60 days	**1,241**	–
181 – 365 days	**–**	1,313
	1,241	1,313

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 are as follows:

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 90 days	**922,165**	750,302
91 – 180 days	**520,733**	516,119
181 – 365 days	**1,239,776**	1,424,568
1 – 2 years	**3,158,670**	4,383,245
Over 2 years	**1,361,228**	–
	7,202,572	7,074,234

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 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Within 90 days	**1,697,823**	1,578,493
91 – 180 days	**943,495**	1,505,800
181 – 365 days	**142,235**	130,597
1 – 2 years	**110,211**	166,137
Over 2 years	**152,120**	83,130
	3,045,884	3,464,157

15. BANK BORROWINGS

During the period, the Group obtained new bank loans of HK$3,079,155,000 (for the six months ended 30 June 2015: HK$4,405,932,000). The proceeds were mainly used to refinance the original loan facilities of the Group. The amount of bank loans repaid by the Group was HK$3,626,855,000 (for the six months ended 30 June 2015: HK$5,149,234,000) during the period.

As at 30 June 2016, bank borrowings include fixed-rate loans of HK$4,152,882,000 bearing interest at rates ranging from 4.13% to 8.50% (31 December 2015: 4.35% to 6.72%) per annum.

As at 30 June 2016, the Group has variable-rate bank borrowings of HK$820,856,000 denominated in United States dollar ("USD") bearing interest at the London Interbank Offered Rates ("LIBOR") plus 1.8% to 3.5% (31 December 2015: LIBOR plus 1.8% to 3.5%) per annum, which ranged from 2.16% to 3.96% (31 December 2015: 2.16% to 3.98%) per annum in the current period. The remaining variable-rate borrowings of HK$1,168,906,000 are denominated in Renminbi ("RMB") and bear interest at the People's Bank of China's lending rate ("Lending Rate") adjusted by a 5% to 20% (31 December 2015: 5% to 20%) addition, which ranged from 4.79% to 5.22% (31 December 2015: 4.35% to 6.04%) per annum in the current period.

Included in bank borrowings as at 30 June 2016 was an amount of HK$197,171,000 of discounted bills (31 December 2015: HK$195,400,000) that had been discounted to banks.

16. LOANS FROM ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

The amounts are unsecured, interest bearing at fixed rates ranging from 4.9% to 6% for the period ended 30 June 2016 (31 December 2015: from 6% to 6.15%) per annum. The carrying amount of approximately HK$991,818,000 (31 December 2015: HK$1,013,135,000) is repayable within twelve months from the end of the reporting period. The carrying amount of approximately HK$233,781,000 (31 December 2015: HK$238,806,000) and HK$175,336,000 (31 December 2015: HK$179,104,000) are repayable in the second year and in the third year from the end of the reporting period, respectively, hence shown as non-current.

17. SHARE CAPITAL

	Number of shares	Amount *HK$'000*
Ordinary shares issued and fully paid:		
At 1 January 2015, 30 June 2015, 31 December 2015 and 30 June 2016 – Ordinary shares with no par value	8,957,896,227	5,345,183

18. CAPITAL COMMITMENTS

	30 June 2016 ***HK$'000*** **(unaudited)**	31 December 2015 *HK$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**66,114**	101,833

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

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

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities	**Valuation technique(s) and key input(s)**
1) As at 30 June 2016, listed equity securities classified as equity investments designated as FVTOCI at level 1 category of HK$811,000 (31 December 2015: HK$790,000)	Quoted bid prices in an active market

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable inputs
2) As at 30 June 2016, commodity forward contracts classified as other financial assets at level 3 category of HK$301,585,000 (31 December 2015: HK$312,852,000)	Discounted cash flow The key inputs are: The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China, the average growth rate of capesize vessel freight rate and panamax vessel freight rate, the forecasted Platts Iron Ore price, the forecasted marketing commission saving, the forecasted annual production of the mines, the lives of mines and the discount rate	The spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China taking into account management's estimate with reference to research report published by financial institution *(Note 1)* The average growth rate of capesize vessel freight rate and panamax vessel freight rate for Australia/China ranging from -9.66% to 53.17% (31 December 2015: 14.86% to 25.67%) and from 0.57% to 30.61% (31 December 2015: 11.13% to 54.93%) respectively taking into account management's estimate with reference to research report published by financial institution *(Note 2)* The forecasted Platts Iron Ore price ranging from USD45/DMT to USD57/DMT (31 December 2015: from USD48/DMT to USD57/DMT) taking into account management's estimate with reference to research report published by financial institution *(Note 3)* The forecasted marketing commission saving is taking into account management's estimate with reference to 3.25% (31 December 2015: 3.25%) on Platts iron ore IODEX 62% Fe CFR North China Price *(Note 4)* The forecasted annual production of the mines and the lives of the mines taking into account management's estimate with reference to the suppliers' expected annual production and ore mine reserve stated in suppliers' mineral resources and ore reserves statement as at 30 June 2014 less the actual purchase of iron ore by the Group from 1 July 2014 to 30 June 2016 (31 December 2015: actual purchase from 1 July 2014 to 31 December 2015) *(Note 5)* Discount rate of 18.71% (31 December 2015: 19.72%) is determined by expected rate of return of the commodity forward contracts by using a Capital Asset Pricing Model and adjusted by the specific risk premium *(Note 6)*

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable inputs
3) As at 30 June 2016, unlisted equity securities classified as equity investments designated as at FVTOCI at level 3 category of HK$4,524,000 (31 December 2015: HK$55,409,000)	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies and adjusted by discount on lack of marketability	The ratio of market capital to net book value of 1.89X (31 December 2015: 2.82X) is determined by the median of comparable companies as at the valuation date *(Note 7)* Discount on lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 35% (31 December 2015: 35%) *(Note 8)*

Note 1: An increase in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the spread between capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$9,805,000 (31 December 2015: HK$13,270,000).

