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**SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**

**首長寶佳集團有限公司**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

<b>HIGHLIGHTS</b>	<b>For the six months ended 30 June</b>		<b>Change %</b>
	<b>2010 (Unaudited) HK\$'000</b>	<b>2009 (Unaudited) HK\$'000</b>	
<b>Operations</b>			
Revenue	<b>829,102</b>	422,712	<b>+96.1</b>
Gross profit	<b>168,143</b>	48,352	<b>+247.7</b>
Earnings before interest, tax, depreciation and amortization	<b>183,775</b>	131,084	<b>+40.2</b>
Profit for the period	<b>91,205</b>	85,678	<b>+6.5</b>
Core profit for the period (Note)	<b>78,134</b>	9,841	<b>+694.0</b>
Earnings per share (basic) (HK cents)	<b>4.74</b>	4.56	<b>+4.0</b>
Note: Excluding government grants (net of tax) of HK\$796,000 (2009: HK\$75,837,000) and gain on disposal of listed available-for-sale investments of HK\$12,275,000 (2009: Nil).			
	<b>30 June 2010 (Unaudited) HK\$'000</b>	<b>31 December 2009 (Audited) HK\$'000</b>	<b>Change %</b>
<b>Financial position</b>			
Total assets	<b>3,558,440</b>	3,038,112	<b>+17.1</b>
Shareholders' equity	<b>2,115,937</b>	2,065,826	<b>+2.4</b>
Net asset value per share (HK\$)	<b>1.10</b>	1.08	<b>+1.9</b>

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2010. The interim results have been reviewed by the Company's Audit Committee and its Auditors.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		<b>Six months ended</b>	
		<b>30 June</b>	
		<b>2010</b>	2009
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	3	<b>829,102</b>	422,712
Cost of sales		<b>(660,959)</b>	(374,360)
		<hr/>	<hr/>
Gross profit		<b>168,143</b>	48,352
Investment and other income	4	<b>5,861</b>	92,739
Other gains and losses	5	<b>16,972</b>	(1,276)
Distribution and selling expenses		<b>(13,270)</b>	(7,327)
Administrative expenses		<b>(50,003)</b>	(30,459)
Finance costs	6	<b>(13,546)</b>	(1,240)
Share of result of a jointly controlled entity		<b>–</b>	(1,461)
		<hr/>	<hr/>
Profit before tax		<b>114,157</b>	99,328
Income tax expenses	7	<b>(22,952)</b>	(13,650)
		<hr/>	<hr/>
Profit for the period	8	<b>91,205</b>	85,678
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	9		
Basic		<b>HK4.74 cents</b>	HK4.56 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		<b>HK4.55 cents</b>	HK4.53 cents
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*For the six months ended 30 June 2010*

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<b>91,205</b>	85,678
Other comprehensive income		
Exchange differences arising on translation		
– group entities	<b>18,337</b>	1,268
– a jointly controlled entity	–	(1)
(Loss) gain on fair value change of listed available-for-sale investments	<b>(19,354)</b>	30,037
Reclassification adjustment upon disposal of listed available-for-sale investments	<b>(12,307)</b>	–
Other comprehensive (expense) income for the period	<b>(13,324)</b>	31,304
Total comprehensive income for the period	<b>77,881</b>	116,982

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Investment properties	11	22,463	22,401
Property, plant and equipment	11	1,547,568	1,320,715
Prepaid lease payments		105,183	106,459
Goodwill		41,672	41,672
Club memberships		723	719
Available-for-sale investments	12	15,515	50,538
Deposit paid for the acquisition of property, plant and equipment	13	167,120	79,000
		<b>1,900,244</b>	<b>1,621,504</b>
<b>Current assets</b>			
Inventories		365,789	211,802
Trade receivables	14	502,412	322,700
Bills receivable	14	380,356	386,039
Prepayments, deposits and other receivables		127,653	98,862
Prepaid lease payments		4,530	4,489
Amounts due from related companies		–	277
Tax recoverable		96	96
Restricted bank deposits		1,939	49,448
Bank balances and cash		275,421	342,895
		<b>1,658,196</b>	<b>1,416,608</b>
<b>Current liabilities</b>			
Trade payables	15	35,832	46,448
Other payables and accruals	16	110,533	87,440
Tax payable		24,528	29,710
Bank borrowings – due within one year	17	424,170	350,108
Dividend payable		28,827	–
		<b>623,890</b>	<b>513,706</b>
<b>Net current assets</b>		<b>1,034,306</b>	<b>902,902</b>
<b>Total assets less current liabilities</b>		<b>2,934,550</b>	<b>2,524,406</b>

		<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	17	<b>797,470</b>	446,556
Other payable		<b>1,047</b>	1,007
Deferred tax liabilities	18	<b>19,256</b>	10,177
		<u><b>817,773</b></u>	<u>457,740</u>
		<u><b>2,116,777</b></u>	<u>2,066,666</u>
<b>Capital and reserves</b>			
Share capital	19	<b>192,180</b>	192,180
Reserves		<b>1,923,757</b>	1,873,646
		<u><b>2,115,937</b></u>	<u>2,065,826</u>
Equity attributable to equity holders of the Company		<b>840</b>	840
Share option reserve of a subsidiary		<u><b>2,116,777</b></u>	<u>2,066,666</u>

*Notes:*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the financial year beginning on 1 January 2010.

**HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements***

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

**Amendment to HKAS 17 *Leases***

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The amendment to HKAS 17 does not have any effect on the condensed consolidated financial statements of the Group.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 <sup>1</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>4</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 9	Financial Instruments <sup>5</sup>
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>4</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 February 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Company's managing director, being the chief operating decision maker of the Group (the "CODM"), for the purpose of resource allocation and performance assessment 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.

Information regarding the above segments is presented below.

**For the six months ended 30 June 2010**

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Total segment (Unaudited) <i>HK\$'000</i>
Segment revenue			
External sales	613,395	213,772	827,167
Inter-segment sales	–	7,969	7,969
	<hr/>	<hr/>	<hr/>
Total	<u>613,395</u>	<u>221,741</u>	<u>835,136</u>
Segment results	<u>126,061</u>	<u>4,638</u>	<u>130,699</u>

Inter-segment sales are made based on prevailing market rates.

**Reconciliation of revenue**

	(Unaudited) <i>HK\$'000</i>
Total revenues for operating segments	835,136
Rental income and revenue for trading of other metal products	1,935
Elimination of inter-segment sales	(7,969)
	<hr/>
Group's revenue	<u>829,102</u>

**Reconciliation of profit before tax**

	(Unaudited) <i>HK\$'000</i>
Total profit for operating segments	130,699
Profit arising from trading of other metal products and property investment	533
Unallocated amounts	
Unallocated income	13,548
Unallocated expenses	(17,077)
Unallocated finance costs	(13,546)
	<hr/>
Profit before tax	<u>114,157</u>

For the six months ended 30 June 2009

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Total segment (Unaudited) <i>HK\$'000</i>
Segment revenue			
External sales	367,314	43,189	410,503
Inter-segment sales	–	1,756	1,756
	<hr/>	<hr/>	<hr/>
Total	<u>367,314</u>	<u>44,945</u>	<u>412,259</u>
Segment results	<u>115,000</u>	<u>(433)</u>	<u>114,567</u>

Inter-segment sales are made based on prevailing market rates.

Reconciliation of revenue

	(Unaudited) <i>HK\$'000</i>
Total revenues for operating segments	412,259
Rental income and revenue for trading of other metal products	12,209
Elimination of inter-segment sales	<hr/> (1,756)
Group's revenue	<u>422,712</u>

Reconciliation of profit before tax

	(Unaudited) <i>HK\$'000</i>
Total profit for operating segments	114,567
Loss arising from trading of other metal products and property investment	(1,724)
Unallocated amounts	
Unallocated income	4,220
Unallocated expenses	(15,034)
Unallocated finance costs	(1,240)
Share of result of a jointly controlled entity	<hr/> (1,461)
Profit before tax	<u>99,328</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of directors of the Company, share of result of a jointly controlled entity, gain on disposal of listed available-for-sale investments, interest income on bank deposits, dividend income from listed available-for-sale investments, gain on fair value change of leveraged foreign exchange contract, commission income and finance costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

#### 4. INVESTMENT AND OTHER INCOME

	Six months ended	
	30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
<b>Investment income</b>		
Interest income on bank deposits	1,593	1,220
Dividend income from listed available-for-sale investments	263	591
	1,856	1,811
<b>Other income</b>		
Government grants (Note)	796	89,732
Commission income	–	999
Others	3,209	197
	4,005	90,928
	5,861	92,739

Note: The amount includes an amount of approximately HK\$796,000 (six months ended 30 June 2009: HK\$88,484,000) unconditional grant from the local government of Tengzhou City in the PRC. The management considered the grant is a financial subsidy to the Group with no further related costs to be incurred. The remaining amount of approximately HK\$1,248,000 for the six months ended 30 June 2009 represented the unconditional grant received from the local government as an incentive in relation to the compliance with environmental regulations in Jiaxing City in the PRC.

