SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 103)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

	Six months ended 30 June		
	2016	2015	
	(Unaudited)	(Unaudited)	**%**
	HK$'000	*HK$'000*	**Change**
Operations			
Revenue	**776,156**	683,143	**+13.6**
Gross profit	**57,997**	5,345	**+985.1**
E(L)BITDA *(Note 1)*	**38,402**	(95,381)	**N/A**
Adjusted EBITDA *(Note 2)*	**41,016**	11,017	**+272.3**
Loss for the period	**(46,682)**	(194,562)	**-76.0**
Loss per Share (basic) *(HK cents)*	**(2.43)**	(10.12)	**-76.0**

Notes:

1. E(L)BITDA represents earnings (loss) before finance costs, income tax, depreciation and amortisation.

2. Adjusted EBITDA represents EBITDA before (i) allowance for inventories recognised of HK$518,000 (2015: HK$13,401,000); (ii) allowance for bad and doubtful debts reversed, net of HK$5,998,000 (2015: HK$3,630,000); (iii) bad debts recovered of HK$508,000 (2015: written off of HK$3,971,000); (iv) foreign exchange losses of HK$10,121,000 (2015: HK$2,190,000); (v) increase in fair value of investment properties of HK$1,519,000 (2015: HK$2,534,000); and (vi) impairment loss recognised in respect of property, plant and equipment of HK$93,000,000 for the six months ended 30 June 2015 (2016: Nil).

	30 June	31 December	
	2016	2015	
	(Unaudited)	(Audited)	**%**
	HK$'000	*HK$'000*	**Change**
Financial position			
Total assets	**2,764,512**	3,006,147	**-8.0%**
Shareholders' equity	**1,327,905**	1,395,870	**-4.9%**
Net asset value per Share *(HK$)*	**0.691**	0.726	**-4.9%**

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2016. The interim results have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**776,156**	683,143
Cost of sales		**(718,159)**	(677,798)
Gross profit		**57,997**	5,345
Investment and other income	4	**849**	915
Other gains and losses	5	**(2,075)**	(93,150)
Distribution and selling expenses		**(23,136)**	(21,681)
Administrative expenses		**(35,241)**	(36,380)
Research and development expenses		**(22,809)**	(22,536)
Finance costs	6	**(22,953)**	(28,140)
Loss before tax		**(47,368)**	(195,627)
Income tax credit	7	**686**	1,065
Loss for the period	8	**(46,682)**	(194,562)
Loss per share	9		
Basic and diluted		**(HK2.43 cents)**	(HK10.12 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(46,682)**	(194,562)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation of group entities	**(31,127)**	416
Surplus on revaluation of properties	**12,071**	12,143
Recognition of deferred tax liability on revaluation of properties	**(2,227)**	(2,221)
Other comprehensive (expense) income for the period (net of tax)	**(21,283)**	10,338
Total comprehensive expense for the period	**(67,965)**	(184,224)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Notes	**30 June 2016 (Unaudited) *HK$'000***	31 December 2015 (Audited) *HK$'000*
Non-current assets			
Investment properties	11	**51,901**	50,727
Property, plant and equipment	11	**1,284,618**	1,357,961
Prepaid lease payments		**152,253**	159,417
Goodwill	12	**–**	–
Club memberships		**730**	738
Deposit paid for the acquisition of property, plant and equipment		**352**	956
		1,489,854	1,569,799
Current assets			
Inventories		**219,217**	239,709
Trade receivables	13	**491,623**	463,061
Bills receivable	13	**388,014**	411,547
Prepayments, deposits and other receivables		**91,609**	103,951
Prepaid lease payments		**8,029**	8,191
Pledged bank deposits		**2,807**	–
Bank balances and cash		**73,359**	209,889
		1,274,658	1,436,348
Current liabilities			
Trade and bills payable	14	**393,792**	334,033
Other payables and accruals	15	**96,276**	107,933
Tax payable		**17,349**	18,236
Loan from a related company	16	**–**	52,252
Bank borrowings - due within one year	17	**895,533**	866,867
		1,402,950	1,379,321
Net current (liabilities) assets		**(128,292)**	57,027
Total assets less current liabilities		**1,361,562**	1,626,826

	Notes	30 June 2016 (Unaudited) HK$'000	31 December 2015 (Audited) HK$'000
Non-current liabilities			
Bank borrowings – due after one year	17	**–**	199,000
Other payable		**1,056**	1,118
Deferred tax liabilities		**32,601**	30,838
		33,657	230,956
		1,327,905	1,395,870
Capital and reserves			
Share capital	18	**1,191,798**	1,191,798
Reserves		**136,107**	204,072
		1,327,905	1,395,870

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

As of 30 June 2016, the Group had net current liabilities of approximately HK$128,292,000. Up to the date these condensed consolidated financial statements were authorised for issuance, the relevant banks agreed to renew the banking facilities amounting to approximately HK$257,409,000 upon the maturity in the coming 12 months. In addition, the Group has undrawn banking facilities of approximately HK$75,355,000 which will not be expired in the coming 12 months and proceeds under a sale and purchase agreement (a sale and purchase agreement dated 29 June 2016 between Tengzhou Eastern Steel Cord Co., Ltd. ("TESC", an indirect wholly owned subsidiary of the Company) and South China International Leasing Co., Ltd. ("South China Leasing"), an indirect 75% owned subsidiary of Shougang Concord Grand (Group) Limited, which is in turn held as to approximately 50.53% by Shougang Holding (Hong Kong) Limited ("Shougang HK"), whereby South China Leasing agreed to purchase machineries and equipment from TESC at a purchase consideration of RMB70,000,000 (equivalent to approximately HK$81,620,000)) of RMB70,000,000 (equivalent to approximately HK$81,620,000) which was subsequently drew on 16 August 2016. Therefore, the management of the Group is satisfied that the Group will have sufficient financial resources to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

3. SEGMENT INFORMATION

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

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* 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 2016, the Group had no material change in segment assets and segment liabilities.

