



**SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED**

Stock Code : 103

2015
Interim Report



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CORPORATE PROFILE

Shougang Concord Century Holdings Limited (“Shougang Century”; together with its subsidiaries, collectively the “Group”) has been listed on the Stock Exchange since April 1992. Shougang HK, a wholly owned subsidiary of Shougang Corporation, and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of Shougang Century.

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. sales and processing and trading of copper and brass products
3. manufacturing of sawing wires

CORPORATE'S VISION AND MISSION

Shougang Century's Vision is to:

- deliver world-class products and services to our customers
- contribute to the economic and social development of the communities in which we operate
- maximize our shareholders' return

Shougang Century's Mission is to:

- strive for a successful “Eastern” brand awareness and recognition in steel cord industry
- be an enterprise of 200,000 tonnes annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality wire related products

To learn more about Shougang Century, please visit <http://www.shougangcentury.com.hk>.

CORPORATE INFORMATION

As at 27 August 2015

Board of Directors

Executive Directors

Li Shaofeng (*Chairman*)
Yang Kaiyu (*Managing Director*)
Tang Cornor Kwok Kau (*Deputy Managing Director*)

Non-executive Directors

Leung Shun Sang, Tony
Zhang Wenhui
Liao Jun

Independent Non-executive Directors

Yip Kin Man, Raymond
Law, Yui Lun
Lam Yiu Kin

Audit Committee

Yip Kin Man, Raymond (*Chairman*)
Law, Yui Lun
Lam Yiu Kin

Remuneration Committee

Yip Kin Man, Raymond (*Chairman*)
Li Shaofeng (*Vice Chairman*)
Leung Shun Sang, Tony
Law, Yui Lun
Lam Yiu Kin

Nomination Committee

Li Shaofeng (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Yip Kin Man, Raymond
Law, Yui Lun
Lam Yiu Kin

Authorised Representatives

Tang Cornor Kwok Kau
Chan Lai Yee

Company Secretary

Chan Lai Yee

Qualified Accountant

Wu Siu Man

CORPORATE INFORMATION (continued)

As at 27 August 2015

Principal Bankers	Agricultural Bank of China Bank of China Bank of China (Hong Kong) Limited China CITIC Bank International Limited China Minsheng Banking Corp., Ltd Hang Seng Bank Limited Industrial and Commercial Bank of China Industrial and Commercial Bank of China (Asia) Limited
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i>
Share Registrar	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Registered Office	5th Floor, Bank of East Asia Harbour View Centre 51-57 Gloucester Road Wanchai Hong Kong
Company's Website	http://www.shougangcentury.com.hk
Website For Publishing Listing Rules Related Announcements And Other Documents	http://www.irasia.com/listco/hk/sccentury/
HKEx Stock Code	103
Listing Date	9 April 1992

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	% Change
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

Notes:

- (L)EBITDA represents (loss) earnings before finance costs, income tax, depreciation and amortisation.
- 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

INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Shares outstanding as at 30 June 2015:	1,922,900,556 Shares
Market capitalisation as at 30 June 2015:	HK\$817,232,736
Closing stock price as at 30 June 2015:	HK\$0.425
Loss per Share (basic) for the six months ended 30 June 2015:	(HK10.12 cents)

Key Date

Announcement of 2015 Interim Results:	27 August 2015
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Investor Relations Contact

Address	: 5th Floor, Bank of East Asia Harbour View Centre 51–57 Gloucester Road, Wanchai, Hong Kong
Telephone	: (852) 2527 2218
Fax	: (852) 2861 3527
E-mail address	: business_link@shougangcentury.com.hk ir@shougangcentury.com.hk scchl@shougangcentury.com.hk
Website	: http://www.shougangcentury.com.hk

Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address	: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Telephone	: (852) 2980 1888
Fax	: (852) 2810 8185
E-mail address	: is-enquiries@hk.tricorglobal.com
Website	: http://www.tricoris.com

BUSINESS CONTACTS

JESC Jiaxing Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Jiaxing Economic
Development Zone, Zhejiang Province, PRC
Postal code: 314003
Telephone: (86) 573 8222 2790
Fax: (86) 573 8221 3500
Website: <http://www.jesc.com.cn>
E-mail address: jesc@jesc.com.cn