Note 2: An increase in the average growth rate of capesize vessel freight rate and panamax vessel freight rate for Australia/China used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the average growth rate of capesize vessel freight rate and panamax vessel freight rate for Australia/China holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$2,870,000 (31 December 2015: HK$8,661,000).

Note 3: An increase in the Platts iron ore price used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the Platts iron ore price holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$7,737,000 (31 December 2015: HK$6,811,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Note 4: An increase in the market commission saving used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the market commission saving holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$6,497,000 (31 December 2015: HK$6,076,000).

Note 5: An increase in the forecasted annual production of the mines used in isolation would result in an increase in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the forecasted annual production of the mines holding all other variables constant would increase/decrease the carrying amount of the commodity forward contracts by HK$30,158,000 (31 December 2015: HK$17,679,000).

Note 6: An increase in the discount rate to the valuation model used in isolation would result in a decrease in the fair value measurement of the commodity forward contracts, and vice versa. A 10% increase/decrease in the discount rate to the valuation model holding all other variables constant would decrease/increase the carrying amount of the commodity forward contracts by HK$27,966,000 (31 December 2015: HK$32,590,000).

Note 7: An increase in the median ratio of market capital to net book value of comparable companies used in isolation would result in an increase in the fair value measurement of the unlisted equity securities, and vice versa. A 10% increase/decrease in the median ratio of market capital to net book value of comparable companies holding all other variables constant would increase/decrease the carrying amount of the unlisted equity securities by HK$452,000 (31 December 2015: HK$5,540,000).

Note 8: An increase in the discount for the lack of marketability to the valuation model used in isolation would result in a decrease in the fair value measurement of the unlisted equity securities, and vice versa. A 10% increase/decrease in the discount for the lack of marketability to the valuation model holding all other variables constant would decrease/increase the carrying amount of the unlisted equity securities by HK$244,000 (31 December 2015: HK$2,984,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

There were no transfers between Level 1 and 2 during the period/year ended 30 June 2016 and 31 December 2015.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial assets

	Commodity forward contracts *HK$'000*	Unlisted equity securities *HK$'000*
At 1 January 2016	**312,852**	**55,409**
Total gains or losses:		
– to profit or loss	**(11,267)**	**–**
– to other comprehensive expense	**–**	**(49,719)**
Exchange difference	**–**	**(1,166)**
At 30 June 2016	**301,585**	**4,524**

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial assets (continued)

	Commodity forward contracts *HK$'000*	Unlisted equity securities *HK$'000*
At 1 January 2015	532,715	133,902
Total gains or losses:		
– to profit or loss	(26,971)	–
– to other comprehensive income	–	1,567
Exchange difference	–	(235)
At 30 June 2015	505,744	135,234

Of the total gains or losses for the period included in profit or loss, fair value losses of approximately HK$11,267,000 relates to commodity forward contracts held at the end of the current reporting period. Fair value losses on commodity forward contracts are included in "change in fair value of derivative financial instruments" in the condensed consolidated statement of profit or loss and other comprehensive income.

On 24 October 2014, Mount Gibson Iron Limited ("MGI") announced that there was a slump in the Main Pit seawall in Koolan Island and the Main Pit was inundated as a result of the breach of the seawall (the "Slump"). Subsequent to the Slump and as at 30 June 2016, the management of MGI is still assessing the timing and cost of options to rebuild the Main Pit seawall and resume production.

The Directors consider that the production of Main Pit is unlikely to resume within the next twelve months, and therefore the entire carrying amount of the commodity forward contracts are classified as non-current asset as at 30 June 2016 and 31 December 2015. No fair value change upon delivery was recognised in profit or loss for the period ended 30 June 2016 (for the period ended 30 June 2015: nil).

Included in other comprehensive expense is an amount of HK$49,719,000 fair value loss and HK$1,166,000 exchange loss related to unlisted equity instruments designated as at FVTOCI held at the end of the current reporting period and are reported as changes of security investment reserve and exchange reserve respectively.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available for Level 1 inputs. In the Level 2 fair value measurements, the Group derived the inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly with reference to the market information. When Level 1 and Level 2 inputs are not available, the Group engages a third party qualified valuer to perform the valuation of commodity forward contracts and unlisted equity securities designated as at FVTOCI. The finance department of the Group works closely with a qualified third party valuer to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various financial assets and liabilities are disclosed above.

20. PLEDGE OF ASSETS

As at 30 June 2016, the following items were used to secure banking facilities granted to the Group:

(a) Pledged bank deposits amounting to HK$110,792,000 (31 December 2015: HK$276,490,000).

(b) Pledge of 1,119,500,000 shares (31 December 2015: 1,093,500,000 shares) of the Group's listed associate, Shougang Resources, with the market value of approximately HK$1,545,000,000 (31 December 2015: HK$1,093,500,000).