#### 5. OTHER GAINS AND LOSSES

	Six months ended	
	30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Gain on disposal of listed available-for-sale investments (Note 12)	12,275	–
Foreign exchange gains (losses), net	3,721	(2,636)
Reversal of (allowance for) bad and doubtful debts	1,030	(36)
Realised gain on change in fair value of leveraged foreign exchange contract	–	1,396
Others	(54)	–
	16,972	(1,276)
	16,972	(1,276)

## 6. FINANCE COSTS

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank borrowings wholly repayable within five years	16,292	1,107
Amortisation of borrowing costs	760	133
Total borrowing costs	17,052	1,240
Less: amounts capitalised	(3,506)	–
	<u>13,546</u>	<u>1,240</u>

Borrowing costs capitalised during the six months ended 30 June 2010 arose on general borrowing pool and are calculated by applying a capitalisation rate of 3.02% (2009: Nil) per annum to expenditure on qualifying assets.

## 7. INCOME TAX EXPENSES

	Six months ended	
	30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
PRC Enterprise Income Tax	13,971	16,985
Over provision in prior periods:		
PRC Enterprise Income Tax	(86)	(5,664)
Deferred taxation ( <i>Note 18</i> )	9,067	2,329
	<u>22,952</u>	<u>13,650</u>

No provision for Hong Kong profits tax has been made in the condensed consolidated financial statements for both periods as the Group has no assessable profit arising in Hong Kong for both periods.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law (the “Implementation Regulation”). Under the New Law and Implementation Regulation, the Company’s major subsidiaries in the PRC are subject to a respective tax rate of 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008 and 2009 and the years ending 31 December 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 22% (2009: 20%) for the six months ended 30 June 2010.

Two subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC enterprise income tax and are exempted from PRC enterprise income tax for the two years commencing from their first year of operation and thereafter, these subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The PRC enterprise income tax charges are arrived at after taking into account these tax incentives.

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation of property, plant and equipment	<b>53,822</b>	29,324
Amortisation of prepaid lease payments (included in “Cost of sales”)	<b>2,250</b>	1,192
Share of tax of a jointly controlled entity (included in “Share of result of a jointly controlled entity”)	–	204
Loss on disposal of property, plant and equipment	<b>54</b>	130
Share-based payment expenses	<b>1,057</b>	25
	<b><u>          </u></b>	<b><u>          </u></b>

## 9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Profit for the period for the purposes of calculation of basic and diluted earnings per share	<b>91,205</b>	85,678
	<b><u>          </u></b>	<b><u>          </u></b>

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
<b>Number of shares</b>		
Number/weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	<b>1,921,800,556</b>	1,877,424,557
Effect of dilutive potential ordinary shares:		
Share options	<b>79,490,023</b>	11,949,754
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<b><u>2,001,290,579</u></b>	<b><u>1,889,374,311</u></b>

#### 10. DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
2009 final dividend of HK1.5 cents per share (six months ended 30 June 2009: Nil)	<b><u>28,827</u></b>	<u>–</u>

The directors have resolved to declare an interim dividend of HK1 cent per share for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

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

During the period, the Group spent approximately HK\$267,813,000 (six months ended 30 June 2009: HK\$296,759,000) on the expansion of production capacity of steel cord segment. In addition, the Group also acquired approximately HK\$396,000 (six months ended 30 June 2009: HK\$11,133,000) of other property, plant and equipment in the period.

At 30 June 2010, the directors of the Company considered the carrying amounts of the Group's leasehold land and buildings carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the end of the reporting period. Consequently, no revaluation surplus or deficit has been recognised in the current period.

At 30 June 2010, the Group's investment properties are measured at fair value by the directors of the Company with reference to market evidence of transaction prices for similar properties in similar locations and conditions. No gains or losses arising from changes in the fair value have been recognised in profit or loss for the current period.

## 12. AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30 June 2010, the Group disposed 2,291,283 “A” shares of Xinyu Iron & Steel Co., Ltd. (“Xinyu Iron”) (six months ended 30 June 2009: Nil). Xinyu Iron is a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange. The net proceeds from the disposal in aggregate were approximately HK\$15,637,000, resulting a gain of approximately HK\$12,275,000 (six months ended 30 June 2009: Nil).

## 13. DEPOSIT PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amount mainly represents the deposit paid by subsidiaries of the Company for the acquisition of plant and equipment for the expansion of production capacity of steel cord segment.

## 14. 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 based on sales invoice date is as follows:

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
0 – 90 days	415,115	302,070
91 – 180 days	80,619	20,529
Over 180 days	6,678	101
	<u>502,412</u>	<u>322,700</u>

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

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
0 – 90 days	230,340	12,016
91 – 180 days	150,016	293,187
Over 180 days	–	80,836
	<u>380,356</u>	<u>386,039</u>

At the end of the reporting period, all bills receivable are matured within six months.

## 15. TRADE PAYABLES

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

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
0 – 90 days	33,412	45,239
91 – 180 days	1,471	754
Over 180 days	949	455
	<u>35,832</u>	<u>46,448</u>

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

## 16. OTHER PAYABLES AND ACCRUALS

At 30 June 2010, included in other payables and accruals are payables for purchase of plant and equipment of approximately HK\$77,037,000 (31 December 2009: construction payables of HK\$45,294,000).

