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SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS	Six months ended 30 June		% Change
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	
Operations			
Revenue	683,143	900,222	-24.1
Gross profit	5,345	88,682	-94.0
(L)EBITDA (Note 1)	(95,381)	70,815	N/A
Adjusted EBITDA (Note 2)	11,017	77,303	-85.7
Loss for the period	(194,562)	(38,397)	+406.7
Loss per Share (basic) (HK cents)	(10.12)	(2.00)	+406.0
<i>Notes:</i>			
1. (L)EBITDA represents (loss) earnings before finance costs, income tax, depreciation and amortisation.			
2. Adjusted EBITDA represents EBITDA before (i) allowance for inventories recognised of HK\$13,401,000 (2014: HK\$750,000); (ii) bad debts written off less allowance for bad and doubtful debts reversed of HK\$341,000 (2014: allowance for bad and doubtful debts reversed of HK\$86,000); (iii) foreign exchange losses of HK\$2,190,000 (2014: HK\$6,654,000); (iv) increase in fair value of investment properties of HK\$2,534,000 (2014: HK\$830,000); and (v) impairment loss recognised in respect of property, plant and equipment of HK\$93,000,000 (2014: Nil).			
	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000	% Change
Financial position			
Total assets	3,240,825	3,610,120	-10.2
Shareholders' equity	1,677,658	1,861,882	-9.9
Net asset value per Share (HK\$)	0.872	0.968	-9.9

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2015. The interim results have been reviewed by the Company's audit committee and its auditor.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	683,143	900,222
Cost of sales		(677,798)	(811,540)
Gross profit		5,345	88,682
Investment and other income	4	915	1,650
Other gains and losses	5	(93,150)	(5,661)
Distribution and selling expenses		(21,681)	(25,737)
Administrative expenses		(36,380)	(36,580)
Research and development expenses		(22,536)	(29,587)
Finance costs	6	(28,140)	(32,443)
Loss before tax		(195,627)	(39,676)
Income tax credit	7	1,065	1,279
Loss for the period	8	(194,562)	(38,397)
Loss per share	9		
Basic and diluted		(HK10.12 cents)	(HK2.00 cents)

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

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(194,562)</u>	<u>(38,397)</u>
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of properties	12,143	10,298
Recognition of deferred tax liability on revaluation of properties	(2,221)	(2,535)
Exchange differences arising on translation of group entities	<u>416</u>	<u>(19,739)</u>
Other comprehensive income (expense) for the period (net of tax)	<u>10,338</u>	<u>(11,976)</u>
Total comprehensive expense for the period	<u>(184,224)</u>	<u>(50,373)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

		30 June 2015 (Unaudited) <i>HK\$'000</i>	31 December 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Investment properties	11	51,087	48,547
Property, plant and equipment	11	1,513,438	1,659,243
Prepaid lease payments		173,708	178,000
Goodwill		41,672	41,672
Club memberships		761	761
Deposit paid for the acquisition of property, plant and equipment		345	345
Deferred tax assets		1,511	1,282
		1,782,522	1,929,850
Current assets			
Inventories		328,728	337,432
Trade receivables	12	477,922	566,976
Bills receivable	12	398,700	558,370
Prepayments, deposits and other receivables		133,227	140,005
Prepaid lease payments		8,701	8,698
Bank balances and cash		111,025	68,789
		1,458,303	1,680,270
Current liabilities			
Trade payables	13	193,194	288,550
Other payables and accruals	14	103,691	118,926
Tax payable		19,372	15,788
Loan from a related company	15	50,740	–
Bank borrowings – due within one year	16	964,194	1,293,837
		1,331,191	1,717,101
Net current assets (liabilities)		127,112	(36,831)
Total assets less current liabilities		1,909,634	1,893,019

		30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings – due after one year	16	199,500	–
Other payable		1,010	1,122
Deferred tax liabilities		31,466	30,015
		<u>231,976</u>	<u>31,137</u>
		<u>1,677,658</u>	<u>1,861,882</u>
Capital and reserves			
Share capital	17	1,191,798	1,191,798
Reserves		485,860	670,084
		<u>1,677,658</u>	<u>1,861,882</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Shougang Concord Century Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) 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 (the “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.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

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

3. SEGMENT INFORMATION

Information reported to the Company's managing director, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

- (i) The steel cord segment comprising the manufacturing of steel cords; and
- (ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

These operating segments are the basis that is regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance. During the six months ended 30 June 2015, the Group had no material change in segment assets and segment liabilities.

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

Six months ended 30 June 2015

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Segment total (Unaudited) <i>HK\$'000</i>
Segment revenue			
External sales	529,931	152,386	682,317
Inter-segment sales (<i>Note</i>)	–	8,732	8,732
	<hr/>	<hr/>	<hr/>
Total	<u>529,931</u>	<u>161,118</u>	<u>691,049</u>
Segment results	<u>(153,272)</u>	<u>651</u>	<u>(152,621)</u>

Note: Inter-segment sales are made based on prevailing market price.

Reconciliation of revenue

	(Unaudited) HK\$'000
Total revenue for operating segments	691,049
Rental income	826
Elimination of inter-segment sales	(8,732)
	<hr/>
Group revenue	683,143
	<hr/> <hr/>

Reconciliation of loss before tax

	(Unaudited) HK\$'000
Total loss for operating segments	(152,621)
Profit arising from property investment	3,145
Unallocated amounts	
Unallocated income	366
Unallocated foreign exchange losses, net	(2,877)
Unallocated expenses	(15,500)
Unallocated finance costs	(28,140)
	<hr/>
Loss before tax	(195,627)
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Six months ended 30 June 2014

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Segment total (Unaudited) HK\$'000
Segment revenue			
External sales	710,670	188,684	899,354
Inter-segment sales (<i>Note</i>)	–	11,211	11,211
	<hr/>	<hr/>	<hr/>
Total	710,670	199,895	910,565
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment results	11,806	(953)	10,853
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: Inter-segment sales are made based on prevailing market price.