(c) Pledged bills receivables of nil (31 December 2015: HK$59,701,000).

21. MAJOR NON-CASH TRANSACTION

During the current period, advances drawn on bills receivables of HK$465,584,000 (for the six months ended 30 June 2015: HK$236,819,000) are settled by the bills receivables discounted with banks.

22. RELATED PARTY DISCLOSURES

(a) Transactions and balances with PRC government related entities

The Group is an associate of Shougang Holding (Hong Kong) Limited, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the supervision of the Beijing State-owned Assets Supervision and Administration Commission. Accordingly, the Group is significantly influenced by Shougang Group which is considered to be part of a larger group of companies under the PRC government. Accordingly, the Group is also considered to be a government related entity in accordance with HKAS 24. The transactions and balances with Shougang Group and other PRC government related entities are disclosed in notes 22(a)(I) to 22(a)(III).

(I) Transactions with Shougang Group and associates

		Six months ended 30 June	
	Notes	**2016** ***HK$'000*** **(unaudited)**	2015 *HK$'000* (unaudited)
Shougang Group			
Sales by the Group	*(a)*	**194,780**	609,138
Purchases by the Group	*(b)*	**1,048,091**	1,813,563
Interest charged to the Group	*(c)*	**38,517**	27,404
Associates			
Services provided by the Group	*(d)*	**780**	780

22. RELATED PARTY DISCLOSURES (continued)

(a) Transactions and balances with PRC government related entities (continued)

(I) Transactions with Shougang Group and associates (continued)

Notes:

(a) The Group provides raw materials, scrap materials, steel products, leasing and services to Shougang Corporation and/or its associates.

(b) Shougang Corporation and/or its associates provide raw materials, materials, fuel, energy, equipment, spare parts, steel products, leasing and services to the Group.

(c) The interest expenses were charged by Shougang Group in respect of loans granted to the Group at interest rate ranging from 4.9% to 6.0% (for the six months ended 30 June 2015: 6.15% to 6.55%) per annum.

(d) The Group provides company secretarial and administrative services to its associates.

(II) Balances with Shougang Group

As at 30 June 2016, deposits for acquisition of property, plant and equipment of HK$1,705,000 (31 December 2015: HK$187,000) were paid to the Shougang Group.

Details of balances with the Group's related parties are set out in notes 12, 13 and 16.

Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group for nil consideration. At 30 June 2016, the Group had bank loans guaranteed by Shougang Corporation amounting to approximately HK$5,042,794,000 (31 December 2015: HK$5,467,379,000).

22. RELATED PARTY DISCLOSURES (continued)

(a) Transactions and balances with PRC government related entities (continued)

(III) Transactions/balances with other PRC government controlled entities

Apart from the transactions and balances with the Shougang Group as disclosed in notes 22(a)(I) and 22(a)(II), the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government related entities as part of its ordinary course of business. In view of the nature of these banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

(b) Transaction/balance with non-PRC government-related entities

During the period ended 30 June 2016, the Group sold the goods amounting to approximately HK$10,046,000 (for the six months ended 30 June 2015: HK$12,491,000) to an associate, Qinhuangdao Shouqin K. Wah Construction Materials Company Limited.

As at 30 June 2016, other receivables of the Group included a dividend receivable in respect of the final dividend from Shougang Resources for the year ended 31 December 2015 of HK$73,199,000 (31 December 2015: nil).

The amount due from an associate is unsecured, interest-free and is repayable on demand.

22. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel

The remuneration of key management personnel, which represents the Directors of the Company during the period was as follows:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**1,970**	2,330
Post employment benefits	**9**	67
	1,979	2,397

The remuneration of key management personnel is determined by the Remuneration Committee of the Board of Directors having regard to the market practice, competitive market position and individual performance.

On 23 March 2016, the Company received a non-legally binding letter of intent from Shougang Corporation to acquire the 100% shareholding in Qinhuangdao Shougang Plate Mill Co., Ltd. and 76% shareholding in Qinhuangdao Shouqin Metal Materials Co., Ltd. (including the interests in their respective subsidiaries) held by three subsidiaries of the Company namely Shine Tone Group Limited, Froxy Investments Limited and Host Sun Investments Limited, at a consideration of not less than HK$1. Shougang Corporation is now proceeding with the early stage procedures and expects to go through the procedures within the year of 2016. It will negotiate with the Company to fix the details of the transaction after completion of the relevant procedures. The Board has approved to proceed with the negotiation and discussion with Shougang Corporation on the structure, terms and details of the proposed transaction, details of which have been disclosed in the announcement of the Company dated 28 June 2016.

Deloitte.
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TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
首長國際企業有限公司
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 4 to 37, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

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

PERFORMANCE REVIEW

	For the six months ended 30 June	
	2016	2015
	HK$ Million	*HK$ Million*
Loss attributable to shareholders before share of results of associates	**(812)**	(1,176)
Share of results of associates	**(114)**	(58)
Loss attributable to shareholders	**(926)**	(1,234)

As still affected by excessive production capacity and imbalance between supply and demand, the Group's core business in steel manufacturing still incurred serious loss in the first half of 2016. The operating profit of our principal associate, Shougang Resources which engages in coking coal mining and sales was further reduced because of the decrease in sales volume. In addition, Shougang Resources also made further impairment loss on its investment in coal mines related assets. The Company was also required to make impairment loss on the goodwill in relation to the investment in Shougang Resources in the amount of HK$257 million during the period.