## 17. BANK BORROWINGS

	<b>30 June 2010 (Unaudited) HK\$'000</b>	31 December 2009 (Audited) HK\$'000
Secured	536,922	436,103
Unsecured	684,718	360,561
	<u>1,221,640</u>	<u>796,664</u>

During the period, the Group obtained new bank borrowings of approximately HK\$860,409,000 (six months ended 30 June 2009: HK\$105,544,000) and repaid bank borrowings of approximately HK\$437,451,000 (six months ended 30 June 2009: HK\$41,854,000). These borrowings carry interest at market rates ranging from 1.00% to 5.79% per annum (six months ended 30 June 2009: 1.00% to 4.39% per annum) and are repayable over a period of one to five years.

## 18. DEFERRED TAX LIABILITIES

At 30 June 2010, included in deferred tax liabilities was deferred tax liabilities arising from withholding tax on distributable profits of subsidiaries in the PRC of approximately HK\$15,448,000 (31 December 2009: HK\$10,997,000).

## 19. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Authorised:		
At 1 January 2010 and 30 June 2010	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2010 and 30 June 2010	<u>1,921,801</u>	<u>192,180</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The PRC sustained robust economic growth in the first half year driven by the expanding capital and infrastructural investments across the country and the Central Government's policy to boost domestic consumption, both of which stimulated the further growth of transportation and automobile industries. According to the National Bureau of Statistics of China, the total volume of freight for highways was 11.5 billion tonnes for the first half year, an year on year growth of 15.5% as compared to the same period last year; while the total turnover volume of freight transport for highways was 2,010.2 billion tonnes per kilometre for the first half year, an year on year growth of 17.9% as compared to the same period last year. Furthermore, the manufacture and sales of vehicles continued to record a strong growth after a record level of approximately 13,600,000 units of automobiles produced in 2009. According to the China Association of Automobile Manufacturers, 8,930,000 units and 9,020,000 units of vehicles were manufactured and sold in the first half year, represented a significant increase of 48.8% and 47.7% over the same period last year.

The above factors pushed forward the increasing demand for radial tyres, and hence steel cord in the first half year. The production costs of our steel cord manufacturing plant at JESC substantially reduced as a result of the additional capital expenditure spent during the previous years with a view to enhance operational efficiency and enlarge production capacity. Contributed by the rising demand for steel cords and our lower cost base, the Steel cord segment achieved a tremendous growth in revenue and profit as compared with the same period last year.

In respect of the Copper and brass products segment, its sales rebounded sharply from the doldrums last year as the economy gradually recovered all over the world since the second quarter of 2009. As such, the operating performance of this segment improved and resumed profitability as compared to the loss generated for the same period last year.

The Group achieved net profit of HK\$91,205,000 for the period, increased by 6.5% as compared to HK\$85,678,000 for the same period last year. Core profit of the Group, after excluding government grants and gain on disposal of listed available-for-sale investments, was HK\$78,134,000 for the period, significantly increased by 694.0% as compared to HK\$9,841,000 for the same period last year, reflecting the strong performance of the Group's core business of manufacturing of steel cords.

## Steel cord

### Revenue

The Steel cord segment achieved a remarkable increase in sales volume of 73.5% over the same period last year to 41,640 tonnes (2009: 24,006 tonnes) for the period. The analysis of sales volume is as follows:

	For the six months ended 30 June				% change
	2010		2009		
	Sales volume (tonne)	% of total sales volume	Sales volume (tonne)	% of total sales volume	
Steel cord for:					
– truck tyres	32,228	77.4	17,534	73.1	+83.8
– off the road truck tyres	1,250	3.0	552	2.3	+126.4
– passenger car tyres	8,035	19.3	5,913	24.6	+35.9
Steel wires	127	0.3	7	–	+1714.3
	<u>41,640</u>	<u>100.0</u>	<u>24,006</u>	<u>100.0</u>	<u>+73.5</u>
Total					

Sales volume attributable to JESC and TESC in the first half year is as follows:

	JESC (Tonne)	TESC (Tonne)	Total (Tonne)
Steel cord for:			
– truck tyres	28,799	3,429	32,228
– off the road truck tyres	1,250	–	1,250
– passenger car tyres	6,972	1,063	8,035
Steel wires	49	78	127
	<u>37,070</u>	<u>4,570</u>	<u>41,640</u>
Total			

The average selling price of steel cord was RMB12,937 per tonne for the period, lowered by 4.2% as compared to RMB13,510 per tonne for the same period last year, this was primarily attributable to the decline in raw material prices since the second half year of 2009. In summary, the increase in sales volume contributed to the growth in revenue of this segment by 67.0% over the same period last year to HK\$613,395,000 (2009: HK\$367,314,000) for the period.