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

Six months ended 30 June 2016

	Steel cord (Unaudited) *HK$'000*	**Copper and brass products (Unaudited)** *HK$'000*	**Segment total (Unaudited)** *HK$'000*
Segment revenue			
External sales	**631,483**	**143,824**	**775,307**
Inter-segment sales *(Note)*	**–**	**9,832**	**9,832**
Total	**631,483**	**153,656**	**785,139**
Segment results	**3,554**	**(59)**	**3,495**

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

Reconciliation of revenue

	(Unaudited) *HK$'000*
Total revenue for operating segments	**785,139**
Rental income	**849**
Elimination of inter-segment sales	**(9,832)**
Group revenue	**776,156**

Reconciliation of loss before tax

	(Unaudited) *HK$'000*
Total profit for operating segments	**3,495**
Profit arising from property investment	**2,119**
Unallocated amounts	
Unallocated income	**282**
Unallocated foreign exchange losses, net	**(13,461)**
Unallocated expenses	**(16,850)**
Unallocated finance costs	**(22,953)**
Loss before tax	**(47,368)**

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

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

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)

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

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**279**	365
Other income		
Government grants *(Note)*	**135**	225
Sales of scrap materials	**260**	38
Others	**175**	287
	570	550
	849	915

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Foreign exchange losses, net	**(10,121)**	(2,190)
Impairment loss recognised in respect of property, plant and equipment *(note 11)*	**–**	(93,000)
Allowance for bad and doubtful debts reversed, net	**5,998**	3,630
Increase in fair value of investment properties	**1,519**	2,534
Bad debts recovered (written off)	**508**	(3,971)
Gain (loss) on disposal of property, plant and equipment, net	**21**	(153)
	(2,075)	(93,150)

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**19,749**	25,058
Interest expenses on loan from a related company	**370**	740
Amortisation of transaction costs	**2,834**	2,342
	22,953	28,140

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**184**	584
Overprovision in prior periods:		
PRC EIT	**(647)**	(647)
Deferred tax	**(223)**	(1,002)
	(686)	(1,065)

For the six months ended 30 June 2016 and 30 June 2015, 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 Jiaxing 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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**58,736**	67,766
Allowance for inventories recognised, net (included in "Cost of sales")	**518**	13,401
Amortisation of prepaid lease payments (included in "Cost of sales")	**4,081**	4,340

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	
	2016	2015
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period for the purposes of calculation of basic and diluted loss per share	**(46,682)**	(194,562)

	Six months ended 30 June	
	2016	2015
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 2016 and 30 June 2015 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 2016 (six months ended 30 June 2015: Nil).

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

During the six months ended 30 June 2016, the Group incurred approximately HK$5,467,000 (six months ended 30 June 2015: HK$2,791,000) on the enhancement of production facilities of steel cord segment. In addition, the Group also acquired approximately HK$79,000 (six months ended 30 June 2015: HK$410,000) of other property, plant and equipment in the current interim period.

During the six months ended 30 June 2016, the Group disposed of certain machineries with an aggregate carrying amount of HK$1,476,000 (six months ended 30 June 2015: HK$815,000) for cash proceeds of HK$1,497,000 (six months ended 30 June 2015: HK$662,000), resulting in a gain on disposal of HK$21,000 (six months ended 30 June 2015: a loss on disposal of HK$153,000).

In view of marginal net profit incurred during the six months ended 30 June 2016 and the historical unfavorable performance in the previous periods of TESC, the management conducted an impairment assessment of the property, plant and equipment of TESC. Since it is not possible to estimate the recoverable amount of the property, plant and equipment of TESC individually, the management determines the recoverable amount of the cash-generating unit ("CGU") to which the property, plant and equipment belongs. 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 2016 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 covering a four and a half year period. The discount rate used for the value in use calculations is at 10.97% (six months ended 30 June 2015: 10.85%). Cash flow beyond the four and a half year period is extrapolated using a zero growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include gross budgeted sales and gross margin. Such estimation is based on the management's expectations for the market development.

During the six months ended 30 June 2016, no impairment loss is made to the property, plant and equipment of TESC. During the six months ended 30 June 2015, an impairment loss of HK$93,000,000 recognised in the profit or loss of which (i) HK$91,770,000 was allocated to plant and machinery; (ii) HK$382,000 was allocated to furniture, fixtures and equipment; (iii) HK$152,000 was allocated to motor vehicles; and (iv) HK$696,000 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$1,519,000 (six months ended 30 June 2015: HK$2,534,000) has been credited to profit or loss for the period.

The leasehold land and buildings of approximately HK$369,766,000 (31 December 2015: HK$378,531,000) 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$12,071,000 (six months ended 30 June 2015: HK$12,143,000).

12. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to one CGU, comprising a subsidiary in the steel cord segment, JESC. 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.

During the year ended 31 December 2015, due to decline in average selling price of steel cords as price competition associated with overcapacity situation in the steel cord industry which resulted in an unexpected unfavourable performance of JESC, an impairment loss of HK$41,672,000 was recognised for the CGU. The impairment loss fully impaired the carrying amount of goodwill, but no other class of asset other than goodwill was impaired.

13. 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 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
0 – 90 days	**401,818**	332,284
91 – 180 days	**76,304**	115,770
Over 180 days	**13,501**	15,007
	491,623	463,061

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

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
0 – 90 days	**22,463**	35,534
91 – 180 days	**169,010**	240,893
Over 180 days	**196,541**	135,120
	388,014	411,547

Included in bills receivable as at 30 June 2016 was an amount of approximately HK$32,445,000 (31 December 2015: HK$17,905,000) and approximately HK$274,837,000 (31 December 2015: HK$260,288,000) that have been discounted to banks (*note* 17) and have been endorsed to certain creditors, respectively, on a full recourse basis.

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

14. TRADE AND BILLS PAYABLE

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
Trade payables	**384,438**	334,033
Bills payable	**9,354**	–
	393,792	334,033

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

	30 June 2016 (Unaudited) ***HK$'000***	31 December 2015 (Audited) *HK$'000*
0 – 30 days	**115,622**	70,985
31 – 90 days	**131,494**	128,768
91 – 180 days	**95,677**	98,029
181 – 365 days	**32,614**	27,043
Over 1 year	**9,031**	9,208
	384,438	334,033

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

15. OTHER PAYABLES AND ACCRUALS

At 30 June 2016, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$38,969,000 (31 December 2015: HK$51,114,000).

16. LOAN FROM A RELATED COMPANY

The amount represents a loan from and related accrued interest payable to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang HK. The Company is an associate of Shougang HK. The loan was unsecured, bears interest at 6% per annum and was fully repaid during the six months ended 30 June 2016.

