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 2012

HIGHLIGHTS

	For the six months ended 30 June		
	2012	2011	
	(Unaudited)	(Unaudited)	
		(Restated)	**%**
	HK$'000	*HK$'000*	**Change**
Operations			
Revenue	**884,976**	870,027	**+1.7**
Gross profit	**46,595**	106,765	**-56.4**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**25,468**	135,187	**-81.2**
EBITDA before allowance for bad and doubtful debts	**61,403**	134,667	**-54.4**
(Loss) profit for the period	**(94,274)**	26,952	**N/A**
(Loss) earnings per Share (basic) *(HK cents)*	**(4.90)**	1.40	**N/A**

	30 June 2012	31 December 2011	
	(Unaudited)	(Audited)	
		(Restated)	**%**
	HK$'000	*HK$'000*	**Change**
Financial position			
Total assets	**4,111,520**	4,306,894	**-4.5**
Shareholders' equity	**2,246,461**	2,341,561	**-4.1**
Net asset value per Share *(HK$)*	**1.17**	1.22	**-4.1**

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2012. 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 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
			(Restated)
	Notes	***HK$'000***	*HK$'000*
Revenue	3	**884,976**	870,027
Cost of sales		**(838,381)**	(763,262)
Gross profit		**46,595**	106,765
Investment and other income	4	**2,303**	5,459
Other gains and losses	5	**(36,845)**	18,250
Distribution and selling expenses		**(24,309)**	(20,573)
Administrative expenses		**(39,218)**	(41,382)
Research and development expenses		**(6,847)**	(9,631)
Finance costs	6	**(34,964)**	(20,670)
(Loss) profit before tax		**(93,285)**	38,218
Income tax expenses	7	**(989)**	(11,266)
(Loss) profit for the period	8	**(94,274)**	26,952
(Loss) earnings per share	9		
Basic		**(HK4.90 cents)**	HK1.40 cents
Diluted		**(HK4.90 cents)**	HK1.37 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
(Loss) profit for the period	**(94,274)**	26,952
Other comprehensive (expense) income		
Exchange differences arising on translation of group entities	**(12,372)**	51,213
Surplus on revaluation of properties	**14,218**	738
Recognition of deferred tax liability on revaluation of properties	**(3,512)**	(57)
Other comprehensive (expense) income for the period (net of tax)	**(1,666)**	51,894
Total comprehensive (expense) income for the period	**(95,940)**	78,846

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) (Restated) HK$'000
Non-current assets			
Investment properties	11	**33,032**	31,491
Property, plant and equipment	11	**2,066,514**	2,117,478
Prepaid lease payments		**193,289**	198,599
Goodwill		**41,672**	41,672
Club memberships		**748**	751
Deposit paid for the acquisition of property, plant and equipment		**3,198**	4,662
		2,338,453	2,394,653
Current assets			
Inventories		**408,032**	425,618
Trade receivables	12	**613,084**	595,578
Bills receivable	12	**454,984**	545,412
Prepayments, deposits and other receivables		**173,976**	181,293
Prepaid lease payments		**8,417**	8,464
Tax recoverable		**824**	920
Bank balances and cash		**113,750**	154,956
		1,773,067	1,912,241
Current liabilities			
Trade payables	13	**235,892**	188,742
Other payables and accruals	14	**272,618**	383,926
Tax payable		**25,347**	29,849
Loan from a related company	15	**123,876**	–
Bank borrowings	16	**744,521**	838,002
		1,402,254	1,440,519
Net current assets		**370,813**	471,722
Total assets less current liabilities		**2,709,266**	2,866,375

	Notes	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) (Restated) HK$'000
Non-current liabilities			
Bank borrowings	16	**438,143**	500,445
Other payable		**1,093**	982
Deferred tax liabilities	17	**23,569**	22,547
		462,805	523,974
		2,246,461	2,342,401
Capital and reserves			
Share capital	18	**192,290**	192,290
Reserves		**2,054,171**	2,149,271
Equity attributable to equity holders of the Company		**2,246,461**	2,341,561
Share option reserve of a subsidiary		**–**	840
		2,246,461	2,342,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax – Recovery of Underlying Assets*