PERFORMANCE REVIEW (continued)

For the six months ended 30 June 2016, loss attributable to shareholders amounted to HK$926 million, the loss decreased by 24.9% comparing with that of last period. The Group recorded a consolidated turnover of HK$3,425 million during this period, representing a drop of 18.7% comparing to that of last period. Loss per share was 10.34 HK cents.

FINANCIAL REVIEW

Six months ended 30 June 2016 compared to the six months ended 30 June 2015

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$3,425 million for this period, lower by about 18.7% when comparing to the HK$4,212 million last period. Lower turnover mainly due to the 19.6% drop in the overall average selling price ("ASP") in the steel manufacturing segment as affected by the persistently weak demand.

Cost of sales for the period was HK$3,612 million, comparing to HK$4,556 million in last period, a drop of 20.7%. The cost of sales decreased because of the decline in purchasing cost of raw materials for steel manufacturing.

Gross loss for the period was HK$187 million, representing 5.5% of the turnover, while the gross loss margin was 8.1% in last period.

E/(L)BITDA and Core Operating Loss

For the period under review, earnings before interest, tax, depreciation, amortization, impairment loss and change in fair value of derivative financial instruments of the Group was HK$11 million while the loss before interest, tax, depreciation, amortization, impairment loss and change in fair value of derivative financial instruments for the same period last year was HK$120 million.

FINANCIAL REVIEW (continued)

E/(L)BITDA and Core Operating Loss (continued)

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

	For the six months ended 30 June	
	2016 **HK$ Million**	2015 HK$ Million
Loss attributable to shareholders before share of results of associates	**(812)**	(1,176)
Adjusted by:		
Impairment loss on the goodwill in relation to the investment in Shougang Resources	**257**	395
Fair value loss on iron ore offtake agreements with Mt. Gibson	**11**	27
Core operating loss before share of results of associates	**(544)**	(754)

Finance costs

For the period under review, finance costs amounted to HK$271 million, 25.0% lower than that of last period. 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 recognized loss of HK$97 million and HK$17 million from Shougang Resources and Shougang Concord Century Holdings Limited ("Shougang Century") respectively, whereas for the last period, the share of profit from Shougang Resources was HK$11 million and share of loss from Shougang Century was HK$69 million respectively.

Taxation

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

REVIEW OF OPERATIONS

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

Operation/Entity	Attributable interest	For the six months ended 30 June 2016 HK$ Million	For the six months ended 30 June 2015 HK$ Million
1. Steel manufacturing			
Shouqin[1]	76%	**(444)**	(634)
Qinhuangdao Plate Mill[2]	100%	**(65)**	(61)
Sub-total		**(509)**	(695)
2. Mineral exploration			
Shougang Resources (before impairment loss)	27.61%	**16**	51
Shouqin Longhui	67.84%	**(32)**	(61)
Sub-total		**(16)**	(10)
3. Commodity trading			
The Trading Group	100%	**29**	17
Sub-total		**29**	17
4. Others			
Shougang Century	35.71%	**(17)**	(69)
Fair value loss on iron ore offtake agreements with Mt. Gibson	–	**(11)**	(27)
Share of impairment loss made by Shougang Resources	–	**(113)**	(40)
Impairment loss on the goodwill in relation to the investment in Shougang Resources	–	**(257)**	(395)
Corporate and others	–	**(32)**	(15)
Sub-total		**(430)**	(546)
Total		**(926)**	(1,234)

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

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

REVIEW OF OPERATIONS (continued)

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd ("Qinhuangdao Plate Mill"). The steel industry still faces a dire operating environment. This core segment recorded net loss of HK$509 million during the period, while that of last period was net loss of HK$695 million. Summary of production and sales volume of the two manufacturing plants in the current and last period under this segment is as follows:

	Slabs		Heavy Plates	
For the six months ended 30 June	**2016** ***'000 tonnes***	2015 *'000 tonnes*	**2016** ***'000 tonnes***	2015 *'000 tonnes*
(i) Production				
Shouqin	**1,159**	1,224	**806**	865
Qinhuangdao Plate Mill	**–**	–	**176**	258
Total	**1,159**	1,224	**982**	1,123
Change		-5%		-13%
(ii) Sales				
Shouqin#	**282**	259	**828**	861
Qinhuangdao Plate Mill	**–**	–	**171**	255
Total	**282**	259	**999**	1,116
Change		+9%		-10%

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

REVIEW OF OPERATIONS (continued)

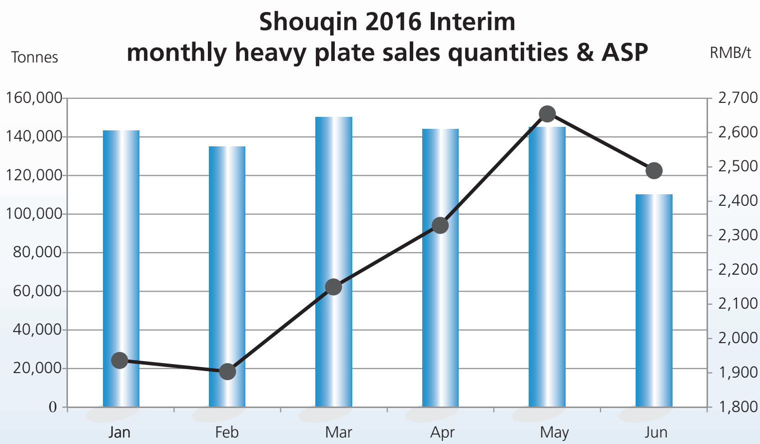
Steel Manufacturing (continued)

