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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 2011

#### HIGHLIGHTS

	For the six months ended		Change %
	30 June		
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	
<b>Operations</b>			
Revenue	870,027	829,102	+4.9
Gross profit	106,765	168,143	-36.5
Earnings before interest, tax, depreciation and amortization	135,187	183,775	-26.4
Profit for the period	26,750	91,205	-70.7
Core profit for the period (Note)	26,750	78,930	-66.1
Earnings per Share (basic) (HK cents)	1.39	4.74	-70.7

Note: Excluding non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the six months ended 30 June 2010 (six months ended 30 June 2011: Nil).

	30 June	31 December	Change %
	2011	2010	
	(Unaudited) HK\$'000	(Audited) HK\$'000	
<b>Financial position</b>			
Total assets	3,941,129	3,767,274	+4.6
Shareholders' equity	2,302,221	2,251,968	+2.2
Net asset value per Share (HK\$)	1.20	1.17	+2.6

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2011. 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 2011

	Notes	Six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue	3	870,027	829,102
Cost of sales		<u>(763,262)</u>	<u>(660,959)</u>
Gross profit		106,765	168,143
Investment and other income	4	5,459	5,861
Other gains and losses	5	18,250	16,972
Distribution and selling expenses		(20,573)	(13,270)
Administrative expenses		(41,382)	(45,568)
Research and development expenses		(9,631)	(4,435)
Finance costs	6	<u>(20,670)</u>	<u>(13,546)</u>
Profit before tax		38,218	114,157
Income tax expenses	7	<u>(11,468)</u>	<u>(22,952)</u>
Profit for the period	8	<u><u>26,750</u></u>	<u><u>91,205</u></u>
Earnings per share	9		
Basic		<u><u>HK1.39 cents</u></u>	<u><u>HK4.74 cents</u></u>
Diluted		<u><u>HK1.36 cents</u></u>	<u><u>HK4.55 cents</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period	<u>26,750</u>	<u>91,205</u>
Other comprehensive income (expense)		
Exchange differences arising on translation of group entities	51,219	18,337
Loss on fair value change of listed available-for-sale investments	–	(19,354)
Reclassification adjustment upon disposal of listed available-for-sale investments	–	(12,307)
Surplus on revaluation of properties	738	–
Recognition of deferred tax liability on revaluation of properties	<u>(57)</u>	<u>–</u>
Other comprehensive income (expense) for the period	<u>51,900</u>	<u>(13,324)</u>
Total comprehensive income for the period	<u><u>78,650</u></u>	<u><u>77,881</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	11	30,567	27,744
Property, plant and equipment	11	1,758,193	1,745,586
Prepaid lease payments		184,866	184,464
Goodwill		41,672	41,672
Club memberships		740	732
Deposit paid for the acquisition of property, plant and equipment	13	105,973	108,269
		<b>2,122,011</b>	2,108,467
<b>Current assets</b>			
Inventories		440,168	354,562
Trade receivables	14	573,724	495,156
Bills receivable	14	426,804	388,048
Prepayments, deposits and other receivables		199,888	136,907
Prepaid lease payments		7,763	7,587
Tax recoverable		96	99
Restricted bank deposits		3,686	–
Bank balances and cash		166,989	276,448
		<b>1,819,118</b>	1,658,807
<b>Current liabilities</b>			
Trade payables	15	103,994	42,514
Other payables and accruals	16	162,590	175,944
Tax payable		31,096	55,469
Bank borrowings	17	838,456	811,829
		<b>1,136,136</b>	1,085,756
<b>Net current assets</b>		<b>682,982</b>	573,051
<b>Total assets less current liabilities</b>		<b>2,804,993</b>	2,681,518

		<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Bank borrowings	<i>17</i>	<b>477,782</b>	403,426
Other payable		<b>960</b>	1,058
Deferred tax liabilities	<i>18</i>	<b>23,190</b>	24,226
		<u><b>501,932</b></u>	<u>428,710</u>
		<u><b>2,303,061</b></u>	<u>2,252,808</u>
<b>Capital and reserves</b>			
Share capital	<i>19</i>	<b>192,290</b>	192,230
Reserves		<b>2,109,931</b>	2,059,738
		<u><b>2,302,221</b></u>	<u>2,251,968</u>
Equity attributable to equity holders of the Company		<b>840</b>	840
Share option reserve of a subsidiary		<u><b>2,303,061</b></u>	<u>2,252,808</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2011*

### 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”.

### 2. SIGNIFICANT 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The application of the new or revised HKFRSs in the current interim period has had no material effect on the result and financial position of the Group.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosures of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>2</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>1</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012.