TESC Tengzhou Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Tengzhou Economic
Development Zone, Shandong Province, PRC
Postal code: 277500
Telephone: (86) 632 525 2100
Fax: (86) 632 525 2111
Website: <http://www.tesc.com.cn>
E-mail address: tesc@tesc.com.cn



Hing Cheong Metals (China & Hong Kong) Limited

Address: Unit 2-3, G/F., TCL Tower, 8 Tai Chung Road
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Telephone: (852) 2498 7800
Fax: (852) 2498 7912
E-mail address: hingcheong_m@ctimail.com



東莞興銅五金有限公司

Address: San Zhong Jinlong Industrial Zone, Qingxi
Dongguan, Guangdong Province, PRC
Postal code: 523660
Telephone: (86) 769 8709 1818
Fax: (86) 769 8709 1810
Website: <http://www.dgxtong.com>



首長寶佳(上海)管理有限公司

Address: 16F., Shartex Plaza, No. 88 Zunyi Nan Road
Shanghai, PRC
Postal code: 200336
Telephone: (86) 21 6291 8806
Fax: (86) 21 6291 8805

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**

首長實佳集團有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries set out on pages 9 to 37, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months 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.

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

27 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
	NOTES	2015 (Unaudited) HK\$'000	2014 (Unaudited) 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 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss for the period	(194,562)	(38,397)
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	416	(19,739)
Other comprehensive income (expense) for the period (net of tax)	10,338	(11,976)
Total comprehensive expense for the period	(184,224)	(50,373)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2015

	NOTES	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
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
		231,976	31,137
		1,677,658	1,861,882
Capital and reserves			
Share capital	17	1,191,798	1,191,798
Reserves		485,860	670,084
		1,677,658	1,861,882

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	PRC reserve funds HK\$'000 (Note ii)	Retained profits (Accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2014 (Audited)	192,290	996,784	23,990	2,724	52,576	415,937	32,080	45,468	363,405	2,125,254
Loss for the period	-	-	-	-	-	-	-	-	(38,397)	(38,397)
Surplus on revaluation of properties	-	-	-	-	10,298	-	-	-	-	10,298
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(2,535)	-	-	-	-	(2,535)
Exchange differences arising on translation of group entities	-	-	-	-	-	(19,739)	-	-	-	(19,739)
Total comprehensive income (expense) for the period	-	-	-	-	7,763	(19,739)	-	-	(38,397)	(50,373)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (Note iii)	999,508	(996,784)	-	(2,724)	-	-	-	-	-	-
Cancellation of share options	-	-	-	-	-	-	(268)	-	268	-
At 30 June 2014 (Unaudited)	1,191,798	-	23,990	-	60,339	396,198	31,812	45,468	325,276	2,074,881
At 1 January 2015 (Audited)	1,191,798	-	23,990	-	72,186	408,729	31,545	45,468	88,166	1,861,882
Loss for the period	-	-	-	-	-	-	-	-	(194,562)	(194,562)
Surplus on revaluation of properties	-	-	-	-	12,143	-	-	-	-	12,143
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(2,221)	-	-	-	-	(2,221)
Exchange differences arising on translation of group entities	-	-	-	-	-	416	-	-	-	416
Total comprehensive income (expense) for the period	-	-	-	-	9,922	416	-	-	(194,562)	(184,224)
Lapse of share options	-	-	-	-	-	-	(780)	-	780	-
At 30 June 2015 (Unaudited)	1,191,798	-	23,990	-	82,108	409,145	30,765	45,468	(105,616)	1,677,658

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2015

Notes:

- i.* The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.
- ii.* In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve fund is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.
- iii.* The Company has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash from operating activities:		
Loss before tax	(195,627)	(39,676)
Allowance for bad and doubtful debts reversed, net	(3,630)	(86)
Bad debts written off	3,971	–
Allowance for inventories recognised, net	13,401	750
Depreciation of property, plant and equipment	67,766	73,713
Amortisation of prepaid lease payments	4,340	4,335
Impairment loss recognised in respect of property, plant and equipment	93,000	–
Adjustments for non-cash items	29,044	29,733
	12,265	68,769
Operating cash flows before movements in working capital	(4,591)	(23,778)
Increase in inventories	88,895	30,628
Decrease in trade receivables	(114,212)	(209,829)
Increase in bills receivable	3,684	(5,510)
Decrease (increase) in prepayments, deposits and other receivables	89,750	178,450
Increase in trade payables	725	16,247
Increase in other payables and accruals	76,516	54,977
	(5,706)	(28,268)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(6,368)	(3,920)
Proceeds from disposal of property, plant and equipment	662	90
Placement of pledged bank deposits	–	(21,656)
Deposit paid for the acquisition of property, plant and equipment	–	(2,782)
	(5,706)	(28,268)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash (used in) from financing activities:		
Repayment of bank loans	(708,943)	(241,620)
Repayment of trust receipt loans	(48,666)	(47,135)
Interest paid	(25,058)	(30,341)
New bank loans raised	475,168	399,847
Bank advances for discounted bills	181,494	8,929
Loan advanced from a related company	50,000	–
Trust receipt loans raised	47,410	54,960
	(28,595)	144,640
Net increase in cash and cash equivalents	42,215	171,349
Cash and cash equivalents at 1 January	68,789	124,010
Effect of foreign exchange rate changes	21	(1,099)
Cash and cash equivalents at 30 June, represented by bank balances and cash	111,025	294,260

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 (the “Listing Rules”).

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

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

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

Reconciliation of revenue

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2015 (continued)

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)
Loss before tax	(195,627)

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 (Note)	–	11,211	11,211
Total	710,670	199,895	910,565
Segment results	11,806	(953)	10,853

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2014 (continued)

Reconciliation of revenue

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

Reconciliation of loss before tax

	(Unaudited) HK\$'000
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	(32,443)
	<hr/>
Loss before tax	(39,676)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

4. INVESTMENT AND OTHER INCOME

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

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 (Unaudited) HK\$'000	2014 (Unaudited) 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	(153)	77
	(93,150)	(5,661)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

6. FINANCE COSTS

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
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
Total borrowing costs	28,140	32,591
Less: amounts capitalised	–	(148)
	28,140	32,443

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

7. INCOME TAX CREDIT

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

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 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Depreciation of property, plant and equipment	67,766	73,713
Allowance for inventories recognised, net (included in "Cost of sales")	13,401	750
Amortisation of prepaid lease payments (included in "Cost of sales")	4,340	4,335

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Loss		
Loss for the period for the purposes of calculation of basic and diluted loss per share	(194,562)	(38,397)

	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	1,922,900,556	1,922,900,556

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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

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.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

Market comparable approach has been adopted for valuing the Group's industrial property units and residential property units under investment property. One of the key inputs used in valuing the Group's industrial property units and residential property units under investment property was the price per square foot/square meter, which was approximately HK\$4,400 (31 December 2014: HK\$4,200) per square foot and ranged from HK\$24,200 to HK\$35,400 (31 December 2014: HK\$23,000 to HK\$33,800) per square meter respectively. An increase in the price per square foot/square meter used would result in an increase in fair value measurement of the industrial property units and residential property units, and vice versa.

Fair values of the Group's investment properties are categorised as Level 3 measurement in the three-level fair value hierarchy. During the period, there were no transfers between levels within the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES (continued)

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).

In estimating the fair value of the leasehold land and buildings, the highest and best use of the leasehold land and buildings is their current use.

Market comparable approach has been adopted for valuing the Group's industrial property units in Hong Kong and commercial property unit in the PRC. One of the key inputs used in valuing the Group's industrial property units and commercial property unit was the price per square foot/square meter, which was ranged from HK\$3,800 to HK\$4,900 (31 December 2014: HK\$4,300 to HK\$4,700) per square foot, and was approximately HK\$22,200 (31 December 2014: HK\$22,800) per square meter. An increase in the price per square foot/square meter used would result in an increase in fair value measurement of leasehold land and buildings, and vice versa.

Depreciated replacement cost approach has been adopted for valuing the Group's industrial property units in the PRC. Two of the key inputs used in valuing the Group's industrial property units were unit replacement cost and adopted depreciation rate, based on valuer's professional judgement. The unit replacement cost per square meter was ranged from HK\$970 to HK\$2,170 (31 December 2014: HK\$970 to HK\$2,180). If the unit replacement cost of the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would increase/decrease by approximately HK\$19.0 million (31 December 2014: HK\$19.5 million) respectively. If the adopted depreciation rate to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying amount of the property would decrease/increase by approximately HK\$3.6 million (31 December 2014: HK\$3.4 million) respectively.