#### *Gross profit*

Gross profit of this segment tremendously increased by 254.2% over the same period last year to HK\$158,901,000 (2009: HK\$44,858,000) for the period. In addition to the sales volume growth of 73.5% over the same period last year, the sharp rise was also contributed by the lower production costs of JESC, which was brought by greater economies of scale from increased production volume, improvement in raw materials procurement strategies, enhancement of production techniques and efficiency. The lowered production costs brought along the significant improvement in the gross profit margin of JESC from 12.7% in the same period last year to 30.8% for the period.

For our new steel cord production plant at TESC, its first phase development with 30,000 tonnes of annual production capacity was completed and production already commenced at the end of 2009. During the first half year of 2010, the installation of additional machineries were ended resulting to an annual production capacity of 50,000 tonnes by the end of the captioned period. Nonetheless, TESC was at the stage of getting the approval and recognition of its various specifications of steel cords by radial tyre manufacturers, therefore the volume of production and sales remained low, with utilization of production capacity of less than 50% during the period. Owing to the low production and sales, and considerable initial operating costs incurred, TESC generated a gross loss of HK\$11,936,000 for the period.

The significant improvement in gross profit margin of JESC was partially offset by the gross loss of TESC, therefore gross profit margin of Steel cord segment was lower at 25.9% for the period, but sharply increased by 13.7 percentage points as compared to 12.2% for the same period last year.

#### *Investment and other income*

Investment and other income of this segment decreased by 93.6% to HK\$5,773,000 (2009: HK\$90,781,000) for the period, as the amount of government grants received during the period substantially dropped by 99.1% as compared to the same period last year to HK\$796,000 (2009: HK\$89,732,000) for the period.

#### *Distribution and selling expenses and administrative expenses*

Distribution and selling expenses increased by 92.5% over the same period last year to HK\$12,993,000 (2009: HK\$6,749,000). Transportation expenses increased following the increase in sales volume, additional costs were also incurred during the period to strengthen the sales and distribution network of this segment in particular for the recognition of the products of TESC.

Administrative expenses increased by 131.5% over the same period last year to HK\$28,232,000 (2009: HK\$12,197,000) for the period. Besides to the increase in those of JESC by 41.1% following the increase in revenue, the increase was also attributable to the initial operating costs incurred by TESC after it commenced production at the end of last year. For the same period last year, the manufacturing plant of TESC was still under construction, therefore smaller amount of operating expenses incurred as compared to that of the period under review.

#### *Operating profit*

Operating profit of this segment increased by 9.6% to HK\$126,061,000 (2009: HK\$115,000,000) for the period. Core operating profit of this segment, excluding government grants was HK\$125,265,000 for the period, significantly increased by 395.7% as compared to that of HK\$25,268,000 for the same period last year.

### **Copper and brass products**

#### *Revenue*

Worldwide economy continued its recovery path in the first half year which helped the build up of orders from customers in general. This segment therefore achieved a tremendous growth in revenue of 393.4% over the same period last year to HK\$221,741,000 (2009: HK\$44,945,000) for the period. Sales volume was 4,148 tonnes for the period, increased by 242.8% as compared to 1,210 tonnes for the same period last year. This segment continued its progress in developing domestic sales in the PRC. The volume of domestic sales significantly increased by 1029.1% over the same period last year to 1,863 tonnes for the period, while its percentage of total sales volume increased from 13.6% in the same period last year to 44.9% for the period. The breakdown of sales volume by geographical location is as follows:

	For the six months ended 30 June				% change
	2010		2009		
	Sales volume (tonne)	% of total sales volume	Sales volume (tonne)	% of total sales volume	
PRC	1,863	44.9	165	13.6	+1029.1
Other regions	2,285	55.1	1,045	86.4	+118.7
Total	<u>4,148</u>	<u>100.0</u>	<u>1,210</u>	<u>100.0</u>	+242.8

As copper price rebounded since early 2009, average selling price climbed from HK\$37,145 per tonne for the same period last year to HK\$53,458 per tonne for the period, representing an increase of 43.9% over the same period last year. The increased sales volume and rising average selling price contributed to the revenue growth of 393.4% over the same period last year.

### *Gross profit*

Gross profit of this segment amounted to HK\$8,973,000 for the period, increased by 190.6% as compared to HK\$3,088,000 for the same period last year. However, gross profit margin dropped from 6.9% in the same period last year to 4.0% for the period. The fluctuation of copper price was more volatile in the first half year as compared to that of the same period last year, especially when the occurrence of the European sovereign debt crisis since early April, in which the LME 3-months copper price declined from approximately US\$8,000 per tonne in early April to approximately US\$6,500 per tonne at the end of June. Such volatility in copper price increased the difficulty in the management of inventory and sales. However, the management had endeavoured to take appropriate measures to minimize the impact of such volatility to the gross profit margin of this segment.