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

### 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 segments are as follows:

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

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

#### For the six months ended 30 June 2011

	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	659,981	209,730	869,711
Inter-segment sales	–	13,061	13,061
	<hr/>	<hr/>	<hr/>
Total	<u>659,981</u>	<u>222,791</u>	<u>882,772</u>
Segment results	<u>51,594</u>	<u>8,103</u>	<u>59,697</u>

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

#### Reconciliation of revenue

	(Unaudited) <i>HK\$'000</i>
Total revenues for operating segments	882,772
Rental income	316
Elimination of inter-segment sales	<u>(13,061)</u>
Group's revenue	<u>870,027</u>

## Reconciliation of profit before tax

	<b>(Unaudited)</b> <b>HK\$'000</b>
Total profit for operating segments	<b>59,697</b>
Profit arising from property investment	<b>2,648</b>
Unallocated amounts	
Unallocated income	<b>13,315</b>
Unallocated expenses	<b>(16,772)</b>
Unallocated finance costs	<b>(20,670)</b>
	<hr/>
Profit before tax	<b>38,218</b>
	<hr/> <hr/>

For the six months ended 30 June 2010

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

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

## Reconciliation of revenue

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

	(Unaudited) HK\$'000
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>

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of directors of the Company, interest income on bank deposits, gain on disposal of listed available-for-sale investments, dividend income from listed available-for-sale investments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

4. INVESTMENT AND OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Investment income</b>		
Interest income on bank deposits	999	1,593
Dividend income from listed available-for-sale investments	–	263
	<hr/>	<hr/>
	<b>999</b>	1,856
	<hr/>	<hr/>
<b>Other income</b>		
Government grants	1,037	796
Sales of scrap and other materials	3,185	2,660
Others	238	549
	<hr/>	<hr/>
	<b>4,460</b>	4,005
	<hr/>	<hr/>
	<b>5,459</b>	5,861
	<hr/> <hr/>	<hr/> <hr/>

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Gain on disposal of listed available-for-sale investments ( <i>Note 12</i> )	–	12,275
Foreign exchange gains, net	14,918	3,721
Increase in fair value of investment properties	2,608	–
Reversal of allowance for bad and doubtful debts	520	1,030
Reversal of revaluation deficit of properties	212	–
Others	(8)	(54)
	<u>18,250</u>	<u>16,972</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest expenses on bank borrowings wholly repayable within five years	20,209	16,292
Amortisation of borrowing costs	2,177	760
	<u>22,386</u>	<u>17,052</u>
Total borrowing costs	22,386	17,052
Less: amounts capitalised	(1,716)	(3,506)
	<u>20,670</u>	<u>13,546</u>

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	814	–
People's Republic of China ("PRC") Enterprise Income Tax	12,091	26,910
Under (over) provision in prior periods:		
PRC Enterprise Income Tax	28	(86)
Deferred taxation ( <i>Note 18</i> )	(1,465)	(3,872)
	<u>11,468</u>	<u>22,952</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current period. For the six months ended 30 June 2010, no provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit arising in Hong Kong.

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 ending 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 24% for the six months ended 30 June 2011 (six months ended 30 June 2010: 22%).

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 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. During the six months ended 30 June 2011, the two subsidiaries are entitled to 50% relief from PRC Enterprise Income Tax (six months ended 30 June 2010: 50% relief). 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 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$’000</b>	HK\$’000
Depreciation of property, plant and equipment	<b>72,459</b>	53,822
Amortisation of prepaid lease payments (included in “Cost of sales”)	<b>3,840</b>	2,250
Loss on disposal of property, plant and equipment	<b>8</b>	54
Share-based payment expenses	<b>3</b>	1,057
	<b><u>76,300</u></b>	<u>57,183</u>

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<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><u>26,750</u></b>	<u>91,205</u>

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	<b>1,922,857,462</b>	1,921,800,556
Effect of dilutive potential ordinary shares:		
Share options	<u><b>44,670,947</b></u>	<u>79,490,023</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u><b>1,967,528,409</b></u>	<u>2,001,290,579</u>

The computation of diluted earnings per share does not assume the exercise of (i) certain of the Company's outstanding share options as the exercise price of these options is higher than the average market price of the shares for the outstanding periods during the six months ended 30 June 2011 and 2010 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

#### **10. DIVIDEND**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
2010 final dividend of HK1.5 cents per share (six months ended 30 June 2010: 2009 final dividend of HK1.5 cents per share)	<u><b>28,844</b></u>	<u>28,827</u>

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1 cent per share).