Shouqin

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

Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production. It has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, hydro-electrical and ultra-thick plates are among the most advanced in the PRC. Its annual production capacities of heavy plate have reached 1.8 million tonnes. For the current period, Shouqin reported a turnover of HK$2,778 million before elimination, recording a 24.3% drop on the comparative period. The drop was mainly due to decrease in ASP of heavy plates and slabs. The ASP (exclude VAT) of heavy plate was RMB2,239 (HK$2,656) per tonne, 20.0% lower than that of the last period. Production of slab was mainly used for Shouqin's internal consumption while some sales were made towards Qinhuangdao Plate Mill and Processing Centre and are eliminated on consolidation. The ASP (exclude VAT) of slab was RMB1,658 (HK$1,967) per tonne, 16.4% lower than that of last period.

	2016 Interim	2015 Interim	Change
Quantities sold -heavy plate (tonnes)	**828,000**	861,000	-3.8%
ASP (RMB)	**2,239**	2,798	-20.0%



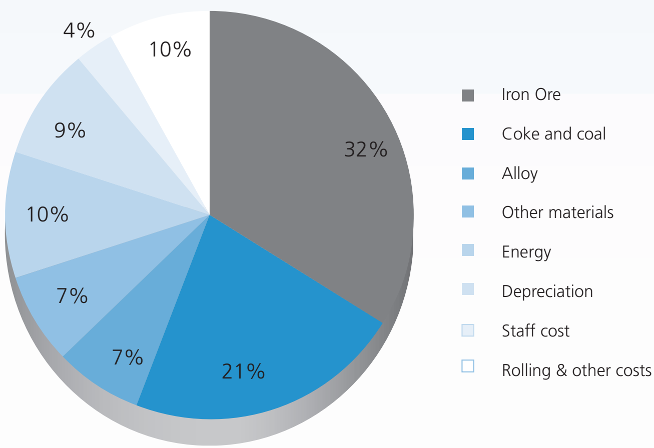
In the above chart, the bar represents sales volume while the line represents ASP.

REVIEW OF OPERATIONS (continued)

Steel Manufacturing (continued)

Shouqin (continued)

Component of manufacturing cost – Shouqin



Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. In this period, this entity recorded HK$183 million in turnover, which is 46.3% decrease compared with that of last period.

For the six months ended 30 June 2016, the aggregate net loss of Shouqin and Processing Centre attributable to the Group was HK$444 million. The loss decreased by HK$190 million comparing to the net loss of HK$634 million in last period due to improvement in gross loss margin.

REVIEW OF OPERATIONS (continued)

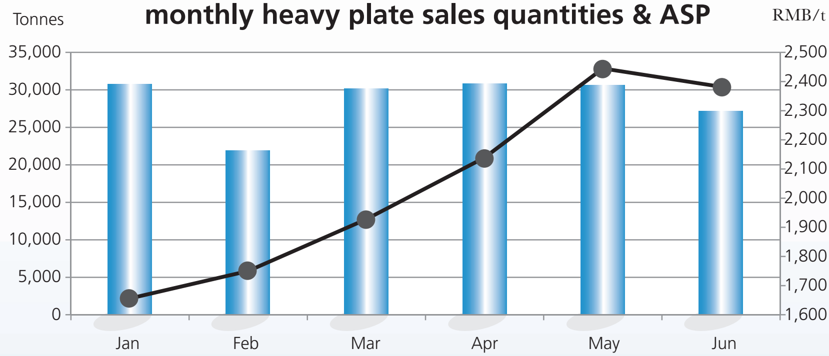
Steel Manufacturing (continued)

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$755 million before elimination for the six months ended 30 June 2016, a drop of 18.4% comparing with that of last period. The drop was mainly due to the lower sales volume and selling price in the weak market. During the period, the volume of heavy plate sales was only 171,000 tonnes, a drop of 32.9% compare to that of last period. ASP (exclude VAT) was RMB2,059 (HK$2,442) per tonne, 20.1% lower than that of last period. The Group's share of net loss of Qinhuangdao Plate Mill during the period was HK$65 million while the net loss in last period was HK$61 million.

	2016 Interim	2015 Interim	Change
Quantities sold – heavy plate (tonnes)	**171,000**	255,000	-32.9%
ASP (RMB)	**2,059**	2,577	-20.1%

Qinhuangdao Plate Mill 2016 Interim monthly heavy plate sales quantities & ASP



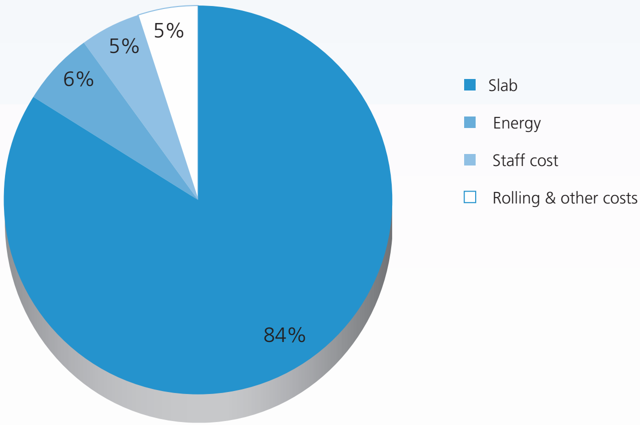
In the above chart, the bar represents sales volume while the line represents ASP.