### *Operating profit*

In all, with the significant increase in sales volume, this segment achieved an operating profit of HK\$4,638,000 for the period, a significant turnaround as compared to an operating loss of HK\$433,000 for the same period last year.

### **Listed available-for-sale investments**

During the period, the Group disposed of 2,291,283 'A' shares of Xinyu Iron at an average price of RMB6 per share on the Shanghai Stock Exchange and recorded a gain of approximately HK\$12,275,000 on those disposals. There was no disposal of 'A' shares of Xinyu Iron during the same period last year.

### **FINANCIAL REVIEW**

Net profit of the Group increased by 6.5% over the same period last year to HK\$91,205,000 (2009: HK\$85,678,000) for the period. Core profit of the Group, excluding government grants and gain on disposal of listed available-for-sale investments, was HK\$78,134,000 for the period, a significant increase of 694.0% as compared to HK\$9,841,000 for the same period last year, reflecting the strong performance of the Group's core businesses during the period, as follows:

	<b>For the six months ended 30 June</b>		
	<b>2010</b>	2009	
	<b>HK\$'000</b>	HK\$'000	<b>% change</b>
Profit for the period	<b>91,205</b>	85,678	<b>+6.5</b>
Less: Government grants (net of tax)	<b>796</b>	75,837	<b>-99.0</b>
Gain on disposal of listed available-for-sale investments	<b>12,275</b>	–	<b>N/A</b>
Core profit for the period	<b>78,134</b>	9,841	<b>+694.0</b>

## Revenue

Revenue of the Group amounted to HK\$829,102,000 for the period, representing a remarkable growth of 96.1% over the same period last year. The breakdown of revenue by business segments is as follows:

	For the six months ended 30 June				% change
	2010		2009		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	613,395	74.0	367,314	86.9	+67.0
Copper and brass products	221,741	26.8	44,945	10.6	+393.4
Sub-total	835,136	100.8	412,259	97.5	
Elimination of inter-segment sales	(7,969)	(1.0)	(1,756)	(0.4)	+353.8
Other operations ( <i>Note</i> )	1,935	0.2	12,209	2.9	-84.2
Total	<u>829,102</u>	<u>100.0</u>	<u>422,712</u>	<u>100.0</u>	<u>+96.1</u>

*Note:* Mainly comprises trading of other metal products and property investment.

## Gross profit

Gross profit of the Group significantly increased by 247.7% over the same period last year to HK\$168,143,000 (2009: HK\$48,352,000) for the period. Gross profit margin was 20.3%, remarkably increased by 8.9 percentage points as compared to 11.4% for the same period last year. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				% change
	2010		2009		
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord	158,901	25.9	44,858	12.2	+254.2
Copper and brass products	8,973	4.0	3,088	6.9	+190.6
Unrealised profit on inter-segment sales	(25)	N/A	–	N/A	N/A
Other operations	294	15.2	406	3.3	-27.6
Total	<u>168,143</u>	<u>20.3</u>	<u>48,352</u>	<u>11.4</u>	<u>+247.7</u>

### Investment and other income

Investment and other income decreased by 93.7% as compared to the same period last year to HK\$5,861,000 (2009: HK\$92,739,000) for the period, primarily because only HK\$796,000 of government grants were received during the period, as compared to HK\$89,732,000 for the same period last year. When income from government grants was excluded, investment and other income would be HK\$5,065,000 for the period, increased by 68.4% as compared to HK\$3,007,000 for the same period last year.

### Other gains and losses

The Group recorded a net gain of HK\$16,972,000 on other gains and losses for the period, as compared to a net loss of HK\$1,276,000 for the same period last year. In addition to the gain on disposal of listed available-for-sale investments of HK\$12,275,000 as mentioned in 'Listed available-for-sale investments' section above, the Group recorded an exchange gain of HK\$3,721,000, primarily contributed by the exchange gain arising on the appreciation of the exchange rate of RMB over the period. The breakdown of other gains and losses is as follows:

	For the six months ended 30 June		
	2010	2009	% change
	HK\$'000	HK\$'000	
Gain on disposal of listed available-for-sale investments	12,275	–	N/A
Exchange gains (losses), net	3,721	(2,636)	N/A
Reversal of (allowance for) bad and doubtful debts	1,030	(36)	N/A
Change in fair value of derivative financial instruments	–	1,396	–100.0
Others	(54)	–	N/A
Total	<u>16,972</u>	<u>(1,276)</u>	N/A

### Distribution and selling expenses

Distribution and selling expenses increased by 81.1% over the same period last year to HK\$13,270,000 (2009: HK\$7,327,000) for the period, as higher amount of transportation expenses incurred was commensurated with the increase in revenue of 96.1% over the same period last year.