17. BANK BORROWINGS

	30 June 2016 (Unaudited) *HK$'000*	31 December 2015 (Audited) *HK$'000*
Other bank loans	**842,743**	1,030,249
Less: loan transaction costs	**(2,102)**	(4,936)
	840,641	1,025,313
Trust receipt loans	**22,447**	22,649
Discounted bills with recourse	**32,445**	17,905
	895,533	1,065,867
Secured	**19,446**	16,622
Unsecured	**876,087**	1,049,245
	895,533	1,065,867

During the six months ended 30 June 2016, the Group obtained new bank borrowings of approximately HK$284,727,000 (six months ended 30 June 2015: HK$704,072,000) and repaid bank borrowings of approximately HK$433,739,000 (six months ended 30 June 2015: HK$757,609,000). At 30 June 2016, the Group's bank borrowings carry interest at market rates ranging from 2.45% to 4.65% per annum (31 December 2015: 1.89% to 5.62% per annum) and are repayable within one year (31 December 2015: repayable over a period of one to two years).

At 30 June 2016, the carrying amount of bank borrowings that are in breach of loan covenants and shown under current liabilities amounted to approximately HK$398,083,000 (31 December 2015: Nil).

18. SHARE CAPITAL

	Number of shares *'000*	**Amount** *HK$'000*
Authorised		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	Unlimited number of ordinary shares with no par value	
Issued and fully paid		
At 1 January 2015, 30 June 2015, 1 January 2016 and 30 June 2016	1,922,901	1,191,798

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of operations

The PRC recorded a stable economic growth of 6.7% in the first half year, which was mainly contributed by the increase in domestic demand, fixed assets investments and property development. The sentiment of industrial sectors also improved during the first half year, these brought along the solid recovery in the demand for radial tyres from the automobile and transportation sectors that boosted the growth in demand for steel cord. Compared with the weak sales in the same period last year, the Steel cord segment achieved a significant growth in sales volume during the period under review. Whilst selling price of steel cord began to rebound in the second quarter, it still registered palpable year-on-year decline. Nonetheless, its negative impact was fully offset by the remarkable reduction in production costs and this segment achieved turnaround to EBITDA and a substantial increase in Adjusted EBITDA during the period.

In respect of the Copper and brass products segment, sales volume recorded a satisfactory growth during the period which was driven by the increased sales in the PRC. However, revenue had a moderate year-on-year decrease that was attributable to a significant decline in copper price throughout the previous year. Despite revenue dropped, gross profit recorded a year-on-year increase which was the result of the persistent implementation of risk-averse sales and inventory management strategies. However, attributable to the allowance made against a long overdue trade receivable, this segment recorded a small operating loss during the period.

For the Group as a whole, contributed by the encouraging improvement in operating performance of the Steel cord segment, the Group accomplished a turnaround from LBITDA in the same period last year to EBITDA for the period. Adjusted EBITDA also recorded a substantial increase of 272.3% over the same period last year.

Steel cord

Overall performance

This segment achieved a strong growth in sales volume of steel cords of 47.2% over the same period last year, which was driven by the increase in demand for radial tyres in the first half year and reflected the result of our strategy to expand our coverage on large-scale and multinational tyre manufacturers and the fine-tuning of sales mix to flexibly meet our customers' requirements. In respect of the selling price of steel cord, there were signs of bottoming out in the latter half of the period under review as we were able to raise our selling price across a wide spectrum of the construction types. However, when compared to the same period last year, the average selling price for the period still recorded a decrease of 14.0%.

Despite the average selling price of steel cord exhibited a year-on-year decline, this negative impact was markedly offset by the comparable reduction in unit production cost of steel cord, which was further driven down by the higher capacity utilization of our two manufacturing plants, JESC and TESC; lower cost of materials and cost savings from improved operating efficiencies.

As a result of the increased sales, this segment achieved an inordinate increase in gross profit as compared to the same period last year. Gross profit amounted to HK$52,591,000 for the period, sharply increased by 284.8 times as compared to HK$184,000 for the same period last year.

Henceforth the tremendous increase in gross profit, this segment achieved a turnaround from LBITDA of HK$81,662,000 in the same period last year to EBITDA of HK$65,788,000 for the period. Adjusted EBITDA (excluding allowance for inventories recognised; allowance for bad and doubtful debts reversed, net; bad debts recovered (written off); impairment loss recognised in respect of property, plant and equipment; and foreign exchange gains) was HK$55,965,000 for the period, significantly increased by 127.5% as compared to HK$24,598,000 for the same period last year.

In corollary, this segment recorded operating profit of HK$3,554,000 for the period, as compared to operating loss of HK$153,272,000 for the same period last year.

Revenue

This segment sold 71,089 tonnes of steel cord during the period, substantially increased by 47.2% as compared to 48,281 tonnes in the same period last year. In respect of its sawing wire business, this segment sold an aggregate of 233 tonnes of sawing wire products during the period, increased by 42.1% as compared to 164 tonnes for the same period last year. The analysis of sales volume of this segment for the period is set out below:

	Six months ended 30 June				
	2016		2015		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
Steel cords for:					
– truck tyres	**46,066**	**64.8**	32,662	67.6	**+41.0**
– off the road truck tyres	**1,496**	**2.1**	1,786	3.7	**-16.2**
– passenger car tyres	**23,527**	**33.1**	13,833	28.7	**+70.1**
Total for steel cords	**71,089**	**100.0**	48,281	100.0	**+47.2**
Sawing wire products	**233**		164		**+42.1**
Other steel wires	**35**		187		**-81.3**
Total	**71,357**		48,632		**+46.7**

The sales volume of steel cord for both truck tyres and passenger car tyres recorded remarkable growth; while those for off the road truck tyres decreased by 16.2% as compared to the same period last year, partly reflected the lowered demand due to the slowdown in mining sector since last year. In respect of sales mix, there was no significant change during the period, the proportion of sales of steel cord for truck tyres accounted for 64.8% of total sales volume of steel cord for the period, decreased by 2.8 percentage points as compared to the same period last year, but still remained the largest part of sales of steel cord of the Group.