Under the amendments to HKAS 12 *Deferred Tax – Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, in respect of investment properties located in Hong Kong, the Group does not recognise any deferred taxes on changes in fair value of these investment properties as the Group is not subject to any income taxes on capital gain of such investment properties. In respect of those investment properties located in the PRC, which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, the Group recognised additional deferred taxes relating to land appreciation tax on changes in fair value of those investment properties. Previously, the Group recognised deferred taxes on changes in fair value of all investment properties based on the tax consequence that would follow from the manner in which the Group expects at the end of the reporting period to recover the carrying amount of the investment properties.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$1,455,000 as at 31 December 2011, with the corresponding adjustment being recognised in retained profits and translation reserve. In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 June 2012 and 30 June 2011 being reduced by HK$48,000 and HK$202,000 respectively and hence resulted in the loss for the six months ended 30 June 2012 and profit for the six months ended 30 June 2011 being decreased by HK$48,000 and increased by HK$202,000 respectively.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Decrease in income tax expense	**48**	202
Decrease in loss/increase in profit for the period	**48**	202

The effect of the change in accounting policy described above on the financial position of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follows:

	As at 31 December 2011 (Originally stated)	**Adjustment**	**As at 31 December 2011 (Restated)**
	HK$'000	***HK$'000***	***HK$'000***
Deferred tax liabilities	**24,002**	**(1,455)**	**22,547**
Retained profits	**681,414**	**1,436**	**682,850**
Translation reserve	**346,747**	**19**	**346,766**
Total effects on equity	**2,340,946**	**1,455**	**2,342,401**

The effect of change in accounting policy described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1 January 2011 (Originally stated)	Adjustment	As at 1 January 2011 (Restated)
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax liabilities	24,226	(1,241)	22,985
Retained profits	705,923	1,206	707,129
Translation reserve	240,201	35	240,236
Total effects on equity	2,252,808	1,241	2,254,049

Impact on basic (loss) earnings per share

	Six months ended 30 June	
	2012	2011
	HK cents	*HK cents*
Basic (loss) earnings per share before adjustment	**(4.90)**	1.39
Adjustment arising from change in accounting policy in relation to:		
– application of the amendments to HKAS 12 in respect of deferred taxes on investment properties	**–**	0.01
Reported basic (loss) earnings per share	**(4.90)**	1.40

Impact on diluted (loss) earnings per share

	Six months ended 30 June	
	2012	2011
	HK cents	*HK cents*
Diluted (loss) earnings per share before adjustment	**(4.90)**	1.36
Adjustment arising from change in accounting policy in relation to:		
– application of the amendments to HKAS 12 in respect of deferred taxes on investment properties	**–**	0.01
Reported diluted (loss) earnings per share	**(4.90)**	1.37

3. **SEGMENT INFORMATION**

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

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

(i) The steel cord segment comprising the manufacturing of steel cords; and

(ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

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

Six months ended 30 June 2012

	Steel cord	**Copper and brass products**	**Total segment**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue			
External sales	**671,209**	**213,351**	**884,560**
Inter-segment sales *(Note)*	**–**	**10,880**	**10,880**
Total	**671,209**	**224,231**	**895,440**
Segment results	**(41,744)**	**(356)**	**(42,100)**

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

Reconciliation of revenue

	(Unaudited)
	HK$'000
Total revenues for operating segments	**895,440**
Rental income	**416**
Elimination of inter-segment sales	**(10,880)**
Group's revenue	**884,976**

Reconciliation of loss before tax

	(Unaudited) *HK$'000*
Total loss for operating segments	**(42,100)**
Profit arising from property investment	**1,725**
Unallocated amounts	
Unallocated income	**521**
Unallocated foreign exchange losses, net	**(3,061)**
Unallocated expenses	**(15,406)**
Unallocated finance costs	**(34,964)**
Loss before tax	**(93,285)**

Six months ended 30 June 2011

	Steel cord (Unaudited) *HK$'000*	Copper and brass products (Unaudited) *HK$'000*	Total segment (Unaudited) *HK$'000*
Segment revenue			
External sales	659,981	209,730	869,711
Inter-segment sales *(Note)*	–	13,061	13,061
Total	659,981	222,791	882,772
Segment results	51,594	8,103	59,697