### Administrative expenses

Administrative expenses of the Group amounted to HK\$50,003,000 (2009: HK\$30,459,000) for the period, representing an increase of 64.2% over the same period last year. In addition to the increased expenditures incurred on expanding businesses, TESC continued to record expenditures for its initial production and capacity expansion during the period. However, as revenue of the Group increased by 96.1% over the same period last year, the ratio of administrative expenses to revenue lowered from 7.2% in the same period last year to 6.0% for the period.

### Segment results

Profit from the Group's business segments amounted to HK\$130,699,000 for the period, increased by 14.1% as compared to HK\$114,567,000 for the same period last year. When the amounts of government grants received by the Steel cord segment were excluded, segment results would be sharply increased by 423.1% over the same period last year. The breakdown of the operating results of the Group's business segments is as follows:

	For the six months ended 30 June		
	2010	2009	
	HK\$'000	HK\$'000	% change
Steel cord			
– Core operating profit	125,265	25,268	+395.7
– Government grants	796	89,732	–99.1
Sub-total for Steel cord	126,061	115,000	+9.6
Copper and brass products	4,638	(433)	N/A
Total	<u>130,699</u>	<u>114,567</u>	+14.1

### Finance costs

Finance costs amounted to HK\$13,546,000 for the period, significantly increased by 992.4% as compared to HK\$1,240,000 for the same period last year. Such tremendous increase in finance costs arose primarily due to: (i) the raising of additional bank borrowings to finance the capacity expansion plan of the Steel cord segment, in particular the expansion of the production capacity of TESC to 100,000 tonnes per annum since the second half of last year; and (ii) the increase in working capital borrowings to provide funding for the expansion of production and sales of the Group's products.

### Income tax expenses

Income tax expenses of the Group increased by 68.1% over the same period last year to HK\$22,952,000 (2009: HK\$13,650,000) for the period, primarily as the profit of the Steel cord segment increased over the same period last year.

## 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 the Shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

There were no movements on the issued share capital of the Company during the period, the number of issued share capital of the Company remained at 1,921,800,556 Shares at 30 June 2010. The net asset value of the Group was HK\$2,116,777,000 at 30 June 2010, increased by 2.4% as compared to HK\$2,066,666,000 at 31 December 2009; and net asset value per Share increased by 1.9% over the end of 2009 to HK\$1.10 per Share at 30 June 2010.

The Group's bank balances and cash (including restricted bank deposits) amounted to HK\$277,360,000 at 30 June 2010, lowered by 29.3% as compared to HK\$392,343,000 at 31 December 2009. Total bank borrowings of the Group were HK\$1,221,640,000 at 30 June 2010, significantly increased by 53.3% as compared to HK\$796,664,000 at 31 December 2009.

At 30 June 2010, HK\$1,002,066,000 of bank borrowings were floating-rate borrowings, while HK\$219,574,000 of bank borrowings were collared at rate ranging from 1.74% to 5.79% per annum. The nature and maturing profile of the Group's bank borrowings at 30 June 2010 were as follows:

	<i>HK\$'000</i>	<i>%</i>
Due within one year or on demand:		
– Trust receipt loans	81,350	6.7
– Bank advances for discounted bills	78,291	6.4
– Working capital loans	184,208	15.1
– Current portion of medium term loans	82,404	6.7
	426,253	34.9
Medium term loans		
– Due in the second year	298,014	24.4
– Due in the third year	339,618	27.8
– Due in the fourth year	129,617	10.6
– Due in the fifth year	32,405	2.7
	1,225,907	100.4
Unamortized loan arrangement fees	(4,267)	(0.4)
	1,221,640	100.0
Total	1,221,640	100.0

As a result of the increased bank borrowings during the period to finance the capacity expansion plan of the Steel cord segment and working capital requirements, the gearing ratio (bank borrowings less bank balances and cash/shareholders' equity) of the Group increased from 19.6% at 31 December 2009 to 44.6% at 30 June 2010.

Despite the increased gearing level, the liquidity position of the Group remained healthy, current ratio of the Group at 30 June 2010 was 2.7 times, similar to 2.8 times at 31 December 2009.

#### **FOREIGN CURRENCY AND INTEREST RATE EXPOSURES**

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are concentrated on 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 endeavoured to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2010, all the Group's bank borrowings were denominated at RMB, HKD and USD, as follows:

	<b>30 June 2010</b>	31 December 2009
	%	%
HKD	<b>51.4</b>	38.7
RMB	<b>32.0</b>	42.2
USD	<b>16.6</b>	13.8
Other currencies	–	5.3
	<hr/>	<hr/>
Total	<b>100.0</b>	100.0
	<hr/> <hr/>	<hr/> <hr/>

In respect of exposure to interest rate risk, even though the majority of the bank borrowings 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 cashflows of the Group, as we are of the view that interest rate will sustain at a relatively low level for a considerable period of time.