Reconciliation of revenue

	(Unaudited) <i>HK\$'000</i>
Total revenue for operating segments	910,565
Rental income	868
Elimination of inter-segment sales	<u>(11,211)</u>
Group revenue	<u><u>900,222</u></u>

Reconciliation of loss before tax

	(Unaudited) <i>HK\$'000</i>
Total profit for operating segments	10,853
Profit arising from property investment	1,508
Unallocated amounts	
Unallocated income	814
Unallocated foreign exchange losses, net	(6,422)
Unallocated expenses	(13,986)
Unallocated finance costs	<u>(32,443)</u>
Loss before tax	<u><u>(39,676)</u></u>

Segment results represents the profit or loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits, finance costs and other income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Investment income		
Interest income on bank deposits	<u>365</u>	<u>759</u>
Other income		
Government grants (<i>Note</i>)	225	315
Sales of scrap materials	38	176
Others	<u>287</u>	<u>400</u>
	<u>550</u>	<u>891</u>
	<u>915</u>	<u>1,650</u>

Note: The government grants represented immediate financial supports granted by the local government. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Allowance for bad and doubtful debts reversed, net	3,630	86
Increase in fair value of investment properties	2,534	830
Impairment loss recognised in respect of property, plant and equipment (note 11)	(93,000)	–
Bad debts written off	(3,971)	–
Foreign exchange losses, net	(2,190)	(6,654)
(Loss) gain on disposal of property, plant and equipment, net	<u>(153)</u>	<u>77</u>
	<u>(93,150)</u>	<u>(5,661)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank borrowings		
wholly repayable within five years	25,058	30,341
Interest expenses on loan from a related company		
wholly repayable within five years	740	–
Amortisation of transaction costs	2,342	2,250
	<hr/>	<hr/>
Total borrowing costs	28,140	32,591
Less: amounts capitalised	–	(148)
	<hr/>	<hr/>
	28,140	32,443
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the six months ended 30 June 2014 arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.05% per annum to expenditure on qualifying assets. During October 2014, the loan specified for the construction of the qualifying assets was fully repaid and no borrowing cost is capitalised thereafter.

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	584	180
Overprovision in prior periods:		
PRC EIT	(647)	(984)
Deferred tax	(1,002)	(475)
	<hr/>	<hr/>
	(1,065)	(1,279)
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2015 and 30 June 2014, no provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong.

Under the Law of the PRC on EIT, the Company’s subsidiaries operating in the PRC are subject to a tax rate of 25%, except for Jiaying Eastern Steel Cord Co., Ltd. (“JESC”). JESC has been recognised as a state-encouraged high-new technology enterprise starting from 2014, and the status is valid for a period of three years. JESC is thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, subject to annual review by the relevant tax authority in the PRC.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	67,766	73,713
Allowance for inventories recognised (included in "Cost of sales")	13,401	750
Amortisation of prepaid lease payments (included in "Cost of sales")	4,340	4,335
	<u>67,766</u>	<u>73,713</u>

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the period for the purposes of calculation of basic and diluted loss per share	<u>(194,562)</u>	<u>(38,397)</u>
	Six months ended 30 June	
	2015	2014
Number of shares		
Number of ordinary shares for the purposes of calculation of basic and diluted loss per share	<u>1,922,900,556</u>	<u>1,922,900,556</u>

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options during the six months ended 30 June 2015 and 30 June 2014 since their exercise would result in a decrease in loss per share.

10. DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

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

During the six months ended 30 June 2015, the Group incurred approximately HK\$2,791,000 (six months ended 30 June 2014: HK\$4,352,000) on the enhancement of production facilities of steel cord segment. In addition, the Group also acquired approximately HK\$410,000 (six months ended 30 June 2014: HK\$136,000) of other property, plant and equipment in the current interim period.

During the six months ended 30 June 2015, the Group disposed of certain machineries with an aggregate carrying amount of HK\$815,000 (six months ended 30 June 2014: HK\$13,000) for cash proceeds of HK\$662,000 (six months ended 30 June 2014: HK\$90,000), resulting in a loss on disposal of HK\$153,000 (six months ended 30 June 2014: a gain on disposal of HK\$77,000).

During the six months ended 30 June 2015, as the result of the unfavourable performance of Tengzhou Eastern Steel Cord Co., Ltd. (“TESC”), an indirect wholly owned subsidiary of the Company, the management conducted an impairment assessment of the property, plant and equipment of TESC individually. If it is not possible to estimate the recoverable amount of the property, plant and equipment individually, the management determines the recoverable amount of the cash-generating unit (“CGU”) to which the property, plant and equipment belong. The management considers that the recoverable amount of the individual property, plant and equipment cannot be determined if (i) the value in use of the asset cannot be estimated to be close to its fair value less costs to sell, and (ii) the asset does not generate cash inflows that are largely independent of those from other assets. TESC is considered as a CGU for the purpose of the impairment test. A CGU is considered to be impaired when its recoverable amount declines below its carrying amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

The recoverable amount of TESC as at 30 June 2015 was determined based on value in use calculation and certain key assumptions. Value in use calculations use cash flow projections based on financial budgets approved by the management of the Group covering a four and a half year period. The discount rate used for the value in use calculations is at 10.85% (six months ended 30 June 2014: 9.10%). Cash flow beyond the four and a half year period is extrapolated for nineteen years using a zero growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin. Such estimation is based on the management’s expectations for the market development.

During the six months ended 30 June 2015, an impairment loss of HK\$93,000,000 (six months ended 30 June 2014: Nil) recognised in the profit or loss of which (i) HK\$91,770,000 (six months ended 30 June 2014: Nil) was allocated to plant and machinery; (ii) HK\$382,000 (six months ended 30 June 2014: Nil) was allocated to furniture, fixtures and equipment; (iii) HK\$152,000 (six months ended 30 June 2014: Nil) was allocated to motor vehicles; and (iv) HK\$696,000 (six months ended 30 June 2014: Nil) was allocated to construction in progress on a pro rata basis with reference to their respective carrying amounts before impairment. The impairment loss has been included in other gains and losses in profit or loss.