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

During the six months ended 30 June 2011, the Group incurred approximately HK\$43,112,000 (six months ended 30 June 2010: HK\$267,813,000) on the expansion of production capacity of steel cord segment. In addition, the Group also acquired approximately HK\$1,545,000 (six months ended 30 June 2010: HK\$396,000) of other property, plant and equipment in the period.

The fair value of the Group's investment properties as at 30 June 2011 has been arrived at on the basis of a valuation carried out on that date by Messrs. Vigers Appraisal & Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to net rental income making allowance for reversionary income potential of the properties. The resulting increase in fair value of investment properties of approximately HK\$2,608,000 has been credited to profit or loss for the period.

Certain leasehold land and buildings of the Group were valued by Vigers on an open market value basis as at 30 June 2011. The resulting increase in fair value of leasehold land and buildings has been credited to profit or loss for the period and property revaluation reserve of approximately HK\$212,000 and HK\$738,000, respectively.

## 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 2011: 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 in a gain of approximately HK\$12,275,000 (six months ended 30 June 2011: 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 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
0 – 90 days	412,589	379,145
91 – 180 days	125,302	100,169
181 – 365 days	28,906	15,824
Over 1 year	6,927	18
	<u>573,724</u>	<u>495,156</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 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
0 – 90 days	11,721	24,994
91 – 180 days	161,183	160,220
181 – 365 days	252,674	202,717
Over 1 year	1,226	117
	<u>426,804</u>	<u>388,048</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 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
0 – 90 days	<b>102,455</b>	40,777
91 – 180 days	<b>907</b>	305
181 – 365 days	<b>173</b>	55
Over 1 year	<b>459</b>	1,377
	<b>103,994</b>	42,514

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

## 16. OTHER PAYABLES AND ACCRUALS

At 30 June 2011, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK\$131,533,000 (31 December 2010: HK\$117,509,000).

## 17. BANK BORROWINGS

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Audited) HK\$'000
Secured	<b>430,040</b>	463,209
Unsecured	<b>886,198</b>	752,046
	<b>1,316,238</b>	1,215,255

During the six months ended 30 June 2011, the Group obtained new bank borrowings of approximately HK\$367,136,000 (six months ended 30 June 2010: HK\$860,409,000) and repaid bank borrowings of approximately HK\$275,582,000 (six months ended 30 June 2010: HK\$437,451,000). These borrowings carry interest at market rates ranging from 1.28% to 7.80% per annum (six months ended 30 June 2010: 1.00% to 5.79% per annum) and are repayable over a period of one to five years.

## 18. DEFERRED TAX

As at 30 June 2011 and 31 December 2010, included in deferred tax liabilities was mainly the tax effect arising from withholding tax on distributable profits of subsidiaries in the PRC.

## 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 2011 and 30 June 2011	5,000,000	500,000
Issued and fully paid:		
At 1 January 2011	1,922,301	192,230
Exercise of share options ( <i>Note</i> )	600	60
At 30 June 2011	1,922,901	192,290

*Note:* During the six months ended 30 June 2011, one employee other than directors of the Company exercised 600,000 share options at the exercise price of HK\$0.74.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half year of 2011, the economic development in the PRC slowed down as the Central Government continued to implement tight financial and monetary policies to curb the soaring inflation. The overall economy was affected by these measures as the supply of credit and financial resources was limited. In addition to the impact on such tightening measures, the tyre industry in the PRC also suffered from higher raw material costs and softened demand from the automobile and transportation sectors. These factors translated to a low demand of steel cords; and hence decrease in selling price. Due to these negative factors, the Steel cord segment recorded a significant decline in profit for the period.

In respect of the Copper and brass products segment, the developed economies, in particular, the Euro Zone and the United States, were more sluggish as compared to that of the PRC. Furthermore, copper price recorded a historical high in the first half year, these led to cautious demand for copper and hence this segment recorded a lower sales volume in the period. However, attributable to better inventory management, tighter cost control and timely sales strategy, this segment achieved an increase in profit in the period.

In summary, the Group recorded net profit of HK\$26,750,000 for the period, decreased by 70.7% from HK\$91,205,000 for the same period last year. When the non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the same period last year was excluded, core profit of the Group would drop by 66.1% from HK\$78,930,000 as compared to that of the same period last year. Further details are discussed on 'FINANCIAL REVIEW' section below.