In all, we would keep monitoring the currency and interest rate composition of the Group's bank 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**

### **Steel cord**

TESC completed the installation and commissioning of the plant and machineries for another 20,000 tonnes of annual production capacity in the first half year of 2010, and reached to 50,000 tonnes of annual production capacity at 30 June 2010. The remaining 50,000 tonnes of annual production capacity will be added in the second half year to achieve an annual production capacity of 100,000 tonnes by the end of 2010, as planned. Capital expenditures incurred by the Steel cord segment during the first half year amounted to approximately HK\$267,813,000. The capital expenditures to be incurred in the second half year are estimated to be approximately HK\$339,316,000, which will be financed by the Group's internal resources and bank borrowings.

### **EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP**

At 30 June 2010, the Group had a total of 2,364 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 income statement for the period amounted to approximately HK\$4,088,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

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 a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the 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 Scheme will remain in force for a period of ten years from the date of its adoption. No share options were exercised, cancelled or lapsed during the period.

## **PLEDGE OF ASSETS**

At 30 June 2010, 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\$6,798,000;
2. Prepaid lease payments amounted to HK\$90,191,000;
3. Bank deposits amounted to HK\$1,939,000; and
4. Equity interests in certain subsidiaries of the Company.

## **BUSINESS OUTLOOK**

China's economy is growing steadily and it has a vast population with increasing disposable income and changing lifestyle. Given such socio-economic betterment and rapid development in its road infrastructure, China has become a ludicrous market in the global automobile industry.

China Association of Automobile Manufacturers has predicted that total vehicle production volume will climb to 15,000,000 units with double digit growth rate in 2010. The State Council of PRC issued a "China's 2010 Blue Book of Automobile Industry" in July 2010 also predicted that the total production volume of automobile is expected to reach more than 20,000,000 units, an increase of 45% over that of last year. Albeit the rapid growth in the automobile industry, we are cognizant of the latest fine tuning measures promulgated by the Central Government in particular towards the property market. It is expected that these measures should steer the economy to a soft landing while affecting the consumption habit to a certain extent. Despite these fluid and uncertain economic market conditions, we have already put our central effort to exert stronger marketing and sales effort to our existing customers, develop new potential customers and broaden customer base in different regional territories in order to continue capturing larger market share in the steel cord industry. We believe we are able to achieve fruitful results in the second half year and in fact our gross profit margin has been shown substantial improvement during the period under review. Our future as one of the top three independent steel cord producers in China is propitious but we will continue our introspection to safeguard interest against risks and prepare for any challenge ahead.

In view of the increase of domestic sales of copper and brass products brought forth positive results to the Group, our confidence in such strategy has been strengthened. Nonetheless, we do not foresee substantial capital expenditure in this segment in the near future.

Moreover, in order to maximize the profitability and reduce the business risk of the Group, we would continue to, if appropriate, work with our business partners to look for other possible metal product business opportunities in the PRC.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK1 cent per Share for the six months ended 30 June 2010 to the Shareholders whose names appear on the Register of Members of the Company at the close of business on 17 September 2010. The interim dividend will be paid on or about 8 October 2010 (2009: Nil).

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 16 to 17 September 2010, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 15 September 2010.

## **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 2010.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and the SCCHL Corporate Governance Code throughout the six months ended 30 June 2010, except for a deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, the posts of chairman and managing director of the Company are not separate. In view of Mr. Li Shaofeng's extensive experience in the industry and deep understanding of the Group's businesses, vesting the roles of both chairman and managing director in Mr. Li allows for more effective planning and enhances efficiency in decision-making. This structure will not impair the balance of power and authority between the Board and the management.

## **APPRECIATION**

We would like to express our gratitude to our Shareholders, investors and business partners for their continuous support. We would also like to thank all the staff of the Group for their contributions and commitment to the continuous success of the Group.

## DEFINITIONS

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

“Board”	the board of Directors
“Code”	the code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company”	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

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Steel cord”	manufacturing of steel cord 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
“Xinyu Iron”	Xinyu Iron & Steel Co., Ltd. 新余鋼鐵股份有限公司, a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange
“%”	per cent.

By order of the Board  
**Shougang Concord Century Holdings Limited**  
**Li Shaofeng**  
*Chairman and Managing Director*

Hong Kong, 26 August 2010

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

*Mr. Li Shaofeng (Chairman and Managing Director), Mr. Tong Yihui (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Yang Kaiyu (Deputy Managing Director), Mr. Geert Johan Roelens (Executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chan Chung Chun (Independent Non-executive Director).*

*This interim results announcement is published on the websites of the Company at <http://www.shougangcentury.com.hk> and the Stock Exchange at <http://www.hkexnews.hk>. The Interim Report 2010 will be despatched to Shareholders and made available on the above websites in due course.*