The fair value of the Group’s investment properties at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by Grant Sherman Appraisal Limited (“Grant Sherman”), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity. The resulting increase in fair value of investment properties of approximately HK\$2,534,000 (six months ended 30 June 2014: HK\$830,000) has been credited to profit or loss for the period.

The leasehold land and buildings of approximately HK\$406,146,000 (31 December 2014: HK\$408,233,000) included in property, plant and equipment were valued by Grant Sherman on either: (1) an open market value basis by reference to recent market transactions for comparable properties; or (2) on basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales at the end of the reporting period. The resulting surplus on revaluation of leasehold land and buildings has been credited to property revaluation reserve of approximately HK\$12,143,000 (six months ended 30 June 2014: HK\$10,298,000).

12. TRADE RECEIVABLES/BILLS RECEIVABLE

The Group normally allows credit period of 30 to 90 days to its trade customers.

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period presented based on sales invoice date, which approximated the respective revenue recognition dates, is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0-90 days	335,111	379,379
91-180 days	79,052	158,199
Over 180 days	63,759	29,398
	<u>477,922</u>	<u>566,976</u>

An aged analysis of bills receivable at the end of the reporting period presented based on sales invoice date is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0-90 days	14,651	11,346
91-180 days	32,940	195,981
Over 180 days	351,109	351,043
	<u>398,700</u>	<u>558,370</u>

Included in bills receivable as at 30 June 2015 was an amount of approximately HK\$119,286,000 (31 December 2014: HK\$13,708,000) and approximately HK\$83,218,000 (31 December 2014: HK\$198,146,000) that have been discounted to banks (note 16) and have been endorsed to certain creditors, respectively, on a full recourse basis.

As the Group has not transferred the significant risks and rewards related to these receivables, it continues to recognise the full carrying amount of the bills receivable and the associated liabilities. At the end of the reporting period, all bills receivable are with maturity date within one year based on the issuance date of relevant bills.

13. TRADE PAYABLES

An aged analysis of trade payables at the end of the reporting period presented based on purchase invoice date is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0-30 days	92,495	55,034
31-90 days	52,130	89,798
91-180 days	24,456	128,977
181-365 days	17,306	10,276
Over 1 year	6,807	4,465
	<u>193,194</u>	<u>288,550</u>

The average credit period on purchases of goods is 30 days.

14. OTHER PAYABLES AND ACCRUALS

At 30 June 2015, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK\$53,759,000 (31 December 2014: HK\$70,269,000).

15. LOAN FROM A RELATED COMPANY

The amount represents a loan from and the related accrued interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang (Holding) Hong Kong Limited ("Shougang HK"). The Company is an associate of Shougang HK. The loan is unsecured, bears interest at 6% per annum and repayable within one year.

16. BANK BORROWINGS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Trust receipt loans	25,988	27,235
Other bank loans	1,018,420	1,252,894
Discounted bills with recourse	119,286	13,708
	<u>1,163,694</u>	<u>1,293,837</u>
Secured	19,714	22,926
Unsecured	1,143,980	1,270,911
	<u>1,163,694</u>	<u>1,293,837</u>

During the six months ended 30 June 2015, the Group obtained new bank borrowings of approximately HK\$704,072,000 (six months ended 30 June 2014: HK\$463,736,000) and repaid bank borrowings of approximately HK\$757,609,000 (six months ended 30 June 2014: HK\$288,755,000). These borrowings carry interest at market rates ranging from 1.89% to 5.62% per annum (six months ended 30 June 2014: 1.87% to 7.07% per annum) and are repayable over a period of one to two years.

The Group has classified the bank borrowings of HK\$964,194,000 (31 December 2014: HK\$1,293,837,000) as current liabilities. Of which HK\$964,194,000 (31 December 2014: HK\$1,144,046,000) are repayable within one year according to agreed schedule repayment dates. As at 31 December 2014, HK\$149,791,000 (30 June 2015: Nil) that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause.

17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised		
At 1 January 2014		
– Ordinary shares of HK\$0.10 each	5,000,000	500,000
	<u>5,000,000</u>	<u>500,000</u>
At 30 June 2014 and 30 June 2015 (<i>Note</i>)		
	N/A	N/A
	<u>N/A</u>	<u>N/A</u>
Issued and fully paid		
At 1 January 2014		
– Ordinary shares of HK\$0.10 each	1,922,901	192,290
Transfer from share premium and capital redemption reserve upon abolition of par value	–	999,508
	<u>1,922,901</u>	<u>999,508</u>
At 30 June 2014 and 30 June 2015		
– Ordinary shares with no par value (<i>Note</i>)	1,922,901	1,191,798
	<u>1,922,901</u>	<u>1,191,798</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of operations

The economy of the PRC achieved a slower growth of 7% during the first half year. Albeit the overall economic health remained solid, the performance of certain sectors of the economy, such as automotive, fixed assets investments, property development and import/export were relatively weak during the period. The demand for radial tyres softened as a result of such weak performance. On the background of weaker demand of radial tyres, the Steel cord segment recorded lower sales volume during the period. Furthermore, the selling price of steel cords continued to decline as price competition associated with overcapacity situation in the steel cord industry remained during the first half year. Attributable to these factors, the Steel cord segment recorded substantial decrease in gross profit and incurred operating loss in the period.

In respect of Copper and brass products segment, revenue dropped in the first half year as compared to the same period last year, as there was lower demand for commodity products under a weakened industrial environment that has also driven down the price of copper. Despite there was a decrease in sales revenue, through continued reinforcement of sales and inventory management, this segment achieved an increase in gross profit margin and a turnaround to operating profit during the period.