Fair values of the Group's leasehold land and buildings are categorised as Level 3 measurement in the three-level fair value hierarchy. During the period, there were no transfers between levels within the fair value hierarchy.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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
	477,922	566,976

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
	398,700	558,370

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

12. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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.

The aged analysis of trade receivables which are past due but not impaired based on the due date is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
0 – 90 days	117,942	149,583
91 – 180 days	31,431	35,077
Over 180 days	26,973	9,762
	176,346	194,422

Movement in the allowance for bad and doubtful debts:

	HK\$'000
At 1 January 2014 (Audited)	47,374
Exchange realignment	(150)
Amount written off as uncollectible	(14,105)
Impairment losses recognised on receivables	16,830
At 31 December 2014 (Audited)	49,949
Exchange realignment	16
Amount written off as uncollectible	(78)
Impairment losses reversed on receivables	(3,630)
At 30 June 2015 (Unaudited)	46,257

During the six months ended 30 June 2015, trade receivables with an amount of HK\$3,971,000 (six months ended 30 June 2014: Nil) has been directly written off as bad debts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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
	193,194	288,550

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 ("Shougang Finance"), a wholly owned subsidiary of Shougang HK (as defined in note 20). The loan is unsecured, bears interest at 6% per annum and repayable within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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
	1,163,694	1,293,837
Secured	19,714	22,926
Unsecured	1,143,980	1,270,911
	1,163,694	1,293,837

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

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
<hr/>		
At 30 June 2014 and 30 June 2015 (Note)	N/A	N/A
<hr/>		
	Number of shares '000	Amount HK\$'000
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
<hr/>		
At 30 June 2014 and 30 June 2015		
– Ordinary shares with no par value (Note)	1,922,901	1,191,798
<hr/>		

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

18. SHARE-BASED PAYMENT

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. A new share option scheme (the "2012 Scheme") was adopted and the 2002 Scheme was terminated by the shareholders of the Company at the annual general meeting held on 25 May 2012.

The 2012 Scheme which serves the same purpose as the 2002 Scheme became effective on 29 May 2012 upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted, and will remain in force for a period of ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2012 Scheme is 192,290,055 shares which represented 10% of the number of issued shares of the Company as at the date of approval of this interim report. The other principal terms of 2012 Scheme are same as the 2002 Scheme.

No shares options have been granted under the 2012 Scheme during the six months ended 30 June 2015 and 30 June 2014. The share options which have been granted and remained outstanding under the 2002 Scheme shall remain valid and exercisable in accordance with their terms of issue.

The movements of the share options granted under the 2002 Scheme:

	Number of share options
Outstanding at 1 January 2014	118,268,000
Cancelled during the year	(2,000,000)
<hr/>	
Outstanding at 31 December 2014 and 1 January 2015	116,268,000
Lapsed during the period	(2,000,000)
<hr/>	
Outstanding at 30 June 2015	114,268,000
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

19. CAPITAL COMMITMENTS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the condensed consolidated financial statements	1,356	1,123
– authorised but not contracted for	9,589	12,783
	10,945	13,906

20. RELATED PARTY TRANSACTIONS/BALANCES

The Company is an associate of Shougang Holding (Hong Kong) Limited (“Shougang HK”), which is a wholly owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission. Shougang Corporation, together with its associates (as defined in the Listing Rules) other than the Group, will hereinafter be referred to as the “Shougang Group”. Accordingly, the Group is significantly influenced by Shougang Group, which is part of a larger group of companies ultimately controlled by the PRC government.

Apart from the transactions with Shougang HK and its subsidiaries (collectively referred to as the “Shougang HK Group”), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

20. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(i) Transactions with PRC government-related entities

(a) Transactions with Shougang HK Group

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Consultancy fees paid to Shougang HK Group	480	480
Rental expenses paid to Shougang HK Group	1,188	1,188
Loan from Shougang Finance	50,000	–
Interest expenses on loan from Shougang Finance	740	–

(b) Transactions with other PRC government-related entities

The Group has entered into various transactions, including sales to, purchases from and other operating expenses paid to other PRC government-related entities. In the opinion of the directors of the Company, the transactions are considered as individually insignificant to the operation of the Group during the reporting period.