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

Reconciliation of revenue

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

Reconciliation of profit before tax

	(Unaudited) *HK$'000*
Total profit for operating segments	59,697
Profit arising from property investment	2,648
Unallocated amounts	
Unallocated income	1,005
Unallocated foreign exchange gains, net	12,310
Unallocated expenses	(16,772)
Unallocated finance costs	(20,670)
Profit before tax	38,218

Segment results represent the profit and loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs and the emoluments of Directors, certain other income, interest income on bank deposits 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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**513**	999
Other income		
Government grants	**650**	1,037
Sales of scrap and other materials	**894**	3,185
Others	**246**	238
	1,790	4,460
	2,303	5,459

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Foreign exchange (losses) gains, net	**(3,470)**	14,918
Increase in fair value of investment properties	**1,596**	2,608
Allowance for bad and doubtful debts (recognised) reversed, net	**(35,935)**	520
Reversal of revaluation deficit of leasehold land and buildings	**753**	212
Gain (loss) on disposal of property, plant and equipment, net	**211**	(8)
	(36,845)	18,250

6. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**30,064**	20,209
Interest expenses on loan from a related company repayable within one year	**1,210**	–
Amortisation of transaction costs	**4,165**	2,177
Total borrowing costs	**35,439**	22,386
Less: amounts capitalised	**(475)**	(1,716)
	34,964	20,670

Borrowing costs capitalised during the six months ended 30 June 2012 arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.81% (six months ended 30 June 2011: 3.63%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	814
PRC Enterprise Income Tax	**3,316**	12,091
	3,316	12,905
Underprovision in prior periods:		
PRC Enterprise Income Tax	**107**	28
Deferred tax *(Note 17)*	**(2,434)**	(1,667)
	989	11,266

For the six months ended 30 June 2012, 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. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for prior period.

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, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 24%).

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 Taxes 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 2012, the two subsidiaries are entitled to 50% relief from PRC Enterprise Income Tax (six months ended 30 June 2011: 50% relief). The PRC Enterprise Income Tax charges are arrived at after taking into account these tax incentives.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**79,567**	72,459
Allowance for inventories recognised (included in "Cost of sales")	**4,937**	6,320
Amortisation of prepaid lease payments (included in "Cost of sales")	**4,222**	3,840
Share-based payment expenses	**–**	3

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
		(Restated)
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the period for the purposes of calculation of basic and diluted (loss) earnings per share	**(94,274)**	26,952

	Six months ended 30 June	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic (loss) earnings per share	**1,922,900,556**	1,922,857,462
Effect of dilutive potential ordinary shares: Share options	**–**	44,670,947
Weighted average number of ordinary shares for the purpose of calculation of diluted (loss) earnings per share	**1,922,900,556**	1,967,528,409

For the six months ended 30 June 2012, the computation of diluted loss per share does not assume the exercise of (i) the Company's outstanding share options and (ii) the share option granted by the Company's subsidiary outstanding during the six months ended 30 June 2012 since their exercise would result in a decrease in loss per share.

For the six months ended 30 June 2011, 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 (ii) the share option granted by the Company's subsidiary outstanding during the six months ended 30 June 2011 as it is anti-dilutive.

10. DIVIDEND

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2010 final dividend of HK1.5 cents per share	**–**	28,844

The Directors have resolved not to declare any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

During the six months ended 30 June 2012, the Group incurred approximately HK$28,463,000 (six months ended 30 June 2011: HK$43,112,000) on the expansion of production capacity of steel cord segment. In addition, the Group also acquired approximately HK$806,000 (six months ended 30 June 2011: HK$1,545,000) of other property, plant and equipment in the current interim period.

During the six months ended 30 June 2012, the Group disposed of certain machineries with an aggregate carrying amount of HK$3,379,000 (six months ended 30 June 2011: HK$8,000) for cash proceeds of HK$3,590,000 (six months ended 30 June 2011: Nil), resulting in a gain on disposal of HK$211,000 (six months ended 30 June 2011: loss on disposal of HK$8,000).