For the Group as a whole, it recorded LBITDA and significant decrease in Adjusted EBITDA during the period. The loss for the period also significantly increased as compared to the same period last year, which was attributable to the unfavourable performance of Steel cord segment and the recognition of considerable impairment loss during the period.

Steel cord

Overall performance

This segment recorded a decrease in sales volume of steel cords of 14.1% as compared to the same period last year, which was mainly attributable to the weak demand in radial tyres and hence, steel cords during the first half year. Furthermore, the selling price of steel cords continued to decline as the overcapacity situation of the steel cord industry in the PRC remained due to the weaker demand. The average selling price of steel cord dropped by 12.8% as compared to the same period last year. Unit production cost of steel cord also dropped as the price of major raw material declined as compared to the same period last year, but the decrease was not able to compensate for the significant decline in average selling price of steel cords. Furthermore, an allowance for inventories of HK\$13,401,000 was recognised during the period to correspond with the significant decline in average selling price. Therefore, the decrease in sales volume, lower average selling price of steel cord and the allowance for inventories recognised caused the gross profit of this segment to drop discernibly by 99.8% to HK\$184,000 (2014: HK\$83,960,000) as compared to the same period last year.

Due to the marked decrease in gross profit, this segment recorded LBITDA and operating loss for the period. LBITDA of this segment was HK\$81,662,000 (2014: EBITDA of HK\$89,605,000) for the period. Adjusted EBITDA (excluding allowance for inventories recognised, allowance for bad and doubtful debts reversed, bad debts written off, impairment loss recognised in respect of property, plant and equipment and foreign exchange gains/losses) was HK\$24,598,000 for the period, decreased by 72.9% as compared to the same period last year. Also attributable to the significant decrease in gross profit and impairment loss, which is illustrated under the sub-section "*Impairment loss recognised in respect of property, plant and equipment and goodwill impairment assessment*" here below, this segment recorded operating loss of HK\$153,272,000 for the period, as compared to operating profit of HK\$11,806,000 for the same period last year.

Revenue

This segment sold 48,281 tonnes of steel cords during the period, decreased by 14.1% as compared to 56,200 tonnes in the same period last year. In respect of its sawing wire business, this segment sold an aggregate of 164 tonnes of half products and final products of sawing wires during the period, dropped by 61.0% as compared to 421 tonnes for the same period last year. The analysis of sales volume of this segment is as follows:

	Six months ended 30 June		2014		% change
	2015	% of	Sales	% of	
	Sales	total sales	Sales	total sales	
	volume	volume of	volume	volume of	
	(Tonne)	steel cords	(Tonne)	steel cords	
Steel cords for:					
– truck tyres	32,662	67.6	43,667	77.7	-25.2
– off the road truck tyres	1,786	3.7	2,208	3.9	-19.1
– passenger car tyres	13,833	28.7	10,325	18.4	+34.0
Total for steel cords	48,281	100.0	56,200	100.0	-14.1
Sawing wires:					
– half product	53		198		-73.2
– final product	111		223		-50.2
Total for sawing wires	164		421		-61.0
Other steel wires	187		304		-38.5
Total	48,632		56,925		-14.6

The sales of steel cords for truck tyres accounted for 67.6% of sales of steel cords for the period, decreased by 10.1 percentage points as compared to the same period last year, but still remained the largest part of sales of steel cords for the period.

In respect of sales of steel cords by region, the volume of export sales of steel cords amounted to 8,477 tonnes for the period, increased by 11.3% as compared to 7,614 tonnes in the same period last year. The volume of export sales represented 17.6% of total sales volume of steel cords for the period, increased by 4.1 percentage points as compared to 13.5% for the same period last year. The breakdown of sales volume of steel cords by geographical location is as follows:

	Six months ended 30 June				
	2015		2014		% change
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
PRC	39,804	82.4	48,586	86.5	-18.1
Export sales:					
Asia (other than PRC)	5,210	10.8	4,784	8.5	+8.9
North America	1,233	2.6	1,274	2.2	-3.2
EMEA (Europe, Middle East and Africa)	1,062	2.2	332	0.6	+219.9
South America	972	2.0	1,224	2.2	-20.6
Total export sales	8,477	17.6	7,614	13.5	+11.3
Total	48,281	100.0	56,200	100.0	-14.1

In respect of selling price, price erosion deepened during the first half year as the overcapacity situation of the steel cord industry in the PRC was exacerbated by the weaker demand of steel cords. As such, the average selling price of steel cords declined by 12.8% as compared to the same period last year.

As both sales volume and average selling price of steel cords dropped over the period, the revenue of this segment therefore decreased by 25.4% as compared to the same period last year to HK\$529,931,000 (2014: HK\$710,670,000) for the period.

Gross profit

Gross profit of this segment significantly decreased by 99.8% as compared to the same period last year to HK\$184,000 (2014: HK\$83,960,000) for the period. The significant decrease was attributable to the decrease in sales volume of steel cords of 14.1%; the decline in average selling price of steel cords of 12.8% as compared to the same period last year; and the allowance for inventories of HK\$13,401,000 recognised during the period. Gross profit margin substantially declined from 11.8% in the same period last year to 0.1% for the period.

Investment and other income

Investment and other income amounted to HK\$814,000 for the period, decreased by 1.6% as compared to HK\$827,000 for the same period last year, since the amount of government grants decreased by 87.3% as compared to the same period last year to HK\$40,000 (2014: HK\$315,000) for the period.

Allowance for bad and doubtful debts reversed, net and bad debts written off

An allowance for bad and doubtful debts of HK\$3,630,000 was reversed during the period, while there was bad debts written off of HK\$3,971,000 (2014: Nil) for the period, therefore, the net amount of bad debts was HK\$341,000 for the period, whereas there was allowance for bad and doubtful debts reversed of HK\$86,000 in the same period last year.