#### Steel cord

##### *Overall performance*

This segment's profitability was negatively affected by palpable decrease in average selling price of steel cord in the PRC attributable to intense market competition, higher operating costs and increased research and development expenses of the two manufacturing plants, JESC and TESC.

Although demand for steel cord products was below our expectation, this segment achieved significant progress in the development of sawing wire (which is used in the solar energy sector) business during the period. It recorded significant increase in sales of half products of sawing wire (brass wire for the manufacture of sawing wire) as compared to that of the second half year of 2010. It also commenced trial production and sales of sawing wire in the second quarter.

Owing to the lackluster performance of steel cords, the operating profit of this segment declined by 59.1% over the same period last year to HK\$51,594,000 (2010: HK\$126,061,000) for the period.

## Revenue

This segment achieved an increase in sales volume of steel cords by 6.1% over the same period last year to 44,065 tonnes (2010: 41,513 tonnes) for the period. We commenced the research and development of sawing wire business in 2010 and started trial production of half products of sawing wire since the second half year of 2010. Additional effort was made in the first half year of 2011 and therefore, this segment recorded sales of 713 tonnes of half products and final products of sawing wire during the period, significantly increased by 139.3% as compared to 298 tonnes sold in the second half year of 2010. The analysis of sales volume of this segment is as follows:

	For the six months ended 30 June				% change
	2011	% of	2010	% of	
	Sales volume (Tonne)	total sales volume of steel cord	Sales volume (Tonne)	total sales volume of steel cord	
Steel cord for:					
– truck tyres	31,799	72.2	32,228	77.6	-1.3
– off the road truck tyres	1,719	3.9	1,250	3.0	+37.5
– passenger car tyres	10,547	23.9	8,035	19.4	+31.3
Total for steel cord	<u>44,065</u>	<u>100.0</u>	<u>41,513</u>	<u>100.0</u>	+6.1
Sawing wire:					
– half product	709		–		N/A
– final product	<u>4</u>		<u>–</u>		N/A
Total for sawing wire	<u>713</u>		<u>–</u>		N/A
Other steel wires	<u>149</u>		<u>127</u>		+17.3
Total	<u><u>44,927</u></u>		<u><u>41,640</u></u>		+7.9

The export sales volume of steel cords amounted to 6,503 tonnes for the period, significantly increased by 150.8% over the same period last year; and its percentage of total sales volume increased from 6.2% in the same period last year to 14.8% for the period. An analysis is as follows:

	For the six months ended 30 June				% change
	2011		2010		
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
Domestic	37,562	85.2	38,920	93.8	-3.5
Export	6,503	14.8	2,593	6.2	+150.8
<b>Total</b>	<b>44,065</b>	<b>100.0</b>	<b>41,513</b>	<b>100.0</b>	<b>+6.1</b>

The sales volume contributed by the two manufacturing plants, JESC and TESC in the period is as follows:

	JESC (Tonne)	TESC (Tonne)	Total (Tonne)
Steel cord for:			
– truck tyres	23,656	8,143	31,799
– off the road truck tyres	1,719	–	1,719
– passenger car tyres	7,924	2,623	10,547
<b>Total for steel cord</b>	<b>33,299</b>	<b>10,766</b>	<b>44,065</b>
Sawing wire:			
– half product	583	126	709
– final product	4	–	4
<b>Total for sawing wire</b>	<b>587</b>	<b>126</b>	<b>713</b>
Other steel wires	28	121	149
<b>Total</b>	<b>33,914</b>	<b>11,013</b>	<b>44,927</b>
Sales volume for the first half year of 2010	37,070	4,570	41,640
<b>% change</b>	<b>-8.5%</b>	<b>+141.0%</b>	<b>+7.9%</b>

Despite the lower than expected growth in steel cord volume, we are pleased to see the substantial improvement in obtaining approval and acceptance of our TESC's products as reflected by its more than doubling growth.

In respect of average selling price of steel cords, it dropped by 5.9% as compared to the same period last year to RMB12,168 (2010: RMB12,937) per tonne for the period, as the sales volume of steel cords for passenger car tyres (whose selling price is the lowest amongst the three types usage of steel cords) increased from 19.4% of total sales volume for the same period last year to 23.9% for the period, reflecting higher demand for passenger car tyres as compared to that of truck tyres. Furthermore, the drop in selling price was also affected by intensified market competition in the period.