The fair value of the Group's investment properties as at 30 June 2012 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 the recent transactions for similar premises in the proximity. The resulting increase in fair value of investment properties of approximately HK$1,596,000 (six months ended 30 June 2011: HK$2,608,000) has been credited to profit or loss for the period.

The leasehold land and buildings included in property, plant and equipment were valued by Vigers on either: (1) an open market value basis by reference to recent market transactions for comparable properties; or (2) an basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales as at 30 June 2012. 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$753,000 and HK$14,218,000 (six months ended 30 June 2011: HK$212,000 and HK$738,000), respectively.

12. TRADE RECEIVABLES/BILLS RECEIVABLE

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

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period based on sales invoice date is as follows:

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
0 – 90 days	**458,149**	400,552
91 – 180 days	**93,651**	153,494
Over 180 days	**61,284**	41,532
	613,084	595,578

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

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
0 – 90 days	**37,534**	21,677
91 – 180 days	**124,901**	203,594
Over 180 days	**292,549**	320,141
	454,984	545,412

Included in bills receivable as at 30 June 2012 was an amount of approximately HK$38,336,000 (31 December 2011: HK$12,818,000) that had been discounted to banks *(Note 16)*.

As at 30 June 2012, the outstanding bills receivable of approximately HK$182,431,000 (31 December 2011: HK$191,693,000) have been endorsed to certain creditors of the Group but continue to be recognised as bills receivable until maturity. At the end of the reporting period, all bills receivable are with maturity date within six months based on the issuance date of relevant bills.

13. TRADE PAYABLES

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

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
0 – 30 days	**138,643**	91,690
31 – 90 days	**41,965**	66,284
91 – 180 days	**51,556**	29,461
181 – 365 days	**2,654**	655
Over 1 year	**1,074**	652
	235,892	188,742

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

14. OTHER PAYABLES AND ACCRUALS

At 30 June 2012, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$239,174,000 (31 December 2011: HK$336,452,000).

15. LOAN FROM A RELATED COMPANY

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

16. BANK BORROWINGS

	30 June 2012 (Unaudited) ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Trust receipt loans	**44,445**	59,443
Other bank loans	**1,099,883**	1,266,186
Discounted bills with recourse	**38,336**	12,818
	1,182,664	1,338,447
Secured	**313,035**	394,329
Unsecured	**869,629**	944,118
	1,182,664	1,338,447

During the six months ended 30 June 2012, the Group obtained new bank borrowings of approximately HK$303,270,000 (six months ended 30 June 2011: HK$367,136,000) and repaid bank borrowings of approximately HK$454,165,000 (six months ended 30 June 2011: HK$275,582,000). These borrowings carry interest at market rates ranging from 1.90% to 9.06% per annum (six months ended 30 June 2011: 1.28% to 7.80% per annum) and are repayable over a period of one to five years.

17. DEFERRED TAX

As at 31 December 2011 and 30 June 2012, included in deferred tax liabilities was mainly the tax effect arising from withholding tax on distributable profits of subsidiaries in the PRC.

18. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	Number of shares	**Nominal value**
	'000	*HK$'000*
Authorised:		
At 1 January 2012 and 30 June 2012	5,000,000	500,000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	1,922,901	192,290

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy saw a slowdown in growth in the fourth quarter of 2011 which continued into the first half of 2012. Operating environment was very challenging in the first half year as clouded by the incessant global financial crisis and lack of confidence in economic outlook. In the PRC, various business segments including automobile and transportation sectors were operated in a very difficult market condition due to the slowdown in business activities and tightened monetary policy. Our downstream customers, radial tyres manufacturers suffered from the slowing demand from automobile and transportation sectors and hence, instigated further pressure on procurement price of materials, including steel cords. Furthermore, market competition in the steel cord industry remained intensive due to excessive capacity that drove down the selling price of steel cords. Attributable to these factors, the Steel cord segment recorded a significant drop in EBITDA and incurred operating loss in the first half year.

The Copper and brass products segment also faced difficult market environment in the first half year. Despite this segment achieved a satisfactory growth in overall sales volume, its profitability was affected by the decline in copper price, especially in the second quarter of the year. This segment also reported a slight loss in the first half year.