Impairment loss recognised in respect of property, plant and equipment and goodwill impairment assessment

There was unexpected significant decline in average selling price of steel cords during the period, especially in the second quarter. When compared to the average selling price of steel cord of the Group for 2014, the average selling price moderately declined by 3.5% in the first quarter, however the extent of drop in average selling price substantially increased to 11.7% in the second quarter, this caused TESC to incur substantial amount of gross loss in the first half year, the management of the Group therefore had conducted an impairment assessment on the carrying value of property, plant and equipment of TESC at the end of the reporting period which was determined based on value in use calculation. On the expectation that the Group will still face intense competition in the steel cord industry in the near term that may continue to hinder the rebound in average selling price of steel cords, hence an impairment loss of HK\$93,000,000 (2014: Nil) was recognised on the property, plant and equipment of TESC for the period.

Due to the significant decline in average selling price of steel cords in the second quarter, the management of the Group had also conducted an impairment assessment on goodwill in relation to JESC, which was also determined based on value in use calculation. Irrespective of the significant decline in the average selling price of steel cords, the average selling price and capacity utilisation of JESC are well ahead of those of TESC due to different customer mix, therefore we concluded that no impairment of goodwill was required for the period under review.

Distribution and selling expenses

Distribution and selling expenses decreased by 15.6% as compared to the same period last year to HK\$20,128,000 (2014: HK\$23,849,000) for the period, mainly as a result of the decrease in sales volume of steel cords of 14.1% as compared to the same period last year.

Administrative expenses

Administrative expenses amounted to HK\$18,119,000 for the period, decreased by 6.2% as compared to HK\$19,316,000 for the same period last year.

Research and development expenses

Research and development expenses amounted to HK\$22,536,000 for the period, lowered by 23.8% as compared to the same period last year.

Copper and brass products

Overall performance

The industrial slowdown in the PRC deeply affected the global demand of copper in the first half year. The sales volume of this segment decreased by 13.3% as compared to the same period last year; however, gross profit margin further improved through reinforced sales strategy and inventory management. This segment achieved a turnaround in operating profit during the period. It recorded operating profit of HK\$651,000 for the period, as compared to operating loss of HK\$953,000 in the same period last year.

Revenue

This segment sold 3,465 tonnes of copper and brass products during the period, declined by 13.3% as compared to 3,996 tonnes for the same period last year. The breakdown of sales volume of copper and brass products by geographical regions is as follows:

	Six months ended 30 June				
	2015		2014		% change
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
PRC	2,421	69.9	2,894	72.4	-16.3
Hong Kong and other countries	1,044	30.1	1,102	27.6	-5.3
Total	3,465	100.0	3,996	100.0	-13.3

Copper price continued to drop during the period, and therefore the average selling price of this segment dropped by 7.1% as compared to the same period last year. Attributable to the decrease in sales volume and lowered average selling price, this segment recorded a decline in revenue of 19.4% as compared to the same period last year to HK\$161,118,000 (2014: HK\$199,895,000) for the period.

Gross profit

Despite the decrease in revenue of 19.4%, this segment achieved an increase in gross profit of 12.6% over the same period last year to HK\$4,399,000 (2014: HK\$3,907,000) for the period, as the adoption of strengthened sales and inventory management since last year continued to bring fruitful results. Gross profit margin was 2.7% for the period, increased by 0.7 percentage point as compared to 2.0% in the same period last year.

FINANCIAL REVIEW

The Group reported net loss of HK\$194,562,000 for the period, increased by 406.7% as compared to HK\$38,397,000 for the same period last year, which was mainly attributable to the decrease in sales volume, a significant decline in average selling price of steel cords and the recognition of impairment loss in respect of property, plant and equipment during the first half year. As such, the Group recorded LBITDA of HK\$95,381,000 for the period, as compared to EBITDA of HK\$70,815,000 for the same period last year. Adjusted EBITDA of the Group decreased by 85.7% as compared to the same period last year to HK\$11,017,000 (2014: HK\$77,303,000) for the period, as follows:

	Six months ended		
	30 June		
	2015	2014	
	HK\$'000	HK\$'000	% change
(L)EBITDA	(95,381)	70,815	N/A
Adjusted for:			
Allowance for inventories recognised	13,401	750	+1686.8
Allowance for bad and doubtful debts reversed, net and bad debts written off	341	(86)	N/A
Impairment loss recognised in respect of property, plant and equipment	93,000	–	N/A
Foreign exchange losses, net	2,190	6,654	-67.1
Increase in fair value of investment properties	(2,534)	(830)	+205.3
Adjusted EBITDA	<u>11,017</u>	<u>77,303</u>	-85.7

Revenue

Revenue of the Group amounted to HK\$683,143,000 (2014: HK\$900,222,000) for the period, decreased by 24.1% as compared to the same period last year. The breakdown of revenue is as follows:

	Six months ended 30 June				
	2015		2014		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	529,931	77.6	710,670	78.9	-25.4
Copper and brass products	161,118	23.6	199,895	22.2	-19.4
Sub-total	691,049	101.2	910,565	101.1	-24.1
Elimination of sales by Copper and brass products segment to Steel cord segment	(8,732)	(1.3)	(11,211)	(1.2)	-22.1
Property rental	826	0.1	868	0.1	-4.8
Total	683,143	100.0	900,222	100.0	-24.1

Gross profit

Gross profit of the Group decreased by 94.0% as compared to the same period last year to HK\$5,345,000 (2014: HK\$88,682,000) for the period. Attributable to the significant drop in gross profit margin of Steel cord segment, gross profit margin of the Group decreased by 9.1 percentage points as compared to the same period last year to 0.8% for the period. The breakdown of gross profit is as follows:

	Six months ended 30 June				
	2015		2014		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord	184	0.1	83,960	11.8	-99.8
Copper and brass products	4,399	2.7	3,907	2.0	+12.6
Property rental	762	92.3	815	93.9	-6.5
Total	5,345	0.8	88,682	9.9	-94.0

Investment and other income

Investment and other income decreased by 44.5% as compared to the same period last year to HK\$915,000 (2014: HK\$1,650,000) for the period, as both bank interest income and government grants decreased as compared to the same period last year.