The sales of half product and final product of sawing wire generated approximately HK\$20,200,000 (2010: Nil) of revenue to this segment. This together with the increase in sales volume of steel cords contributed to the growth in revenue of this segment by 7.6% over the same period last year to HK\$659,981,000 (2010: HK\$613,395,000) for the period.

### *Gross profit*

Gross profit of this segment declined by 40.3% over the same period last year to HK\$94,860,000 (2010: HK\$158,901,000) for the period. Gross profit margin substantially dropped from 25.9% in the same period last year to 14.4% for the period. The breakdown is as follows:

	For the six months ended 30 June				% change
	2011		2010		
	Gross profit		Gross profit		
	HK\$'000	margin (%)	HK\$'000	margin (%)	
JESC	<b>90,154</b>	<b>17.9</b>	169,884	30.8	<b>-46.9</b>
TESC	<b>2,921</b>	<b>1.8</b>	(11,936)	-18.2	<b>N/A</b>
Others and elimination of intercompany sales	<b>1,785</b>	<b>N/A</b>	953	N/A	<b>+87.3</b>
<b>Total</b>	<b>94,860</b>	<b>14.4</b>	<b>158,901</b>	<b>25.9</b>	<b>-40.3</b>

The decrease in gross profit was primarily attributable to the following factors:

1. The drop in average selling price of steel cords by 5.9% as mentioned above; and
2. The increase in production costs of steel cords, in particular, the cost of wire rods (the core material for manufacturing of steel cords) increased by approximately 10% over the same period last year.

We are encouraged to see that TESC recorded gross profit of HK\$2,921,000 for the period, as compared to gross loss of HK\$11,936,000 for the same period last year.

### *Investment and other income*

Investment and other income decreased by 23.2% as compared to the same period last year to HK\$4,433,000 (2010: HK\$5,773,000) for the period, as the amount of interest income reduced as compared to the same period last year.

### *Distribution and selling expenses*

Distribution and selling expenses increased by 56.1% over the same period last year to HK\$20,285,000 (2010: HK\$12,993,000) for the period, as increased costs were incurred on the strengthening of marketing and sales of new steel cord products; development of new market for steel cords as well as the new products of sawing wire.

### *Administrative expenses and research and development expenses*

Administrative expenses amounted to HK\$19,940,000 for the period, lowered by 16.2% as compared to HK\$23,797,000 for the same period last year; while research and development expenses significantly increased by 117.2% over the same period last year to HK\$9,631,000 (2010: HK\$4,435,000) for the period, as additional expenses were incurred on the development of high-end steel cords and sawing wire during the period.

## **Copper and brass products**

### *Overall performance*

The operating performance of this segment improved discernibly as compared to the same period last year. Despite it had a lower sales volume, this segment achieved a better gross profit margin for the period, and as such, generated a significant increase in operating profit of 74.7% over the same period last year to HK\$8,103,000 (2010: HK\$4,638,000) for the period.

### *Revenue*

The sales volume of this segment was 3,526 tonnes for the period, dropped by 15.0% as compared to 4,148 tonnes for the same period last year. The breakdown of sales volume by geographical location is as follows:

	<b>For the six months ended 30 June</b>				
	<b>2011</b>		<b>2010</b>		<b>% change</b>
	<b>Sales volume (Tonne)</b>	<b>% of total sales volume</b>	<b>Sales volume (Tonne)</b>	<b>% of total sales volume</b>	
Mainland China	<b>1,722</b>	<b>48.8</b>	1,863	44.9	<b>-7.6</b>
Other regions	<b>1,804</b>	<b>51.2</b>	2,285	55.1	<b>-21.1</b>
Total	<b><u>3,526</u></b>	<b><u>100.0</u></b>	<b><u>4,148</u></b>	<b><u>100.0</u></b>	<b><u>-15.0</u></b>

Contributed by the increase in copper price, average selling price climbed from HK\$53,458 per tonne in the same period last year to HK\$63,193 per tonne for the period, representing an increase of 18.2% on a year-on-year basis. The increase in average selling price counteracted the drop in sales volume and therefore this segment achieved a slight increase in revenue of 0.5% over the same period last year to HK\$222,791,000 (2010: HK\$221,741,000) for the period.

## Gross profit

Although revenue of this segment only moderately increased by 0.5% over the same period last year, gross profit increased by 30.3% over the same period last year to HK\$11,692,000 (2010: HK\$8,973,000) for the period, as gross profit margin improved from 4.0% in the same period last year to 5.2% for the period.