REVIEW OF OPERATIONS (continued)

Steel Manufacturing (continued)

Qinhuangdao Plate Mill (continued)

Component of manufacturing cost – Qinhuangdao Plate Mill



Mineral exploration

Exploration and sale of coking coal

Shougang Resources is a 27.61% held associate of the Group listed in Hong Kong and is a major hard coking coal producer in China. Shougang Resources currently operates three premium coking coal mines in Shanxi province, PRC namely Xingwu coal mine, Zhaiyadi coal mine and Jinjiazhuang coal mine. Its consolidated turnover for the period was HK$678 million, a drop of 38.0% over that of last period. As the material for the refining of coke, which is the second largest raw materials for steel manufacturing, the selling price and sales volume of coking coal continued to decline. The operating profit of Shougang Resources was reduced and Shougang Resources was forced to make further impairment loss on its coal mines related assets in the amount of HK$596 million during the period of which HK$409 million is attributable to the shareholder of Shougang Resources. Loss attributable to shareholders of Shougang Resources in this period was HK$307 million while there was profit of HK$85 million in last period. Loss of Shougang Resources attributable to the Group was HK$97 million in this period.

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

REVIEW OF OPERATIONS (continued)

Mineral exploration (continued)

Production and processing of iron ore products

The Group holds an effective 67.84% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd ("Shouqin Longhui") which is situated at Qinglong County, Qinhuangdao City, Hebei province, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities. Due to the difficult operating environment of iron ore industry, Shouqin Longhui did not record any sales during the period, but concentrated on costs saving. Loss of Shouqin Longhui attributable to the Group during the period was HK$32 million, a decrease of HK$29 million comparing to an attributable loss of HK$61 million in last period.

Commodity trading

Our trading operations are mainly conducted by SCIT Trading Limited and SCIT Services Limited ("The Trading Group"). The Trading Group reported a turnover of HK$530 million before elimination for the six months ended 30 June 2016, increased by 152.0% comparing to last period. The Trading Group mainly traded the iron ores provided under the offtake agreements with Mt. Gibson since 2009. Following the occurrence of seawall slump and flooding of the Koolan Island mine in late 2014, the volume of iron ore supplied by Mt. Gibson decreased significantly. Hence, the Group has procured supply of iron ore from other suppliers in order to increase the trade volume. It sold 1.39 million tonnes of iron ores during the current period, substantially increased by 172.5% and much more than the 0.51 million tonnes sold of last period. Selling price increased by 11.4% to USD49 (HK$382) per tonne. The resulting net profit of this segment was HK$29 million in this period, comparing to HK$17 million in last period.

Other business

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

Shougang Century is a 35.71% associate of the Group listed in Hong Kong whose businesses are manufacture of steel cord for radial tyres and sawing wires; processing and trading of copper and brass products. There is keen competition in the steel cord market. The operation of steel cord business remains loss making. The Group's share of its net loss was HK$17 million, comparing to share of loss of HK$69 million in last period. The loss in last period was greater because of the impairment loss of HK$93 million made by Shougang Century on its property, plant and equipment in last period. The attributable amount of this impairment loss shared by the Group was HK$33 million.

REVIEW OF OPERATIONS (continued)

Other business (continued)

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

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.

For identification only

Environmental Policies and Compliance with Laws and Regulations

To ensure compliance with the laws and regulations of environmental policies, the Group has implemented sufficient environmental protection measures. Shouqin, the Company's flagship subsidiary, focuses on investment in environmental protection and creating green production. With the construction goal of environment protective type, energy recycling type and cost-effective type, which comprised of the following measures:

1. Dust Clearing System

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

REVIEW OF OPERATIONS (continued)

Environmental Policies and Compliance with Laws and Regulations (continued)

2. Water System

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

3. Energy Recycling

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

– Recycling of blast furnace gas

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

– Converter gas recovery and utilization

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

– Residual heat recycling

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

REVIEW OF OPERATIONS (continued)

Environmental Policies and Compliance with Laws and Regulations (continued)

4. Energy-saving measures

– Energy centre

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

– Energy Management Contracts

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

5. Noise Control

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

6. Green landscaping

The green landscaping site in the factory area of Shouqin amounted to 720,000 square metres with a green ratio of approximately 40%.

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 2016 as compared to 31 December 2015 is summarized below:

	PRC (exclude HK) 30 June 2016 HK$ Million	Other than PRC 30 June 2016 HK$ Million	Group Total 30 June 2016 HK$ Million	Group Total 31 December 2015 HK$ Million
Cash and bank deposits	743	498	1,241	1,629
Loans				
– from banks*	5,125	821	5,946	6,610
– from parent company	1,401	–	1,401	1,431
Total loans	6,526	821	7,347	8,041
Total assets	13,313	6,108	19,421	21,263
Total loans to total assets	49.0%	13.4%	37.8%	37.8%

** excluding financing from discounted bills.*

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

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

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's 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 2016, approximately 86% 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 interest rate swaps to mitigate interest rate risks if necessary. No amount of such derivatives was outstanding as at the end of the period.