Other gains and losses

The Group recorded net loss of HK\$93,150,000 for the period, increased by 1545.5% as compared to HK\$5,661,000 for the same period last year. The breakdown of other gains and losses is as follows:

	Six months ended		% change
	2015	2014	
	HK\$'000	HK\$'000	
Foreign exchange losses, net (<i>Note 1</i>)	(2,190)	(6,654)	-67.1
Increase in fair value of investment properties	2,534	830	+205.3
Allowance for bad and doubtful debts reversed, net and bad debts written off	(341)	86	N/A
Impairment loss recognised in respect of property, plant and equipment (<i>Note 2</i>)	(93,000)	–	N/A
Others	(153)	77	N/A
Total	<u>(93,150)</u>	<u>(5,661)</u>	+1545.5

Note 1: The Group recorded foreign exchange losses of HK\$2,190,000 for the period, reduced by 67.1% as compared to the same period last year, as the exchange rate of RMB recorded a decrease of approximately 0.1% against HKD over the period, as opposed to the corresponding decrease of 1.0% over the same period last year.

Note 2: This represents impairment loss recognised in respect of property, plant and equipment of TESC, as mentioned in “Steel cord” section above.

Distribution and selling expenses and administrative expenses

Distribution and selling expenses amounted to HK\$21,681,000 (2014: HK\$25,737,000) for the period, decreased by 15.8% as compared to the same period last year. The decrease corresponded with the respective decrease in sales volume of steel cords and copper and brass products of 14.1% and 13.3% as compared to the same period last year.

Administrative expenses amounted to HK\$36,380,000 (2014: HK\$36,580,000) for the period, slightly dropped by 0.5% as compared to the same period last year. As the revenue of the Group decreased by 24.1%, the ratio of administrative expenses to revenue raised from 4.1% in the same period last year to 5.3% for the period.

Research and development expenses

Research and development expenses of the Group amounted to HK\$22,536,000 for the period, decreased by 23.8% as compared to HK\$29,587,000 for the same period last year. Such expenses were all incurred by Steel cord segment, which have been mentioned in “**Steel cord**” section above.

Segment results

The Group recorded loss of HK\$152,621,000 from its business segments during the period, against operating profit of HK\$10,853,000 for the same period last year. The breakdown of the operating results of the Group’s business segments for the period is as follows:

	Six months ended		% change
	30 June		
	2015	2014	
	HK\$'000	HK\$'000	
Steel cord	(153,272)	11,806	N/A
Copper and brass products	<u>651</u>	<u>(953)</u>	N/A
Total	<u><u>(152,621)</u></u>	<u><u>10,853</u></u>	N/A

Finance costs

Finance costs amounted to HK\$28,140,000 for the period, decreased by 13.3% as compared to HK\$32,443,000 for the same period last year, mainly as the amount of interest bearing borrowings decreased during the period. The average interest bearing borrowings was HK\$1,254,136,000 for the period, decreased by 16.7% as compared to HK\$1,505,888,000 in the same period last year.

Income tax credit

The Group recorded income tax credit of HK\$1,065,000 for the period, decreased by 16.7% as compared to HK\$1,279,000 for the same period last year. The decrease in income tax credit was mainly because of the increase in deferred tax charge attributable to the surplus on revaluation of properties during the period.

Other than JESC, which has been recognised as a state-encouraged high-new technology enterprise starting from 2014 and thus entitled to a preferential tax rate of 15% in 2014, 2015 and 2016, there was no change in applicable tax rates of the Company and its subsidiaries during the period. For the Company and subsidiaries operating in Hong Kong, they are subject to Hong Kong Profits Tax at a rate of 16.5% (2014: 16.5%) for the period. For the subsidiaries operating in the PRC, pursuant to the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law (the “Implementation Regulation”), they are subject to a tax rate of 25% (2014: 25%) for the period.

In addition, according to the EIT Law and Implementation Regulation and the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Group is subject to withholding tax on dividends paid by subsidiaries in the PRC to holding companies in Hong Kong at a rate of 5% (2014: 5%).

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK\$524,179,000 at 30 June 2015, decreased by 15.0% as compared to HK\$616,925,000 at 31 December 2014. The overall quality of trade receivables is in manageable conditions, and allowance for bad and doubtful debts of HK\$3,630,000 was reversed during the period.

The balance of the allowance for bad and doubtful debts decreased to HK\$46,257,000 at 30 June 2015. These represented those made for receivables from sales of steel cord and sawing wire products (including half products and final products). We will continue to use our best endeavors to recover those receivables, including the negotiation of payment by way of assets other than cash and/or instituting legal actions against those customers to claim our payment.

In respect of the trade receivables at 30 June 2015, approximately 40.8% has been subsequently settled by cash or bills receivable up to 26 August 2015, details are as follows:

Age	Amount at 30 June 2015 HK\$'000	% of subsequent settlement
0-90 days	335,111	29.9
91-180 days	79,052	82.7
Over 180 days	63,759	46.2
Total	<u>477,922</u>	40.8

TREASURY AND FUNDING POLICIES

The treasury and funding policies of the Group concentrates on the management of liquidity and the monitoring of financial risks, including interest rate risk, currency risk and counterparty risks. The objectives are to ensure the Group has adequate financial resources to maintain business growth with a healthy financial position.

Surplus funds of the Group are generally placed on short term deposits denominated in HKD, RMB or USD with reputable banks in Hong Kong and the PRC. The financing of the Group usually comprises short to medium term loans from banks, the loan portfolio takes into consideration of the liquidity of the Group and interest costs.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders.