In addition, the Group has entered into various banking transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2015

20. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(ii) Transactions with non-PRC government-related entities

Compensation of key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments are as follows:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Director fees	23	75
Salaries and other benefits	2,312	2,312
Retirement benefit scheme contributions	115	115
	2,450	2,502

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

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:

	2015		2014		% change
	Sales volume (Tonne)	% of total sales volume of steel cords	Sales volume (Tonne)	% of total sales volume of 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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

Revenue (continued)

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:

	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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

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

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Copper and brass products (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 HK\$'000	2014 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	11,017	77,303	–85.7

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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:

	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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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 Gross profit margin HK\$'000 (%)	2014 Gross profit margin HK\$'000 (%)	% change		
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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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 30 June		
	2015 HK\$'000	2014 HK\$'000	% change
Foreign exchange losses, net (Note 1)	(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 (Note 2)	(93,000)	-	N/A
Others	(153)	77	N/A
Total	(93,150)	(5,661)	+1545.5

Notes:

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.
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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Trade receivables (continued)

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	477,922	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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital, Liquidity and Financial Resources (continued)

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 operating cash inflow for the period	<hr/> <hr/> 103,169

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital, Liquidity and Financial Resources (continued)

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:

	HK\$'000	% 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	132,500	10.9
	866,392	71.3
Medium term loans:		
– Due in 2016	150,000	12.4
– Due in 2017	200,000	16.5
	1,216,392	100.2
Unamortised loan arrangement fees	(1,958)	(0.2)
Total	1,214,434	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital, Liquidity and Financial Resources (continued)

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	
	HK\$'000	% of total bank balances and cash	HK\$'000	% 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	111,025	100.0	68,789	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign Currency and Interest Rate Exposures (continued)

Interest bearing borrowings

	30 June 2015		31 December 2014	
	HK\$'000	% of total interest bearing borrowings	HK\$'000	% 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	1,214,434	100.0	1,293,837	100.0

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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, hospitalisation 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees, Remuneration Policies and Training Scheme of the Group (continued)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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 report, 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.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2015, save for the interests of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares of the Company

Name of Director	Total number of Shares held	Approximate % of the total number of issued shares	Capacity in which interests are held
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Yang Kaiyu ("Mr. Yang")	3,596,000	0.18	Family interest Note (i)
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner Note (ii)

Notes:

- (i) All those Shares were beneficially owned by Mr. Yang's wife.
- (ii) Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options

As at 30 June 2015, there were a total of 58,668,000 outstanding share options of the Company granted to Directors under 2002 Scheme, details of which are summarized in the following table:

Name of Director	Options to subscribe for Shares						Number of outstanding share options held at the end of the period	Date of grant Note(i)	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the total number of issued shares
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/ cancelled during the period	Redclassification of categories of grantee	Date of exercise						
Mr. Li	13,800,000	-	-	-	-	-	13,800,000	28/1/2008	28/1/2008 to 27/11/2018	0.864	Beneficial owner	0.71
Mr. Yang	5,400,000	-	-	-	-	-	5,400,000	13/7/2009	13/7/2009 to 12/7/2019	0.680		
	5,400,000	-	-	-	-	-	5,400,000	13/7/2009	1/1/2010 to 12/7/2019	0.680		
	7,200,000	-	-	-	-	-	7,200,000	13/7/2009	1/1/2011 to 12/7/2019	0.680		
	18,000,000	-	-	-	-	-	18,000,000				Beneficial owner	0.93
Mr. Leung	12,000,000	-	-	-	-	-	12,000,000	28/1/2008	28/1/2008 to 27/11/2018	0.864	Beneficial owner	0.62
Mr. Tang	10,000,000	-	-	-	-	-	10,000,000	28/1/2008	28/1/2008 to 27/11/2018	0.864	Beneficial owner	0.52
Zhang Zhong	2,000,000	-	-	(2,000,000)	-	-	-	14/12/2010	14/12/2010 to 13/12/2020	0.940	Beneficial owner	-