3. Financing activities

The Company has no new bank financing 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 million (represented by 8,957,896,227 ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 3,580 employees as at 30 June 2016.

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. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and welfare fund contribution as part of their staff benefits.

PROSPECTS

After a referendum which took place in June 2016, the United Kingdom decided to leave European Union ("Brexit"), bringing shocking waves to financial market and significant uncertainties over the future global economic situation. Since the United States ended its long term Quantitative Easing ("QE") policies at the end of last year and lifted up rates a quarter point, no further action has been taken. Along with the effect of Brexit, rates lift up process will be full of variables. Europe and Japan still need to rely on QE policies to stimulate their weak economies, while steady growth remains the future established aim in China in signs of sluggish economic growth.

Steel price kept falling to its low in the first quarter, yet a strong rebound could be seen in the second quarter. However, facing the fact of excessive production capacity and weak demand, changes of which are hard to been in short period of time, steel price cannot remain on the long-term rising track with significant increase or decrease in price. Benefited from the rebound of steel price in the second quarter, loss from steel manufacturing and sales business of the Group decreased as compared to the corresponding period of last year. Nevertheless, the future prospect is still clouded with great uncertainties. As the operation of the steel business of the Group continued to face difficulties and suffered significant losses in recent years, in order to achieve better integration of resources and structure rationalization, the Group is considering to alter its production model, restructure its product portfolio as well as consolidate the production line so as to allocate most of the resources on the production line with higher efficiency.

In respect of commodity trading business, the production of Mt. Gibson's mine Koolan Island is halted without definite restoration schedule. In view to enhance the Group's business in this respect, the Company started to strengthen its cooperation with other suppliers, including Shougang Group, in order to secure certain amount of stable supply.

The Group has been engaged in manufacturing and sales of hard coking coal in China through its Hong Kong listed key associate Shougang Resources. The sales volume of coking coal recorded a further decrease as affected by weak demand in steel industry, while the price stopped falling and stabilized. Coking Coal market condition is closely related to steel industry, as such the future performance of Shougang Resources is greatly depends on the recovery of steel industry. Due to the continuous decrease of gross profit of coking coal operation, Shougang Resources continued to make impairment on its coal mine-related assets of HK$596 million in the period of which HK$409 million is attributable to the shareholders of Shougang Resources, while the Group also made impairment on goodwill of HK$257 million, which incurred from the acquisition of Shougang Resources. Nevertheless, the strong financial base of Shougang Resources with close to zero gearing ratio and substantial cash and bank balances enable it to maximize its value when appropriate investment opportunities arise.

PROSPECTS (continued)

Severe adversity in steel industry in recent years has led to years of serious loss of the Group. To improve the Group's financial position, the Group intends to withdraw the Qinhuangdao business, which makes significant loss out of the listing entity. It is expected the Group's net assets and gearing ratio will be greatly improved after withdrawing of the Qinhuangdao business. In the following periods, the Group will expand the current commodity trading business to increase income.

The Company would like to express gratitude for the immense support from Shougang Corporation, the controlling shareholder of the Company, to assist the Company to navigate such difficult times. The Company remains full confidence in its future development.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2016 (2015: Nil).

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

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

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

The Directors of the Company who held office at 30 June 2016 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2016 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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

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

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in the Company: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the total number of shares of the Company in issue as at 30.06.2016
Li Shaofeng	Beneficial owner	–	20,000,000	20,000,000	0.22%
Ip Tak Chuen, Edmond	Beneficial owner	2,290,000	–	2,290,000	0.02%
Leung Shun Sang, Tony	Beneficial owner	7,590,000	–	7,590,000	0.08%

* *The interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

(b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in Shougang Century: Interests in shares	Derivative interests*	Total interests	Total interests as to % of the total number of shares of Shougang Century in issue as at 30.06.2016
Li Shaofeng	Beneficial owner	7,652,000	13,800,000	21,452,000	1.11%
Leung Shun Sang, Tony	Beneficial owner	7,652,000	12,000,000	19,652,000	1.02%

* *The interests are unlisted physically settled options.*

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

(c) Long positions in the shares and underlying shares of Shougang Fushan Resources Group Limited ("Shougang Resources"), an associated corporation of the Company

		Number of shares/underlying shares in Shougang Resources			Total interests as to % of the total number of shares of Shougang Resources in issue as at 30.06.2016
Name of Director	**Capacity in which interests were held**	**Interests in shares**	**Derivative interests***	**Total interests**	
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%

* *The interests are unlisted physically settled options.*

Save as disclosed above, as at 30 June 2016, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2016, according to the register kept by the Company under Section 336 of the SFO, the following companies had interests in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

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

Long positions in the shares/underlying shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares/ underlying shares	Interests as to % of the total number of shares of the Company in issue as at 30.06.2016	*Note(s)*
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	4,214,625,699	47.04%	*1*
China Gate Investments Limited ("China Gate")	Beneficial owner	2,757,829,774	30.78%	*1*
Grand Invest International Limited ("Grand Invest")	Beneficial owner	768,340,765	8.57%	*1*
CK Hutchison Holdings Limited ("CK Hutchison")	Interests of controlled corporations	455,401,955	5.08%	*2*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	455,401,955	5.08%	*2*