There was no change in the number of issued shares of the Company during the period, the number of issued shares remained at 1,922,900,556 Shares at 30 June 2015. Net asset value of the Group was HK\$1,677,658,000 at 30 June 2015, decreased by 9.9% as compared to HK\$1,861,882,000 at 31 December 2014, attributable to the loss and the decrease in RMB exchange rate against HKD during the period. Net asset value per Share was HK\$0.872 at 30 June 2015, also decreased by 9.9% as compared to HK\$0.968 at 31 December 2014.

Cash Flows

Although the Group reported loss of HK\$194,562,000 for the period, however it generated net cash operating inflow of HK\$103,169,000 for the period as follows:

HK\$'000

Net cash from operating activities as per condensed consolidated statement of cash flows	76,516
Add: Operating cash inflows not reflected in the condensed consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks and matured during the period	13,708
Bills receivable endorsed to creditors of the Group at 31 December 2014 to settle payable for acquisition of property, plant and equipment and matured during the period	12,945
	<hr/>
Net cash inflow from operating activities for the period	<u>103,169</u>

In respect of cash flows on other activities, the Group incurred net cash outflow on investing activities of HK\$5,706,000 during the period, mainly represented capital expenditures incurred by Steel cord segment; and incurred net cash outflow on financing activities of HK\$28,595,000 during the period, which mainly comprised interest paid of HK\$25,058,000.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash amounted to HK\$111,025,000 at 30 June 2015, increased by 61.4% as compared to HK\$68,789,000 at 31 December 2014. Total interest bearing borrowings of the Group were HK\$1,214,434,000 at 30 June 2015, decreased by 6.1% as compared to HK\$1,293,837,000 at 31 December 2014.

At 30 June 2015, HK\$502,883,000, that represented 41.4% of interest bearing borrowings were floating-rate borrowings, while HK\$711,551,000, that represented 58.6% of interest bearing borrowings were collared at rates ranging from 1.89% to 4.88% per annum. The nature and maturing profile of the Group's interest bearing borrowings at 30 June 2015, based on contracted repayment schedules were as follows:

	<i>HK\$'000</i>	% of total interest bearing borrowings
Due in the second half year of 2015 or on demand:		
– Trust receipt loans	25,988	2.1
– Bank advances for discounted bills	119,286	9.8
– Working capital loans	537,878	44.3
– Loan from a related company	50,740	4.2
– Current portion of medium term loans	<u>132,500</u>	<u>10.9</u>
	866,392	71.3
Medium term loans:		
– Due in 2016	150,000	12.4
– Due in 2017	<u>200,000</u>	<u>16.5</u>
	1,216,392	100.2
Unamortized loan arrangement fees	<u>(1,958)</u>	<u>(0.2)</u>
Total	<u><u>1,214,434</u></u>	<u><u>100.0</u></u>

Debt and liquidity ratios

Gearing ratio (calculated as total interest bearing borrowings less bank balances and cash divided by Shareholders' equity) of the Group was 65.8% at 30 June 2015, which remained the same level as at 31 December 2014. The current ratio (calculated as current assets divided by current liabilities) of the Group was 1.10 times at 30 June 2015, improved as compared to 0.98 times at 31 December 2014.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. The Group's bank balances and cash are therefore mainly in RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with interest bearing borrowings, while endeavour to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. However, in anticipation of the depreciation of RMB exchange rate since last year, the Group increased the proportion of borrowings in RMB during the period to minimize the impact on the depreciation of RMB exchange rate on the Group's results, therefore at 30 June 2015, the percentage of interest bearing borrowings of the Group that are denominated in HKD and USD lowered from 72.5% at 31 December 2014 to 64.9% at 30 June 2015. The respective currency composition of the Group's bank balances and cash and interest bearing borrowings was as follows:

Bank balances and cash

	30 June 2015		31 December 2014	
	<i>HK\$'000</i>	% of total bank balances and cash	<i>HK\$'000</i>	% of total bank balances and cash
RMB	76,150	68.6	31,402	45.6
HKD	4,052	3.6	4,555	6.6
USD	29,210	26.3	29,480	42.9
Other currencies	1,613	1.5	3,352	4.9
Total	<u>111,025</u>	<u>100.0</u>	<u>68,789</u>	<u>100.0</u>

Interest bearing borrowings

	30 June 2015		31 December 2014	
	<i>HK\$'000</i>	% of total interest bearing borrowings	<i>HK\$'000</i>	% of total interest bearing borrowings
RMB	426,155	35.1	355,861	27.5
HKD	756,080	62.3	861,185	66.6
USD	32,199	2.6	76,791	5.9
Total	<u>1,214,434</u>	<u>100.0</u>	<u>1,293,837</u>	<u>100.0</u>

In respect of exposure to interest rate risk, even though 41.4% of the interest bearing borrowings at 30 June 2015 are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit and cash flows of the Group, as we were of the view that interest rate would hover at a relatively low level for at least the remaining part of the year.

During the period under review and subsequent to the end of the reporting period, the exchange rate of RMB has depreciated abruptly under the auspicious of financial reform of the currency by the central government of the PRC. The depreciation of RMB exchange rate will have negative impact on the results of the Group on the translation of the Group's interest bearing borrowings that are denominated in HKD and USD, and the Group has not entered into any derivative financial instruments to hedge against foreign currency or interest rate risk. However, we would seek quotations for hedging our foreign currency or RMB exposure line with the maturities of our non-RMB borrowings from time to time. Furthermore, we will also review and adjust, when necessary, the currency composition of our interest bearing borrowings from time to time to minimize our risks on exchange and interest rate in respect of our interest bearing borrowings. In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Group during the period amounted to HK\$3,201,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The capital expenditures to be incurred in the second half year of 2015 are estimated to be approximately HK\$10,945,000, which are also mainly to be incurred by Steel cord segment. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2015, the Group had a total of 1,898 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC, which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the period amounted to approximately HK\$11,354,000.