Owing to the above, the Group recorded decrease in EBITDA (before allowance for bad and doubtful debts) of 54.4% as compared to the same period last year to HK$61,403,000 (2011: HK$134,667,000) for the period; and net loss of HK$94,274,000 for the period, as compared to net profit of HK$26,952,000 (restated) for the same period last year. Further details are discussed on "FINANCIAL REVIEW" section below.

Although the Group delivered discouraging results in the first half year, the Group achieved progress on the following aspects:

1. Both the Steel cord segment and Copper and brass products segment achieved steady growth in sales volume. The sales volume of steel cords and copper and brass products increased by 10.8% and 15.0% over the same period last year respectively;

2. There was a great improvement in net cashflow from operating activities. The Group recorded net operating cash inflow of HK$31,847,000 for the period, as compared to net operating cash outflow of HK$157,705,000 for the same period last year; and

3. The total amounts of interest bearing borrowings decreased by HK$31,907,000 as compared to the same at the end of 2011.

Steel cord

Overall performance

This segment was able to achieve a steady growth in sales volume of steel cords despite the lower domestic demand from the slowdown in business activities. The production costs of steel cords also decreased as prices of raw materials dropped and reduction in other production costs attributable to our timely procurement strategy, enhancement in operating efficiency and higher production volume. However, attributable to the unprecedented decline in selling price of steel cords, this segment recorded a decrease in EBITDA (before allowance for bad and doubtful debts) of 39.5% as compared to the same period last year to HK$77,228,000 (2011: HK$127,701,000) for the period.

Furthermore, an allowance for bad and doubtful debts of HK$35,935,000 was made against certain long overdue trade receivables aged over 180 days. As such, this segment recorded an operating loss of HK$41,744,000 (2011: operating profit of HK$51,594,000) for the period.

Revenue

This segment achieved an increase in sales volume of steel cords by 10.8% over the same period last year to 48,809 tonnes (2011: 44,065 tonnes) for the period. In respect of sawing wire business, this segment sold 514 tonnes of half products and 137 tonnes of final products of sawing wires respectively. The analysis of sales volume of this segment is as follows:

	For the six months ended 30 June				
	2012		2011		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
Steel cords for:					
– truck tyres	**34,829**	**71.4**	31,799	72.2	**+9.5**
– off the road truck tyres	**1,724**	**3.5**	1,719	3.9	**+0.3**
– passenger car tyres	**12,256**	**25.1**	10,547	23.9	**+16.2**
Total for steel cords	**48,809**	**100.0**	44,065	100.0	**+10.8**
Sawing wires:					
– half product	**514**		709		**-27.5**
– final product	**137**		4		**+3325.0**
Total for sawing wires	**651**		713		**-8.7**
Other steel wires	**199**		149		**+33.6**
Total	**49,659**		44,927		**+10.5**

The export sales volume of steel cords amounted to 6,073 tonnes for the period, decreased by 6.6% as compared to the same period last year; and its percentage of total sales volume was 12.4% for the period, as compared to 14.8% for the same period last year. An analysis of sales of steel cords is as follows:

	For the six months ended 30 June				
	2012		2011		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
Domestic	**42,736**	**87.6**	37,562	85.2	**+13.8**
Export	**6,073**	**12.4**	6,503	14.8	**-6.6**
Total	**48,809**	**100.0**	44,065	100.0	**+10.8**

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 cords for:			
– truck tyres	19,972	14,857	34,829
– off the road truck tyres	1,724	–	1,724
– passenger car tyres	10,350	1,906	12,256
Total for steel cords	32,046	16,763	48,809
Sawing wires:			
– half product	564	(50)	514
– final product	137	–	137
Total for sawing wires	701	(50)	651
Other steel wires	19	180	199
Total	**32,766**	**16,893**	**49,659**
Sales volume for the first half year of 2011	33,914	11,013	44,927
% change	**-3.4**	**+53.4**	**+10.5**

In respect of selling price, the average selling price of steel cords dropped by 10.7% as compared to the same period last year to RMB10,860 (2011: RMB12,168) per tonne for the period, as (i) the sales volume of steel cords for passenger car tyres (whose selling price is the lowest amongst the three types of steel cords by usage) increased from 23.9% of total sales volume in the same period last year to 25.1% for the period; and (ii) affected by pricing pressure from customers and intensified market competition in the period.