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

Name of Director	Options to subscribe for Shares					Date of exercise	Number of outstanding share options held at the end of the period	Date of grant (Note(i))	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the total number of issued shares
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed/ cancelled during the period	Reclassification of categories of grantee							
Yip Kim Man, Raymond	252,000	-	-	-	-	-	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	-	-	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	2,052,000	-	-	-	-	-	2,052,000				Beneficial owner	0.10
Law, Yui Lun	1,016,000	-	-	-	-	-	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	1,800,000	-	-	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	2,816,000	-	-	-	-	-	2,816,000				Beneficial owner	0.14
Chan Chung Chun	1,800,000	-	-	-	(1,800,000) (Note iv)	-	-	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	-
	62,468,000	-	-	(2,000,000)	(1,800,000)	-	58,668,000					

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

Notes:

- (i) The vesting period of the share options is from the date of grant to the beginning of the exercise period except for the share options set out under *Note (ii)* below.
- (ii) 5,400,000 share options have a vesting period from the date of grant to 31 December 2009 and 7,200,000 share options have a vesting period from the date of grant to 31 December 2010.
- (iii) 2,000,000 share options held by Mr. Zhang Zhong lapsed with effect from 25 February 2015 following his resignation as an executive Director.
- (iv) 1,800,000 share options held by the late Mr. Chan Chung Chun, the former independent non-executive Director, has been reclassified as "All other eligible participants" as such options passed to his legal representative in accordance with the terms of 2002 Scheme.

The above share options are unlisted cash settled options granted pursuant to 2002 Scheme. Upon exercise of the share options in accordance with 2002 Scheme, ordinary shares of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any shares, debentures or underlying shares of the Company or any of the Company's associated corporations at 30 June 2015.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2015, so far as was known to the Directors, the following parties had an interest or long position or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the total number of issued shares	Capacity in which interests are held
Richson	148,537,939	7.72	Beneficial owner
Fair Union	686,655,179	35.70	Beneficial owner and interests of controlled corporations <i>Note (1)</i>
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations <i>Note (2)</i>
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	904,639,179	47.04	Beneficial owner and interests of controlled corporations <i>Note (3)</i>
Bekaert Combustion	250,000,000	13.00	Beneficial owner <i>Note (4)</i>
Bekaert	250,000,000	13.00	Interests of controlled corporations <i>Note (5)</i>
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner <i>Note (6)</i>

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares or underlying Shares (continued)

Notes:

- (1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.
- (2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.
- (3) Shougang HK is beneficially interested in 2,096,000 Shares and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,034,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 14,870,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand as Shougang HK is the controlling shareholder (now holding company) of Shougang Grand. It is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as it is the controlling shareholder of Shougang International.
- (4) Bekaert Combustion is beneficially interested in 250,000,000 Shares.
- (5) By virtue of the SFO, Bekaert is deemed to be interested in 250,000,000 Shares held by Bekaert Combustion, which is a wholly owned subsidiary of Bekaert.
- (6) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.



SHARE OPTION SCHEME

2002 Scheme was adopted by the Shareholders at the annual general meeting held on 7 June 2002. Under 2002 Scheme, the Board shall, subject to and in accordance with the provisions of 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. 2012 Scheme was adopted and 2002 Scheme was terminated by the Shareholders at the annual general meeting held on 25 May 2012.

2012 Scheme became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted. Unless otherwise cancelled or amended, 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

The share options which have been granted and remained outstanding under 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

The following table discloses details of the Company's share options granted under 2002 Scheme held by eligible participants (other than Directors) and movements in such holdings in relation to 2002 Scheme during the six months ended 30 June 2015:

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme

Save as disclosed in the above sub-section “Share options” under “DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO”, and the details of the share options of employees and other eligible participants set out as below, no share option had been granted, exercised, cancelled or lapsed:

Category of participant	Options to subscribe for Shares			Date of grant <i>Note (ii)</i>	Exercise period	Exercise price per Share HK\$	
	Number of outstanding share options held at the beginning of the period	Reclassification of categories of grantee	Number of share options cancelled/ lapsed during the period				Number of outstanding share options held at the end of the period
Employees other than the Directors	32,200,000	-	-	32,200,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	100,000	-	-	100,000 <i>Note(ii)</i>	28/1/2008	28/1/2011 to 27/1/2018	0.864
	1,350,000	-	-	1,350,000	13/7/2009	13/7/2009 to 12/7/2019	0.680
	1,350,000	-	-	1,350,000 <i>Note(iii)</i>	13/7/2009	1/1/2010 to 12/7/2019	0.680
	1,800,000	-	-	1,800,000 <i>Note(iii)</i>	13/7/2009	1/1/2011 to 12/7/2019	0.680
	36,800,000	-	-	36,800,000			
All other eligible participants	17,000,000	1,800,000 <i>Note(iv)</i>	-	18,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
Total	53,800,000	1,800,000	-	55,600,000			

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme (continued)

Notes:

- (i) The vesting period of the share option is from the date of grant to the beginning of the exercise period except for the share options set out under *Notes (ii) and (iii)* below.
- (ii) 100,000 share options have a vesting period of three years from the date of grant.
- (iii) 1,350,000 share options have a vesting period from the date of grant to 31/12/2009 and 1,800,000 share options have a vesting period from the date of grant to 31/12/2010.
- (iv) 1,800,000 share options held by the late Mr. Chan Chung Chun, the former independent non-executive Director, has been reclassified as “All other eligible participants” as such options passed to his legal representative in accordance with the terms of 2002 Scheme.

(b) 2012 Scheme

No share options were granted, exercised, cancelled or lapsed under 2012 Scheme during the period.

The Board considers that it is not appropriate to state the value of all share options that can be granted under 2012 Scheme on the assumption that they had been granted at the date of this report. The Board believes that any statement regarding the value of the share options as at the date of the report will be based on a large number of speculative assumptions and would therefore not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the share options which have not been determined. Such variables include the exercise price, the option period, any lock-up period, any performance targets that may be set and other relevant variables.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Director are as follows:

Mr. Lam Yiu Kin, the independent non-executive Director, was appointed as an independent non-executive director of Mason Financial Holdings Limited and COSCO Pacific Limited, both are companies listed on the Main Board of the Stock Exchange, on 1 August 2015 and 14 August 2015 respectively.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. It also recognises 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 Bekaert 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 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.

CORPORATE GOVERNANCE CODE (continued)

Model code for securities transactions by Directors

The Company has approved and adopted the SCCHL Code on terms no less exacting than Model Code.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and SCCHL Code during the period under review.

Audit committee

The Company's audit committee comprises of three independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Lam Yiu Kin. Mr. Yip acts as the chairman of the committee. The audit committee was established with specific written terms of reference with the task of including but not limited to monitoring the financial reporting procedures, reviewing internal control and risk management system of the Group and monitoring the independence of the external auditors. The Company has engaged the external auditors to assist the audit committee to review the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2015. During the meetings of the audit committee for the period under review, the audit committee members, amongst other things, had reviewed the accounting principles and practices adopted by the Group and discussed the financial report matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 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.

By order of the Board
Li Shaofeng
Chairman

Hong Kong, 27 August 2015

This interim report can also be accessed through the internet at the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.shougangcentury.com.hk> or <http://www.irasia.com/listco/hk/sccentury/>.

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall 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
“Able Legend”	Able Legend Investments Limited, a subsidiary of Shougang HK
“Bekaert”	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder (as defined under the SFO) of the Company
“Bekaert Combustion”	Bekaert Combustion Technology B.V., a wholly owned subsidiary of Bekaert, a substantial shareholder (as defined under the SFO) of the Company
“Board”	the board of Directors
“Casula”	Casula Investments Limited, a subsidiary of Shougang International
“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

DEFINITIONS (continued)

“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
“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”	Jiaying Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Li Ka Shing Foundation”	Li Ka Shing Foundation Limited, a “charitable body” within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial shareholder (as defined under the SFO) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

DEFINITIONS (continued)

“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
“Richson”	Richson Limited, a subsidiary of Shougang International
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Code”	Model Code for Securities Transactions by Directors and Specified Individuals of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shougang Grand”	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Shougang HK”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder (as defined under the SFO) of the Company
“Shougang International”	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, a substantial shareholder (as defined under the SFO) of the Company

DEFINITIONS (continued)

“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.