## Listed available-for-sale investments

The Group completed the disposal of the entire interests in 'A' shares of Xinyu Iron in 2010 and therefore it did not record any gain on disposal of listed available-for-sale investments in the period. In the same period last year, the Group disposed of 2,291,283 'A' shares of Xinyu Iron and recorded a gain of approximately HK\$12,275,000 on those disposals.

## FINANCIAL REVIEW

The Group recorded net profit of HK\$26,750,000 for the period, significantly decreased by 70.7% as compared to HK\$91,205,000 for the same period last year. When the non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the same period last year was excluded, net profit of the Group would decrease by 66.1% as compared to that of the same period last year. In addition to the drop in gross profit of Steel cord segment as discussed in 'Gross profit' section on 'Steel cord' above, the lower profit was also attributable to the increase in distribution and selling expenses; research and development expenses and interest expenses of Steel cord segment. The increase in such expenses was to expedite the business development of Steel cord segment, including the sales and marketing development for new products and markets of steel cords and for establishment of new business for sawing wire. We believe the expenses incurred would enable the Steel cord segment to establish a solid foundation for its future business growth and translate into higher profitability in the future. The comparison of net profit for the period and with the same period last year, taken into consideration of the above factors, is as follows:

	For the six months ended		
	30 June		
	2011	2010	% change
	HK\$'000	HK\$'000	
Profit for the period	26,750	91,205	-70.7
Adjustment for non-recurring gain on disposal of listed available-for-sale investments	—	(12,275)	-100.0
Profit adjusted for non-recurring gain	26,750	78,930	-66.1
Increase in costs for the period:			
Distribution and selling expenses	7,303	—	N/A
Research and development expenses	5,196	—	N/A
Finance costs	7,124	—	N/A
Total	<u>46,373</u>	<u>78,930</u>	-41.2

## Revenue

Revenue of the Group increased by 4.9% over the same period last year to HK\$870,027,000 (2010: HK\$829,102,000) for the period. The breakdown of revenue by business segments is as follows:

	For the six months ended 30 June 2011		2010		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	659,981	75.9	613,395	74.0	+7.6
Copper and brass products	222,791	25.6	221,741	26.8	+0.5
Sub-total	882,772	101.5	835,136	100.8	
Elimination of inter-segment sales	(13,061)	(1.5)	(7,969)	(1.0)	+63.9
Other operations (Note)	316	–	1,935	0.2	-83.7
<b>Total</b>	<b>870,027</b>	<b>100.0</b>	<b>829,102</b>	<b>100.0</b>	<b>+4.9</b>

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

## Gross profit

Gross profit of the Group decreased by 36.5% over the same period last year to HK\$106,765,000 (2010: HK\$168,143,000). Gross profit margin was 12.3%, significantly declined by 8 percentage points as compared to 20.3% for the same period last year, primarily attributable to the drop in gross profit margin of Steel cord segment. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June 2011		2010		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord	94,860	14.4	158,901	25.9	-40.3
Copper and brass products	11,692	5.2	8,973	4.0	+30.3
Unrealized profit on inter-segment sales	(11)	N/A	(25)	N/A	-56.0
Other operations	224	70.9	294	15.2	-23.8
<b>Total</b>	<b>106,765</b>	<b>12.3</b>	<b>168,143</b>	<b>20.3</b>	<b>-36.5</b>

## Investment and other income

Investment and other income decreased by 6.9% as compared to the same period last year to HK\$5,459,000 (2010: HK\$5,861,000) for the period, primarily because of the decrease in interest income received during the period.

## Other gains and losses

The Group recorded net gain of HK\$18,250,000 for the period, increased by 7.5% as compared to HK\$16,972,000 for the same period last year. The Group recorded exchange gain of HK\$14,918,000 for the period, significantly increased by 300.9% over the same period last year, which was primarily due to the effect of appreciation of RMB exchange rate by approximately 2.3% against HKD over the first half year on the Group's HKD and USD denominated bank borrowings. The breakdown of other gains and losses is as follows:

	For the six months ended		
	30 June		
	2011	2010	% change
	HK\$'000	HK\$'000	
Foreign exchange gains, net	14,918	3,721	+300.9
Increase in fair value of investment properties	2,608	–	N/A
Reversal of allowance for bad and doubtful debts	520	1,030	-49.5
Reversal of revaluation deficit of properties	212	–	N/A
Gain on disposal of listed available-for-sale investments	–	12,275	-100.0
Others	(8)	(54)	-85.2
Total	<u>18,250</u>	<u>16,972</u>	+7.5

## Distribution and selling expenses

Distribution and selling expenses increased by 55.0% over the same period last year to HK\$20,573,000 (2010: HK\$13,270,000) for the period, as additional expenses were incurred by Steel cord segment during the period.