The revenue from sales of half product and final product of sawing wires amounted to HK$16,656,000 for the period, decreased by 17.5% as compared to HK$20,200,000 for the same period last year. Nevertheless, the positive contribution from increase in sales volume of steel cords was almost offset by the decrease in selling price, the revenue of this segment was just increased by 1.7% over the same period last year to HK$671,209,000 (2011: HK$659,981,000) for the period.

Gross profit

Gross profit of this segment declined by 55.3% over the same period last year to HK$42,444,000 (2011: HK$94,860,000) for the period. Gross profit margin substantially dropped from 14.4% in the same period last year to 6.3% for the period. The breakdown is as follows:

	For the six months ended 30 June				
	2012		2011		
		Gross profit margin		Gross profit margin	
	HK$'000	***(%)***	*HK$'000*	*(%)*	**% change**
JESC	**48,002**	**10.2**	90,154	17.9	**-46.8**
TESC	**(6,130)**	**-2.7**	2,921	1.8	**N/A**
Others and elimination of intercompany sales	**572**	**N/A**	1,785	N/A	**-68.0**
Total	**42,444**	**6.3**	94,860	14.4	**-55.3**

The production costs of steel cords dropped as compared to the same period last year, contributed by the lower raw material prices and reduction in other production costs attributable to the unremitting effort in improving our operating efficiency and increase in production volume. However, these contributions were not able to counteract the substantial drop in average selling price of steel cords of 10.7%, which caused gross profit to drop by 55.3% as compared to the same period last year.

Investment and other income

Investment and other income decreased by 56.8% as compared to the same period last year to HK$1,915,000 (2011: HK$4,433,000) for the period, as interest income, government grants and income from sale of scrap materials reduced as compared to the same period last year.

Allowance for bad and doubtful debts

During the period, further allowance for bad and doubtful debts of HK$35,935,000 was made for those long overdue customers to whom sales had been ceased by us since last year, considering their deteriorating credit quality and financial position. Despite allowance had been made, we would put every effort in recovering those receivables. Further, we had taken measures during the period to contain the level of past due trade receivables, including but not limited to the re-focusing of our customer base to those customers with stronger financial position and better payment history.

Distribution and selling expenses

Distribution and selling expenses increased by 10.6% over the same period last year to HK$22,439,000 (2011: HK$20,285,000) for the period. Such higher expenses was primarily due to the increased costs incurred to reinforce marketing and sales of steel cords and sawing wire businesses since the second half of last year.

Administrative expenses and research and development expenses

Cost reductions were in placed during the period and both administrative expenses and research and development expenses decreased as compared to the same period last year. Administrative expenses amounted to HK$20,063,000 for the period, decreased by 4.9% as compared to HK$21,097,000 for the same period last year; while research and development expenses decreased by 28.9% as compared to the same period last year to HK$6,847,000 (2011: HK$9,631,000) for the period.

Copper and brass products

Overall performance

This segment was affected by the challenging outlook of global economy and prolonged Euro sovereign debts crisis that pushed price of copper down in the first half year. Despite it achieved a remarkable increase in sales volume in the PRC, the gradual decline in copper price during the period caused this segment to incur an operating loss of HK$356,000 for the period, as compared to an operating profit of HK$8,103,000 for the same period last year.

Revenue

The sales volume of this segment was 4,055 tonnes for the period, increased by 15.0% as compared to 3,526 tonnes for the same period last year. Sales volume in Mainland China increased by 57.8% over the same period last year, and its percentage to total sales volume increased from 48.8% in the same period last year to 67.0% for the period, reflected this segment's long term strategic focus on the PRC market. The breakdown of sales volume by geographical location is as follows:

	For the six months ended 30 June				
	2012		2011		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
Mainland China	**2,717**	**67.0**	1,722	48.8	**+57.8**
Other regions	**1,338**	**33.0**	1,804	51.2	**-25.8**
Total	**4,055**	**100.0**	3,526	100.0	**+15.0**

Attributable to the decline in copper price, average selling price dropped from HK$63,193 per tonne in the same period last year to HK$55,292 per tonne for the period, representing a decrease of 12.5% on a year-on-year basis. The drop in average selling price almost offset the effect on increase in sales volume and therefore this segment achieved a slight increase in revenue of 0.6% over the same period last year to HK$224,231,000 (2011: HK$222,791,000) for the period.