The Group has also provided training programme or course for the mainland staff at all levels from different departments and also for Directors and employees of the Company so as to further enhance their technical skills in production operation and management, professional skills and knowledge respectively.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

Share options granted and remained outstanding under the 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

During the period, no options were granted, exercised and cancelled under the 2002 and 2012 Schemes while 2,000,000 share options lapsed under the 2002 Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group had no contingent liabilities as at 30 June 2015.

At 30 June 2015, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$12,100,000; and
2. Equity interests in certain subsidiaries of the Company.

PROGRESS ON THE POSSIBLE DEEMED DISPOSAL OF EQUITY INTEREST IN TESC AND THE PROPOSED STRATEGIC COOPERATION WITH 棗莊礦業(集團)有限責任公司 (ZAOZHUANG MINING (GROUP) CO., LTD.*) (“ZAOZHUANG MINING”)

On 30 June 2015, the Company and Zaozhuang Mining entered into a supplemental memorandum of understanding (the “Supplemental MOU”) whereby the parties agreed to, among other things, extend the long stop date to the effect that the formal agreement shall be entered into within 720 days from the date of the memorandum of understanding previously entered into on 13 July 2014 (the “MOU”), i.e., by 1 July 2016 (or such other later date as agreed by the parties) because Zaozhuang Mining required more time to complete both its internal approval process and its due diligence process on TESC under the current market condition of steel cord industry. Save and except the amendments under the Supplemental MOU, all the terms and conditions of the MOU remain unchanged and continue in full force and effect.

As at the date of this announcement, no legally-binding agreement has been entered into in relation to the proposed capital injection and the proposed strategic cooperation between the Group and Zaozhuang Mining and its subsidiaries.

Details regarding the MOU and the Supplemental MOU can be referred to announcements of the Company dated 13 July 2014 and 30 June 2015.

BUSINESS OUTLOOK

The slowdown in economic growth in the PRC has added pressures on the operating environment of both Steel cord and Copper and brass products segments of the Group. It is expected the Group will still face intense competition in the steel cord industry in the near future. The oversupply of steel cords continues to cause negative impact on the overall average selling price, and in turn will incise into our profit margin in the near term. The performance of Copper and brass products segment is also affected by the overall uncertain global economic condition and the fluctuation of copper price. Notwithstanding the outlook seems atrabilious, the Group has realigned its sales team of Steel cord segment in order to exert additional effort on penetrating “higher-value” accounts, will endeavour to develop a wider range of advanced products and new products to suit the international customers’ varying requirements and demands to achieve higher profit margin. The Group will continue to improve its product quality, enhance production efficiency and decrease production costs to reduce those negative impacts on the Group’s businesses.

In the long run, the Board believes that the aforesaid price competition in steel cord industry will cause industry consolidation and may eliminate certain small-to-medium size steel cord manufacturers and abate the over-supply situation. With our reputed “Eastern” brand name in both the domestic and export markets, we are hopeful that Shougang Century is able to weather such adversity.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognizes that an effective internal control system is crucial to the long term development of the Company. Hence, the Board reviews from time to time the effectiveness of the system of internal control of the Group, such as financial, operational and compliance controls and risk management functions. The Company has adopted the SCCHL Corporate Governance Code and the Internal Control Manual, which will be amended and revised as appropriate in order to enhance the effectiveness of the corporate governance practices and the internal control system, and also to be in line with the relevant amendments to the law, rules and regulations.

Deviation from code provision D.1.4 of the Code and Non-compliance with rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Code

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the six months ended 30 June 2015, except for (i) deviation from code provision D.1.4 of the Code; and (ii) non-compliance with rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the Code.

Due to the nomination of Mr. Liao Jun (non-executive Director) as the representative of NV Bekaert SA ("Bekaert") (a substantial Shareholder) to succeed Mr. Zhang Zhong (the former executive Director) in accordance with the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert and the subsequent agreement between both parties on 24 February 2015, Mr. Liao does not have any formal letter of appointment setting out the key terms and conditions of his appointment as a non-executive Director on 25 February 2015. The Company, therefore, deviated from the code provision D.1.4 of the Code.

Since the late Mr. Chan Chung Chun, an independent non-executive director of the Company, and a member of each of the nomination committee, audit committee, and remuneration committee of the Company, passed away on 8 May 2015 due to illness, the Company failed to comply with the Listing Rules requirements of (i) the board is required to have at least three independent non-executive directors; (ii) the board is required to have independent non-executive directors representing at least one third of the board; (iii) the audit committee must comprise a minimum of three members, all of whom are non-executive directors only; and (iv) each of the members of the audit, remuneration and nomination committees should comprise a majority of independent non-executive directors under rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and the code provision A.5.1 of the Code. Following the appointment of Mr. Lam Yiu Kin as an independent non-executive director of the Company and a member of each of the audit committee, nomination committee and remuneration committee of the Company with effect from 1 August 2015, the Board has then fulfilled the requirements under the aforementioned rules and the code provision. Further details can be referred to the announcement dated 31 July 2015.

APPRECIATION

On behalf of the Board, I would like to thank the Board members and all colleagues of the Group for their loyalty and diligence especially during this extremely competitive and challenging business conditions and our stakeholders for their continuing patience and support to the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions have the meanings set out below:

“2002 Scheme”	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
“2012 Scheme”	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
“Board”	the board of Directors
“Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

“Company”/ “Shougang Century”	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HKD/HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Steel cord”	manufacturing of steel cords for radial tyres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“USD/US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By order of the Board
Shougang Concord Century Holdings Limited
Li Shaofeng
Chairman

Hong Kong, 27 August 2015

As at the date of this announcement, the Board comprises the following Directors:

Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Liao Jun (Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Lam Yiu Kin (Independent Non-executive Director).

This interim results announcement is published on the websites of the Company at <http://www.irasia.com/listco/hk/sccentury/> and the Stock Exchange at <http://www.hkexnews.hk>. The 2015 Interim Report will be despatched to Shareholders and made available on the above websites in due course.

* For identification purpose only