## Administrative expenses and research and development expenses

Administrative expenses of the Group amounted to HK\$41,382,000 (2010: HK\$45,568,000) for the period, decreased by 9.2% as compared to the same period last year. As revenue of the Group increased by 4.9% over the same period last year, the ratio of administrative expenses to revenue lowered from 5.5% in the same period last year to 4.8% for the period.

Research and development expenses of the Group amounted to HK\$9,631,000 for the period, significantly increased by 117.2% as compared to HK\$4,435,000 for the same period last year, as additional expenses were incurred by the Steel cord segment during the period.

## Segment results

Profit from the Group's business segments amounted to HK\$59,697,000 for the period, declined by 54.3% as compared to HK\$130,699,000 for 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		
	2011	2010	% change
	HK\$'000	HK\$'000	
Steel cord	51,594	126,061	-59.1
Copper and brass products	8,103	4,638	+74.7
Total	<u>59,697</u>	<u>130,699</u>	-54.3

## Finance costs

Finance costs amounted to HK\$20,670,000 for the period, increased by 52.6% as compared to HK\$13,546,000 for the same period last year. Such increase in finance costs arose primarily due to 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 year of 2009.

## Income tax expenses

Income tax expenses of the Group decreased by 50.0% as compared to the same period last year to HK\$11,468,000 (2010: HK\$22,952,000) for the period, primarily as the profit of the Steel cord segment dropped as compared to 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 Shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

During the period, 600,000 share options were exercised and therefore the same number of new Shares was issued accordingly. The issued share capital of the Company then increased from 1,922,300,556 Shares at 31 December 2010 to 1,922,900,556 Shares at 30 June 2011. The net asset value of the Group was HK\$2,303,061,000 at 30 June 2011, increased by 2.2% as compared to HK\$2,252,808,000 at 31 December 2010; and net asset value per Share increased by 2.6% over the end of 2010 to HK\$1.20 per Share at 30 June 2011.

The Group's bank balances and cash (including restricted bank deposits) amounted to HK\$170,675,000 at 30 June 2011, lowered by 38.3% as compared to HK\$276,448,000 at 31 December 2010. Total bank borrowings of the Group were HK\$1,316,238,000 at 30 June 2011, increased by 8.3% as compared to HK\$1,215,255,000 at 31 December 2010.

At 30 June 2011, HK\$1,102,774,000 of bank borrowings were floating-rate borrowings, while HK\$213,464,000 of bank borrowings were collared at rate ranging from 1.28% to 7.80% per annum. The nature and maturing profile of the Group's bank borrowings at 30 June 2011 based on contracted repayment schedules were as follows:

	<i>HK\$'000</i>	% of total bank borrowings
Due within one year or on demand:		
– Trust receipt loans	77,534	5.9
– Bank advances for discounted bills	11,905	0.9
– Working capital loans	149,805	11.4
– Current portion of medium term loans	391,243	29.7
	<u>630,487</u>	<u>47.9</u>
Medium term loan:		
– Due in the second year	482,995	36.7
– Due in the third year	171,859	13.1
– Due in the fourth year	33,247	2.5
	<u>1,318,588</u>	<u>100.2</u>
Unamortized loan arrangement fees	<u>(2,350)</u>	<u>(0.2)</u>
Total	<u><u>1,316,238</u></u>	<u><u>100.0</u></u>

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 (including restricted bank deposits)/ shareholders' equity) of the Group increased from 41.7% at 31 December 2010 to 49.8% at 30 June 2011.

Despite the increased gearing level, the liquidity position of the Group remained healthy, current ratio of the Group at 30 June 2011 was 1.6 times, as compared to 1.5 times at 31 December 2010. When the classification of bank borrowings in the consolidated statement of financial position was based on contracted repayment schedules, current ratio of the Group at 30 June 2011 would be 2 times, though lower than 2.2 times at 31 December 2010, that we considered still a healthy and manageable level.