In respect of sales of steel cord by region, the volume of export sales of steel cord amounted to 11,553 tonnes for the period, increased by 36.3% as compared to 8,477 tonnes for the same period last year. The volume of export sales represented 16.2% of total sales volume of steel cord for the period as compared to 17.6% for the same period last year. The breakdown of sales of steel cord for the period by geographical locations is as follows:

	Six months ended 30 June				
	2016		2015		
	Sales volume ***(Tonne)***	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
PRC	**59,536**	**83.8**	39,804	82.4	**+49.6**
Export sales:					
Asia (other than PRC)	**7,630**	**10.7**	5,210	10.8	**+46.4**
EMEA (Europe, Middle East and Africa)	**2,646**	**3.7**	1,062	2.2	**+149.2**
North America	**1,111**	**1.6**	1,233	2.6	**-9.9**
South America	**166**	**0.2**	972	2.0	**-82.9**
Total export sales	**11,553**	**16.2**	8,477	17.6	**+36.3**
Total	**71,089**	**100.0**	48,281	100.0	**+47.2**

The sales volume growth of 47.2% in steel cord was partly offset by the decline in average selling price of 14.0%, therefore revenue of this segment increased by 19.2% over the same period last year to HK$631,483,000 (2015: HK$529,931,000) for the period.

Cost of sales

Cost of sales of this segment increased by 9.3% to HK$578,892,000 (2015: HK$529,747,000) for the period, which was lower than the revenue growth of 19.2%. The smaller increase in cost of sales was contributed by lowering the average unit cost of production of steel cord (excluding allowance for inventories recognised) by approximately 19.2% as compared to the same period last year.

Gross profit

Contributed by the increase in sales volume and lowered unit cost of sales of steel cord, gross profit of this segment sharply increased by 284.8 times over the same period last year to HK$52,591,000 (2015: HK$184,000) for the period. Gross profit margin significantly improved from 0.1% in the same period last year to 8.3% for the period.

Investment and other income

Investment and other income amounted to HK$450,000 for the period, decreased by 44.7% as compared to HK$814,000 for the same period last year, mainly as the amount of sundry income decreased by 89.4% as compared to the same period last year.

Allowance for bad and doubtful debts reversed, net and bad debts recovered (written off)

We continued to exert tight credit control on sales and vigorous collection of trade receivables and simultaneously, incessantly pursued on the collection of long overdue trade receivables since last year. The recovery of long overdue debts continued to flourish during the period and the aging position of trade receivables of this segment at the end of the period also improved as compared to the end of last year. Therefore, an allowance for bad and doubtful debts of HK$6,654,000 (2015: HK$3,630,000) was reversed during the period; furthermore, out of the HK$3,971,000 of bad debts written off during the same period last year, HK$508,000 of such was recovered during the period.

Impairment losses recognised in respect of goodwill and property, plant and equipment

The operating performance of this segment improved significantly during the period, as demonstrated by the strong growth in sales volume, reduction in unit production costs and turnaround from loss to profit in respect of both EBITDA and operating results. Based on the performance of this segment in the first half year, we are of the view that no impairment loss is required to be recognised in respect of property, plant and equipment of both JESC and TESC. An impairment loss of HK$41,672,000 was recognised in respect of the full amount of goodwill of JESC during the year ended 31 December 2015. An impairment loss of HK$93,000,000 was recognised in respect of the property, plant and equipment of TESC in the same period last year.

Distribution and selling expenses

Distribution and selling expenses increased by 7.0% over the same period last year to HK$21,535,000 (2015: HK$20,128,000) for the period, mainly as the sales volume of this segment increased by 46.7% over the same period last year.

Administrative expenses

Administrative expenses amounted to HK$15,594,000 for the period, decreased by 13.9% as compared to HK$18,119,000 for the same period last year, being the results of constant implementation of cost control measures.

Research and development expenses

Research and development expenses amounted to HK$22,809,000 (2015: HK$22,536,000) for the period, slightly increased by 1.2% as compared to the same period last year. These expenses accounted for 3.6% of revenue of this segment for the period, decreased by 0.7 percentage point as compared to 4.3% for the same period last year.

Copper and brass products

Overall performance

The sentiment of the industrial sector in the PRC improved during the first half year that brought along the recovery of demand for commodity products including copper. This segment therefore achieved sales volume growth of 21.3% over the same period last year, while revenue recorded a moderate decrease that was attributable to the significant decline in copper price during the previous year. Albeit revenue dropped, gross profit increased as compared to the same period last year, as this segment continued to adopt risk-averse sales and inventory management strategies to react to the downward copper price in recent years. However, attributable to the allowance made for a long overdue trade receivable, this segment recorded a small operating loss of HK$59,000 during the period, whereas it had operating profit of HK$651,000 in the same period last year.

Revenue
This segment sold 4,202 tonnes of copper and brass products during the period, increased by 21.3% as compared to 3,465 tonnes for the same period last year. Sales in the PRC increased year-on-year by 32.8%; however, sales in Hong Kong declined by 5.4% as compared to the same period last year, as the demand outside the PRC was lackadaisical. The breakdown of sales volume of this segment for the period by geographical regions is as follows:

	Six months ended 30 June				
	2016		2015		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
PRC	**3,214**	**76.5**	2,421	69.9	**+32.8**
Hong Kong	**988**	**23.5**	1,044	30.1	**-5.4**
Total	**4,202**	**100.0**	3,465	100.0	**+21.3**

Copper price recorded a slight rebound during the first half year, in which the 3-month copper price as quoted by the London Metals Exchange recorded an increase of approximately 2.9% throughout the period under review. However, as copper price significantly declined by 25.3% over the previous year, therefore, the average selling price of this segment for the period recorded a year-on-year decline of 21.3% as compared to the same period last year. The contribution from the increased sales volume was fully offset by the decrease in average selling price. Furthermore, the revenue from sales in the PRC for the period was also negatively impacted by the depreciation of RMB exchange rate of approximately 6% when compared to the same period last year. Therefore, this segment recorded a decline in revenue of 4.6% as compared to the same period last year to HK$153,656,000 (2015: HK$161,118,000) for the period.

Gross profit
Despite revenue decreased by 4.6% as compared to the same period last year, gross profit of this segment recorded a moderate increase of 4.9% over the same period last year to HK$4,613,000 (2015: HK$4,399,000) for the period. Gross profit margin improved by 0.3 percentage point from 2.7% of the same period last year to 3.0% for the period.

Allowance for bad and doubtful debts
An allowance for bad and doubtful debts of HK$656,000 was made for a trade receivable aged over one year during the period. Legal action has been taken against this customer and we will use our full endeavor to recover such payment.