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

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

Notes:

1. Shougang Holding indicated in its disclosure form dated 7 September 2011 (being the latest disclosure form filed up to 30 June 2016) that as at 6 September 2011, its interests included the interests held by China Gate and Grand Invest respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. CK Hutchison indicated in its disclosure form dated 23 March 2015 (being the latest disclosure form filed up to 30 June 2016) that as at 18 March 2015, 430,274,586 shares of the Company were held by two wholly-owned subsidiaries of Cheung Kong and 25,127,369 shares of the Company were held by CEF Holdings Limited which in turn was held as to 50% by Cheung Kong. Cheung Kong was in turn wholly-owned by CK Hutchison. The long position in the 455,401,955 shares of the Company held by CK Hutchison and Cheung Kong were the same block of shares.

Save as disclosed above, as at 30 June 2016, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

On 7 June 2002, the shareholders of the Company adopted the 2002 Scheme which would be valid for a period of ten years. On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted by the Company under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme. The share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

SHARE OPTIONS (continued)

Particulars of share options in relation to each of the 2002 Scheme and the 2012 Scheme during the period are set out below:

(a) The 2002 Scheme

No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the 2002 Scheme during the six months ended 30 June 2016. Details of the outstanding share options under the 2002 Scheme during the period are as follows:

Category or name of grantee	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Director of the Company				
Li Shaofeng	20,000,000 [Note]	14.12.2010	14.12.2010 – 13.12.2017	HK$1.180
	20,000,000			

Note: Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the grantee.

(b) The 2012 Scheme

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 30 June 2016, there was no share option outstanding under the 2012 Scheme.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2016 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 17 August 2016 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "CG Code") during the six months ended 30 June 2016, 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 29 June 2016 (the "2016 AGM") as he had another business engagement. The Managing Director of the Company, who took the chair of the 2016 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 2016 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2016 AGM were already of sufficient calibre and number for answering questions at the 2016 AGM.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2016.

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

The following are the changes in the information of Directors since the date of the 2015 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

(a) Mr. Li Shaofeng, the Managing Director of the Company, has been re-designated from the vice chairman and managing director of Shougang Holding to the managing director of Shougang Holding with effect from 1 June 2016.

(b) Mr. Ip Tak Chuen, Edmond, a Non-executive Director of the Company, retired as a non-executive director of Real Nutriceutical Group Limited, a company listed on the Stock Exchange, with effect from 2 June 2016.

(c) Mr. Leung Shun Sang, Tony, a Non-executive Director of the Company, is a non-executive director of HNA International Investment Holdings Limited, a Hong Kong listed company. The company name of HNA International Investment Holdings Limited has been changed to HNA Holding Group Co. Limited from 27 June 2016.

(d) Mr. Leung Kai Cheung, an Independent Non-executive Director of the Company, is an independent non-executive director of HNA International Investment Holdings Limited, a Hong Kong listed company. The company name of HNA International Investment Holdings Limited has been changed to HNA Holding Group Co. Limited from 27 June 2016.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

(a) Pursuant to the facility letter entered into by the Company on 26 November 2015 (the "Facility Letter") with China CITIC Bank International Limited ("China CITIC") relating to a term loan facility of US$15,000,000 (the "China CITIC Facility"), the Company shall ensure that Shougang Holding, the controlling shareholder of the Company, remains its largest shareholder with shareholding of not less than 35% throughout the life of the China CITIC Facility. Breach of the above will constitute an event of default upon the occurrence of which, China CITIC may at any time (a) cancel the China CITIC Facility; (b) declare that all or any part of the China CITIC Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Letter be immediately due and payable; and/or (c) declare that all or any part of the China CITIC Facility be payable on demand by China CITIC. The China CITIC Facility shall be repaid by the Company in one lump sum on final maturity date which falls on the second anniversary from the date of drawdown of the China CITIC Facility.

(b) Under the facility letter entered into by the Company on 9 February 2015 with Bank of China (Hong Kong) Limited ("BOC") relating to the banking facilities of (i) a term loan up to US$35,000,000 (the "BOC Facility I"); and (ii) a revolving loan up to US$15,000,000 (the "BOC Facility II") (BOC Facility I and BOC Facility II, collectively the "BOC Facilities"), the Company shall undertake and procure that (i) Shougang Holding, the controlling shareholder of the Company, owns not less than 40% interest in the Company and Shougang Holding in turn shall be wholly-owned by Shougang Corporation throughout the life of the BOC Facilities; (ii) Shougang Corporation should maintain management control in Shougang Holding; and (iii) Shougang Holding, either directly or through its subsidiaries indirectly, remains the single largest beneficial shareholder of the Company. Breach of any of the above will constitute an event of default upon which all amounts due or owing by the Company to BOC under the BOC Facilities shall become immediately due and payable. The BOC Facility I shall be repaid by the Company by two instalments with the last instalment due on the date falling 42 months after the date of first drawn down of the BOC Facility I while the BOC Facility II shall be repaid or reborrowed by the Company at the end of each interest period provided that each drawdown must be repaid not later than one year from the date of relative drawdown.

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, 25 August 2016