## 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 endeavored to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2011, the currency breakdown of the Group's bank borrowings was follows:

	<b>30 June 2011</b>	31 December 2010
	%	%
HKD	<b>48.0</b>	55.5
RMB	<b>36.4</b>	27.9
USD	<b>14.6</b>	16.6
Others	<b>1.0</b>	–
	<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 were of the view that interest rate would 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

The plant and machineries for the remaining 30,000 tonnes of annual production capacity of TESC were in the process of installation and commissioning during the period under review, and is expected to complete in the early part of the second half year of 2011. With the continual effort in research and development in 2010 coupled with stabilization of quality of half products in the first half year, we are confident that the Steel cord segment has possessed the technology and technique for the manufacture of sawing wire. This segment planned to gradually expand the production capacity of sawing wire with the initial phase to add the annual production capacity of sawing wire to approximately 1,600 tonnes per annum by the end of 2011.

Capital expenditures incurred by the Steel cord segment during the period amounted to HK\$43,112,000. The capital expenditures to be incurred in the second half year of 2011, including the capital expenditure on expansion of sawing wire production capacity, are estimated to be approximately HK\$236,143,000, 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 2011, the Group had a total of 2,419 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 condensed consolidated income statement for the period amounted to approximately HK\$5,955,000. 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. During the period, 600,000 share options to subscribe for Shares and 1,000,000 share options were exercised and cancelled respectively.

## **PLEDGE OF ASSETS**

At 30 June 2011, 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\$7,450,000;
2. Prepaid lease payments amounted to HK\$91,273,000;
3. Bank deposit of HK\$3,686,000; and
4. Equity interests in certain subsidiaries of the Company.

## **BUSINESS OUTLOOK**

We are facing tumultuous time. When this report was being written, the seemingly sacrosanct credit rating of the United States Government had just been downgraded, which amongst other reasons, triggered quite a massive sell off in the global equity markets. Will that translate to a hike in interest rates? Will that trigger an exodus of funds to gold or other risk adverse financial instruments is beyond the scope of this report. In our sectors, steel cord, sawing wire and copper trading, we are unavoidably linked to the global financial market. Will our business model be affected by a weakened in consumers' and investors' confidence? We would agree that it would in the short run but we are not fazed in the longer run. Our mettle is to continue investing in the "Neo" era, namely:

- New products in sawing wire and other metal products;
- New steel cord construction types; and
- New markets

We have been investing and perfecting the technology and stability in the manufacture of sawing wire. We have also looked into the possibility of diamond wire recently and will continue to monitor the viability and commerciality of such product in the solar energy sector. In the front of steel cord, we have successfully introduced construction types in "truck and bus radial" to fend off similar products made by a leading participant in the trade. In the front of new markets, we are engaging a partner to penetrate into the South Asian market and simultaneously strengthening our sales and marketing effort in various multinational tyre manufacturers who are existing customers of JESC for the certification of TESC's products. We are confident to achieve increasing sales in overseas markets and multinational tyre manufacturers in the second half year, and are pleased to advise that such effort could soon transpire into actual sales within 2011.

2011 is going to be the most challenging year in our history of steel cord making. The uncertainties in the developed world, particularly the United States and Euro Zone, and the policies of the Chinese Government on the automobile and solar energy sectors will have a significant impact on the rate of success of our "Neo" initiatives. However, we will continue to invest in these areas with due consideration on our financial wherewithal. We will rise to the challenge and we see it as a motivation to fulfill our mission to forge the "Eastern" brand as one of the top three steel cord makers in the PRC. We will leverage on the goodwill of "Eastern" together with the know-how and human capital that we have amassed to become one of the leading sawing wire makers in the PRC.

## **INTERIM DIVIDEND**

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1 cent per Share).

## **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 2011.

## **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 addition, the Company has also adopted the Continuous Disclosure Obligation Policy on 28 March 2011 which is to help and provide guidance to the Directors and employees of the Group to fulfill their obligations under the Listing Rules while allowing them to actively inform the market of Company developments as well as how to make their judgment as to what is price-sensitive information and when disclosure is required.

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 2011, 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. During the period from January to March 2011, the posts of chairman and managing director of the Company are not separate. However, the roles of the chairman and managing director are segregated and performed by Mr. Li Shaofeng and Mr. Yang Kaiyu respectively with effect from 1 April 2011.

## **ACKNOWLEDGEMENTS**

On behalf of the Board, I would like to express my sincere thanks to all Shareholders for their continuous support and loyal staff for their dedication and contribution during this difficult period.

## **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

“Continuous Disclosure Obligation Policy”	Shougang Concord Century Holdings Limited Continuous Disclosure Obligation Policy
“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*

Hong Kong, 26 August 2011

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

*Mr. Li Shaofeng (Chairman), Mr. Yang Kaiyu (Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Zhang Zhong (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 2011 will be despatched to Shareholders and made available on the above websites in due course.*