FINANCIAL REVIEW

The Group reported net loss of HK$46,682,000 for the period, significantly reduced by 76.0% as compared to HK$194,562,000 for the same period last year. The key financial performance indicators of the Group for the period are shown as follows:

	Six months ended 30 June		
	2016	2015	
	HK$'000	*HK$'000*	**Change**
OPERATING PERFORMANCE			
Revenue	**776,156**	683,143	**+13.6%**
Gross profit margin	**7.5%**	0.8%	**+6.7pp**
E(L)BITDA	**38,402**	(95,381)	**N/A**
E(L)BITDA margin	**4.9%**	-14.0%	**+18.9pp**
Adjusted EBITDA	**41,016**	11,017	**+272.3%**
Adjusted EBITDA margin	**5.3%**	1.6%	**+3.7pp**
Loss for the period	**(46,682)**	(194,562)	**-76.0%**
Net loss margin	**-6.0%**	-28.5%	**+22.5pp**
Basic loss per share *(HK cents)*	**(2.43)**	(10.12)	**-76.0%**

	30 June	31 December	
	2016	2015	
	HK$'000	*HK$'000*	**Change**
KEY FINANCIAL INFORMATION			
Total assets	**2,764,512**	3,006,147	**-8.0%**
Total liabilities	**1,436,607**	1,610,277	**-10.8%**
Equity attributable to equity holders of the Company	**1,327,905**	1,395,870	**-4.9%**
Net current (liabilities) assets	**(128,292)**	57,027	**N/A**
Bank balances and cash (including pledged bank deposits)	**76,166**	209,889	**-63.7%**
Total interest bearing borrowings	**895,533**	1,118,119	**-19.9%**
Net interest bearing borrowings	**819,367**	908,230	**-9.8%**
Current ratio (times)	**0.91**	1.04	
Gearing ratio	**61.7%**	65.1%	**-3.4pp**

The Group recorded EBITDA of HK$38,402,000 for the period, improved significantly as compared to LBITDA of HK$95,381,000 for the same period last year. Adjusted EBITDA of the Group also significantly increased by 272.3% over the same period last year to HK$41,016,000 (2015: HK$11,017,000) for the period, as shown below:

	Six months ended 30 June		
	2016	2015	
	HK$'000	*HK$'000*	**% change**
E(L)BITDA	**38,402**	(95,381)	**N/A**
Adjusted for:			
Allowance for inventories recognised	**518**	13,401	**-96.1**
Allowance for bad and doubtful debts reversed, net	**(5,998)**	(3,630)	**+65.2**
Bad debts (recovered) written off	**(508)**	3,971	**N/A**
Impairment loss recognised in respect of property, plant and equipment	**–**	93,000	**-100.0**
Foreign exchange losses, net	**10,121**	2,190	**+362.1**
Increase in fair value of investment properties	**(1,519)**	(2,534)	**-40.1**
Adjusted EBITDA	**41,016**	11,017	**+272.3**

Revenue

Revenue of the Group amounted to HK$776,156,000 (2015: HK$683,143,000) for the period, increased by 13.6% over the same period last year. The breakdown of revenue of the Group for the period is as follows:

	Six months ended 30 June				
	2016		2015		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cord	**631,483**	**81.4**	529,931	77.6	**+19.2**
Copper and brass products	**153,656**	**19.8**	161,118	23.6	**-4.6**
Sub-total	**785,139**	**101.2**	691,049	101.2	**+13.6**
Elimination of sales by Copper and brass products segment to Steel cord segment	**(9,832)**	**(1.3)**	(8,732)	(1.3)	**+12.6**
Property rental	**849**	**0.1**	826	0.1	**+2.8**
Total	**776,156**	**100.0**	683,143	100.0	**+13.6**

Gross profit

Gross profit of the Group sharply increased by 985.1% over the same period last year to HK$57,997,000 (2015: HK$5,345,000) for the period, which was mainly contributed by the substantial improvement in gross profit of Steel cord segment. Gross profit margin of the Group also increased discernibly by 6.7 percentage points as compared to the same period last year to 7.5% for the period. The breakdown of gross profit of the Group for the period is as follows:

	Six months ended 30 June				
	2016		2015		
	HK$'000	**Gross profit margin (%)**	*HK$'000*	Gross profit margin (%)	**% change**
Steel cord	**52,591**	**8.3**	184	0.1	**+28482.1**
Copper and brass products	**4,613**	**3.0**	4,399	2.7	**+4.9**
Property rental	**793**	**93.4**	762	92.3	**+4.1**
Total	**57,997**	**7.5**	5,345	0.8	**+985.1**

Investment and other income

Investment and other income of the Group decreased by 7.2% as compared to that of the same period last year to HK$849,000 (2015: HK$915,000) for the period, primarily as both bank interest income and government grants decreased as compared to the same period last year.

Other gains and losses

The Group recorded net loss of HK$2,075,000 on other gains and losses for the period, substantially reduced by 97.8% as compared to HK$93,150,000 for the same period last year. The breakdown of other gains and losses for the period is as follows:

		Six months ended 30 June		
		2016	2015	
	Notes	***HK$'000***	*HK$'000*	**% change**
Foreign exchange losses, net	1	**(10,121)**	(2,190)	**+362.1**
Increase in fair value of investment properties		**1,519**	2,534	**-40.1**
Allowance for bad and doubtful debts reversed, net		**5,998**	3,630	**+65.2**
Bad debts recovered (written off)		**508**	(3,971)	**N/A**
Impairment loss recognised in respect of property, plant and equipment	2	**–**	(93,000)	**-100.0**
Others		**21**	(153)	**N/A**
Total		**(2,075)**	(93,150)	**-97.8**

Notes:

1. The Group recorded a significant increase in foreign exchange loss of 362.1% as compared to the same period last year. The exchange rate of RMB quoted by the People's Bank of China (the "official RMB exchange rate") recorded a decrease of approximately 2.0% against HKD over the first half year, which was higher as compared to a decrease of 0.1% in the same period last year. Attributable to the decrease in the official RMB exchange rate during the period, the Group recorded increased amount of foreign exchange loss on its HKD and USD denominated bank borrowings during the period.

2. This represented impairment loss recognised in respect of property, plant and equipment of TESC during the same period last year.

Distribution and selling expenses

Distribution and selling expenses of the Group amounted to HK$23,136,000 (2015: HK$21,681,000) for the period, increased by 6.7% over the same period last year, as the sales volume of Steel cord and Copper and brass products segments increased by 47.2% and 21.3% respectively over the same period last year.

Administrative expenses

Administrative expenses of the Group amounted to HK$35,241,000 (2015: HK$36,380,000) for the period, decreased by 3.1% as compared to the same period last year. As the revenue of the Group increased by 13.6% as compared to the same period last year, the ratio of administrative expenses to revenue therefore lowered from 5.3% in the same period last year to 4.5% for the period.

Research and development expenses

Research and development expenses of the Group amounted to HK$22,809,000 for the period, slightly increased by 1.2% as compared to HK$22,536,000 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 profit of HK$3,495,000 from its business segments for the period, significantly improved as compared to loss of HK$152,621,000 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		
	2016	2015	
	HK$'000	*HK$'000*	**% change**
Steel cord	**3,554**	(153,272)	**N/A**
Copper and brass products	**(59)**	651	**N/A**
Total	**3,495**	(152,621)	**N/A**

Finance costs

Finance costs of the Group amounted to HK$22,953,000 for the period, decreased by 18.4% as compared to HK$28,140,000 for the same period last year, mainly the result of the decrease in the amount of interest bearing borrowings. The average interest bearing borrowings was HK$1,006,826,000 for the period, lowered by 19.7% as compared to HK$1,254,136,000 for the same period last year.

Income tax credit

Income tax credit of the Group amounted to HK$686,000 for the period, decreased by 35.6% as compared to HK$1,065,000 for the same period last year, mainly as the income tax credit of JESC decreased due to the improvement in its operating results during the period.

In respect of income tax rates, 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% (2015: 16.5%) for the period. For subsidiaries operating in the PRC other than JESC, pursuant to the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law (the "Implementation Regulation"), are subject to a tax rate of 25% (2015: 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% (2015: 5%).

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$535,645,000 at 30 June 2016, moderately increased by 4.2% as compared to HK$514,089,000 at 31 December 2015, as revenue increased during the period. Regarding the allowance for bad and doubtful debts, as certain long overdue outstanding receivables were recovered during the period, therefore, a net amount of allowance for bad and doubtful debts of HK$5,998,000 was reversed during the period. Furthermore, the balance of allowance for bad and doubtful debts was reduced by HK$1,008,000 due to the depreciation of RMB exchange rate of approximately 2.0% over the period, the amount of allowance for bad and doubtful debts therefore reduced from HK$51,028,000 at 31 December 2015 to HK$44,022,000 at 30 June 2016.

The amount of trade receivables (after allowance for bad and doubtful debts) was HK$491,623,000 as at 30 June 2016, increased by 6.2% over the end of 2015. Its aging analysis and the comparison with the end of 2015 are as follows:

Age	**30 June 2016**		31 December 2015		
	HK$'000	*%*	*HK$'000*	*%*	**% change**
0 – 90 days	**401,818**	**81.7**	332,284	71.8	**+20.9**
91 – 180 days	**76,304**	**15.5**	115,770	25.0	**-34.1**
Over 180 days	**13,501**	**2.8**	15,007	3.2	**-10.0**
Total	**491,623**	**100.0**	463,061	100.0	**+6.2**

The overall quality of trade receivables remained healthy and in manageable condition, as trade receivables aged within the Group's credit period of 30-90 days accounted for 81.7% of total trade receivables at 30 June 2016, increased by 9.9 percentage points as compared to 71.8% at the end of 2015. Further, the percentage of trade receivables which are past due but not impaired to total trade receivables decreased from 39.1% at the end of 2015 to 24.2% at 30 June 2016.

Regarding the balance of the allowance for bad and doubtful debts of HK$44,022,000 at 30 June 2016, they represented those made for receivables from sales of steel cord and sawing wire products, progress had been made during the period and we will continue to use our best endeavors to recover those receivables that are still outstanding, including the negotiation of payment by way of assets other than cash and/or instigating legal actions against those customers to claim our payment.

In respect of the trade receivables at 30 June 2016, approximately 44.4% has been subsequently settled by cash or bills receivable up to 24 August 2016. The details of subsequent settlement of trade receivables of the Group and from top five customers of the Group for the period are as follows:

Age	Total trade receivables of the Group Amount at 30 June 2016 *HK$'000*	 % of subsequent settlement	Trade receivables from top five customers of the Group Amount at 30 June 2016 *HK$'000*	 % of subsequent settlement
0 – 90 days	**401,818**	**36.8**	**168,101**	**36.0**
91 – 180 days	**76,304**	**79.4**	**37,059**	**65.6**
Over 180 days	**13,501**	**72.1**	**9,662**	**86.6**
Total	**491,623**	**44.4**	**214,822**	**43.4**

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 taking 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 provide a long-term reasonable return to its Shareholders.

There was no change in the total number of issued Shares during the period. The number of issued Shares remained at 1,922,900,556 Shares at 30 June 2016. Net asset value of the Group was HK$1,327,905,000 at 30 June 2016, decreased by 4.9% as compared to HK$1,395,870,000 at 31 December 2015, attributable to the loss and the negative impact on depreciation of RMB exchange rate against HKD of approximately 2.0% during the period. Net asset value per Share was HK$0.691 at 30 June 2016, decreased by 4.9% as compared to HK$0.726 at 31 December 2015.

Cash flows

Although the Group reported loss of HK$46,682,000 for the period, it generated net cash operating inflow of HK$131,155,000 for the period as follows:

	HK$'000
Net cash from operating activities as per condensed consolidated statement of cash flows	94,427
Add: Operating cash inflows not reflected in condensed consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks and matured during the period	18,943
Bills receivable endorsed to creditors of the Group at 31 December 2015 to settle payable for acquisition of property, plant and equipment and matured during the period	17,785
Net operating cash inflow for the period	131,155

In respect of cash flows on other activities:

1. The Group incurred net cash outflow on investing activities of HK$5,432,000 during the period, in which HK$4,122,000 was mainly on the capital expenditures incurred by Steel cord segment; and

2. The Group incurred net cash outflow on financing activities of HK$221,468,000 during the period. When bank advances for discounted bills of HK$34,008,000 (in which HK$18,943,000 has been repaid upon maturity of those bills during the period) was excluded, the Group incurred net cash outflow of HK$255,476,000 on financing activities during the period, that represented net reduction of interest bearing borrowings during the period.

Bank balances and cash and interest bearing borrowings

The Group's bank balances and cash (including pledged bank deposits) amounted to HK$76,166,000 at 30 June 2016, decreased by 63.7% as compared to HK$209,889,000 at 31 December 2015. Total interest bearing borrowings of the Group were HK$895,533,000 at 30 June 2016, decreased by 19.9% as compared to HK$1,118,119,000 at 31 December 2015.

At 30 June 2016, HK$577,382,000 of bank borrowings were floating-rate borrowings, while HK$318,151,000 of bank borrowings were collared at rates ranging from 2.45% to 4.66% per annum. The nature and maturing profile of the Group's bank borrowings at 30 June 2016, based on contracted repayment schedules were as follows:

	HK$'000	**% of total bank borrowings**
Due in the second half year of 2016 or on demand:		
– Trust receipt loans	22,447	2.5
– Short term bank loans	514,038	57.4
– Bank advances for discounted bills	28,935	3.2
Total due in the second half year of 2016	565,420	63.1
Due in the first half year of 2017:		
– Short term bank loans	128,705	14.4
– Medium term bank loan	200,000	22.3
– Bank advances for discounted bills	3,510	0.4
Total due in the first half year of 2017	332,215	37.1
	897,635	100.2
Unamortized loan arrangement fees	(2,102)	(0.2)
Total	895,533	100.0

The Group planned to service the interest bearing borrowings due in the coming 12 months from 30 June 2016 by cash generated from its operations and refinancing from banks, further details in this regard are set out under the section "**Net current liabilities**".

Debt and liquidity ratios

We strive to reduce our leverage on interest bearing borrowings to improve the Group's financial position and save interest costs. A net amount of HK$222,586,000 of interest bearing borrowings were repaid during the period, therefore gearing ratio (calculated as total interest bearing borrowings less bank balances and cash (including pledged bank deposits) divided by Shareholders' equity) of the Group lowered from 65.1% at 31 December 2015 to 61.7% at 30 June 2016. The current ratio (calculated as current assets divided by current liabilities) of the Group was 0.91 times at 30 June 2016, as compared to 1.04 times at 31 December 2015. The weaker liquidity position at 30 June 2016 was mainly because of the increased amount of interest bearing borrowings that are due for repayment within one year. The details and our action plan to mitigate the impact on the said position are set out under "**Net current liabilities**" section below.

Net current liabilities

As at 30 June 2016, the Group's current assets amounted to HK$1,274,658,000 and its current liabilities amounted to HK$1,402,950,000. Therefore, the Group's current liabilities exceeded its current assets by HK$128,292,000, as its current liabilities included bank borrowings of HK$895,533,000 that are wholly repayable within one year. In this respect, the Directors have carried out a review on the cash flow projections of the Group which covered a period of 12 months from 1 July 2016 and, after taken into consideration of the following, are satisfied that the Group will have sufficient working capital to meet its financial obligations that will be fall due within the coming 12 months from 30 June 2016:

(1) As at the date of this announcement, the relevant banks of the Group have agreed to renew banking facilities amounting to approximately HK$257,409,000 upon maturity in the coming 12 months;

(2) The Group has unutilized banking facilities of approximately HK$75,355,000 which will not be expired within the coming 12 months;

(3) The proceeds under the sale and purchase agreement entered into between TESC and South China International Leasing Co., Ltd. ("South China Leasing") of RMB70,000,000 (approximately HK$81,620,000) which was subsequently received on 16 August 2016; while the corresponding rental payment and lease interest under the finance lease agreement will be repaid in a period of 3 years. Details of this transaction are disclosed under the section "**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FINANCE LEASE ARRANGEMENT**";

(4) In respect of the Group's short and medium term loans amounting to approximately HK$547,898,000 that are due within the coming 12 months, the Group has established relationship with these banks; the management of the Group also maintains continuous communication with relevant banks and has been negotiating with these banks for refinancing of such loans upon maturity. Based on the latest communication with these banks, the Directors are of the opinion that at least a majority part of these loans can be refinanced by new term loans granted to the Group; and

(5) The Group generated net cash from its operating activities of HK$131,155,000 during the period under review, the Directors are confident that the Group will continue to generate sufficient cash to maintain its operations and reduce bank borrowings to save interest costs.

Based on the above, the Directors are satisfied that it is appropriate to prepare these condensed consolidated financial statements in a going concern basis.

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 bank borrowings, while endeavor 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 the year of 2014, the Group planned to gradually increase the proportion of borrowings in RMB to minimize the impact on the depreciation of RMB exchange rate on the Group's results. The proportion of interest bearing borrowings of the Group that are denominated in RMB increased from 28.5% at 31 December 2015 to 33.0% at 30 June 2016. The respective currency composition of the Group's bank balances and cash (including pledged bank deposits) and interest bearing borrowings was as follows:

Bank balances and cash (including pledged bank deposits)

	30 June 2016		31 December 2015	
	HK$'000	**% of bank balances and cash (including pledged bank deposits)**	*HK$'000*	% of bank balances and cash (including pledged bank deposits)
RMB	**48,511**	**63.7**	103,137	49.1
HKD	**6,733**	**8.8**	29,354	14.0
USD	**16,712**	**22.0**	67,894	32.4
Other currencies	**4,210**	**5.5**	9,504	4.5
Total	**76,166**	**100.0**	209,889	100.0

Interest bearing borrowings

	30 June 2016		31 December 2015	
		% of interest bearing		% of interest bearing
	HK$'000	**borrowings**	*HK$'000*	borrowings
RMB	**295,705**	**33.0**	318,699	28.5
HKD	**568,983**	**63.6**	766,779	68.6
USD	**30,845**	**3.4**	32,641	2.9
Total	**895,533**	**100.0**	1,118,119	100.0

In respect of exposure to interest rate risk, even though the majority of the bank borrowings at 30 June 2016 are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the results 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, the exchange rate of RMB continued to depreciate by approximately 2.0% against HKD. 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 risk. However, we would seek quotations for hedging our foreign currency or RMB exposure in line with the maturities of our non-RMB borrowings from time to time. Furthermore, we will also review and adjust, when necessary, the currency composition of our interest bearing borrowings from time to time to minimize our risks on exchange and interest rate in respect of our interest bearing borrowings.

In any event, we would keep monitoring the currency and interest rate composition of the Group's interest bearing borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Group during the period amounted to HK$5,546,000, 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 2016 are estimated to be not more than approximately HK$30,206,000, which are to be incurred by Steel cord segment mainly for enhancement of production efficiency of the two manufacturing plants. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

Further, the Steel cord segment will continue to invest in research and development expenses for development of new specifications of steel cord and sawing wire products; and development of new customers, especially international customers. The research and development expenses to be incurred in the second half year of 2016 are estimated to be maintained at a similar level for the period under review, i.e. within the range of 3% to 4% of total revenue of Steel cord segment.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2016, the Group had a total of 1,886 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the period amounted to approximately HK$10,980,000.

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

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, cancelled and lapsed under the 2012 Scheme while only 2,300,000 share options lapsed under the 2002 Scheme.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

The Group has no contingent liabilities as at 30 June 2016.

At 30 June 2016, 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$13,100,000; and

2. Bank deposits of HK$2,807,000 as securities for issue of bank acceptance bills for settlement of trade payables of the Group.

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 2016, the Company and Zaozhuang Mining entered into a second supplemental memorandum of understanding (the "Second Supplemental MOU") pursuant to which the parties agreed to, among other things, further extend the long stop date to the effect that the formal agreement shall be entered into within 4 years from the date of the memorandum of understanding dated 13 July 2014 (the "MOU"), that is, by 12 July 2018 (or such other later date as agreed by the parties) because of the challenging market conditions in the steel cord and tyre markets and both the parties concerned the uncertainties in economics and agreed to allow more time to proceed the strategic cooperation when the macroeconomic conditions warrant the collaboration to proceed. Save and except the amendments under the Second Supplemental MOU, all the terms and conditions of the MOU and the supplemental memorandum of understanding dated 30 June 2015 (the "Supplemental MOU") remain unchanged and continue in full force and effect.

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

Details regarding the MOU, the Supplemental MOU and the Second Supplemental MOU can be referred to announcements of the Company dated 13 July 2014, 30 June 2015 and 30 June 2016 respectively.

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FINANCE LEASE ARRANGEMENT

On 29 June 2016, TESC and South China Leasing entered into the finance lease arrangement (the "Finance Lease Arrangement") comprising, among others, (i) the sale and purchase agreement and (ii) the finance lease agreement, whereby TESC, agreed to sell its certain machineries and equipment primarily used by TESC for manufacturing of steel cord (the "Machineries and Equipment") to South China Leasing at the purchase consideration of RMB70,000,000 (equivalent to approximately HK$81,620,000) and South China Leasing agreed to lease back the Machineries and Equipment to TESC for the lease consideration of approximately RMB78,158,000 (equivalent to approximately HK$91,132,228), comprising the rental principal of RMB70,000,000, the lease interest of approximately RMB6,058,000 and the lease handling fee of RMB2,100,000, for a term of thirty-six (36) months.

On the same date, the Company entered into the guarantee agreement in favour of South China Leasing as security for the payment obligations of TESC under the finance lease agreement.

After the end of the reporting period, the Finance Lease Arrangement was duly passed by way of poll at the general meeting of the Company held on 10 August 2016.

Details regarding the Finance Lease Arrangement can be referred to the announcement of the Company dated 29 June 2016 and circular dated 21 July 2016, respectively.

BUSINESS OUTLOOK

The United Kingdom has voted to leave the European Union ("EU") at the end of June. The British Pound depreciated against USD by around 12% since the referendum day while the exchange rate of RMB against USD was slightly weakened following the British EU exit vote. The RMB exchange rate depreciation is likely to continue throughout the year. Domestically, the China's economic growth rate held steady at 6.7% in the second quarter of 2016, which was the lowest since 2009. The pace of economy growth slowed down and the Chinese government expected the full-year economic growth of 6.5% to 7%. We opined that the overall economic condition remains challenging with uncertainties and cause pressure on different industries including steel cord industry and the performance of the Group as a whole.

However, the Group envisages a gradual equilibrium of the oversupply situation of the steel cord industry as depicted by the rebounding in product prices and relatively strong order flow from its customers. Nonetheless, we will persist to maintain strong operating cashflow, monitor the fluctuations in the currency and interest rates to mitigate any risk exposure and implement cost saving measures in order to reduce overall production costs. In addition, the Group will exert further effort to penetrate large-scale and multinational tyre manufacturing market with quality and advanced steel cord and sawing wire products to meet requirements of international customers. With the above measures and strategies, we see that our results have been improved during the period under review and we believe that a turnaround can be achieved in the coming year.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: 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 2016.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and achieving a high standard of corporate governance. The Board also recognises that effective risk management and internal control systems are crucial to the long term development of the Company. In order to maintain sound and effective risk management and internal control systems, the Board periodically reviews the daily corporate governance practices and procedures of the Company and its subsidiaries and procure the Company and its subsidiaries have strictly complied with the relevant laws and regulations, and the rules and guidelines of regulatory bodies.

Deviation from code provision D.1.4 of 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 2016, except for deviation from the code provision D.1.4 of the Code.

According to the subscription agreement and further agreement dated 22 September 2006 and 24 February 2015 respectively entered into by the Company and NV Bekaert SA ("Bekaert"), a substantial Shareholder, Bekaert nominated Mr. Liao Jun ("Mr. Liao") as a non-executive director of the Company. Mr. Liao does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director, which therefore deviated from the code provision D.1.4 of the Code.

APPRECIATION

On behalf of the Board, I would like to express our sincere gratitude to our stakeholders for their confidence placed on us and their support throughout the period under review and also like to extend our gratitude to all the Board members, management and colleagues for their persistent efforts and support to the Group during this extremely competitive and challenging business condition.

DEFINITIONS

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

"2002 Scheme"	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
"2012 Scheme"	A share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
"Board"	the board of Directors
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company"/ "Shougang Century"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange

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

"TESC"	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"USD/US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

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

Hong Kong, 25 August 2016

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

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

This interim results announcement is published on the websites of the Company at http://www.irasia.com/listco/hk/sccentury/ and the Stock Exchange at http://www.hkexnews.hk. The 2016 Interim Report will be despatched to Shareholders and made available on the above websites in due course.

* *For identification purpose only*