Gross profit

Although sales volume and revenue of this segment increased as compared to the same period last year, the continual decline in copper price since February 2012, affected gross profit of this segment, which substantially dropped by 67.4% as compared to the same period last year to HK$3,817,000 (2011: HK$11,692,000) for the period. Gross profit margin dropped from 5.2% in the same period last year to 1.7% for the period.

FINANCIAL REVIEW

As a result of the decline in selling price of both Steel cord and Copper and brass products segments as mentioned above, the Group recorded a decrease in EBITDA (before allowance for bad and doubtful debts) of 54.4% as compared to the same period last year to HK$61,403,000 (2011: HK$134,667,000) for the period. Furthermore, significant amount of allowance for bad and doubtful debts was made against trade receivables of Steel cord segment and finance costs was increased by 69.2% as more bank borrowings were raised to finance capital expenditures and working capital. These factors caused the Group to incur net loss of HK$94,274,000 for the period, as compared to net profit of HK$26,952,000 (restated) for the same period last year.

Revenue

Revenue of the Group increased by 1.7% over the same period last year to HK$884,976,000 (2011: HK$870,027,000) for the period. The breakdown of revenue by business segments is as follows:

	For the six months ended 30 June				
	2012		2011		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cords	**671,209**	**75.9**	659,981	75.9	**+1.7**
Copper and brass products	**224,231**	**25.3**	222,791	25.6	**+0.6**
Sub-total	**895,440**	**101.2**	882,772	101.5	
Elimination of inter-segment sales	**(10,880)**	**(1.2)**	(13,061)	(1.5)	**-16.7**
Property rental income	**416**	**–**	316	–	**+31.6**
Total	**884,976**	**100.0**	870,027	100.0	**+1.7**

Gross profit

Gross profit of the Group decreased by 56.4% as compared to the same period last year to HK$46,595,000 (2011: HK$106,765,000) for the period. Gross profit margin was 5.3%, declined by 7 percentage points as compared to 12.3% for the same period last year, as both Steel cord segment and Copper and brass products segment recorded a lower gross profit margin for the period. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				
	2012		2011		
	HK$'000	**Gross profit margin *(%)***	*HK$'000*	Gross profit margin *(%)*	**% change**
Steel cord	**42,444**	**6.3**	94,860	14.4	**-55.3**
Copper and brass products	**3,817**	**1.7**	11,692	5.2	**-67.4**
Unrealized profit on inter-segment sales	**–**	**N/A**	(11)	N/A	**-100.0**
Property rental income	**334**	**80.3**	224	70.9	**+49.1**
Total	**46,595**	**5.3**	106,765	12.3	**-56.4**

Investment and other income

Investment and other income decreased by 57.8% as compared to the same period last year to HK$2,303,000 (2011: HK$5,459,000) for the period, as interest income, government grants and income from sale of scrap materials decreased during the period.

Other gains and losses

The Group recorded net loss of HK$36,845,000 for the period, whereas it recorded net gain of HK$18,250,000 for the same period last year. The loss for the period was attributable to the followings:

1. The Group recorded exchange loss of HK$3,470,000 for the period as compared to exchange gain of HK$14,918,000 for the same period last year, as the exchange rate of RMB depreciated by approximately 0.6% against HKD over the period, while RMB had a corresponding appreciation of 2.3% against HKD over the same period last year. Therefore, the Group recorded exchange loss on its HKD and USD denominated bank borrowings during the period.

2. Additional allowance for bad and doubtful debts of HK$35,935,000 was made for trade receivables of Steel cord segment in the period.

The breakdown of other gains and losses is as follows:

	For the six months ended 30 June		
	2012	2011	
	HK$'000	*HK$'000*	**% change**
Foreign exchange (losses) gains, net	**(3,470)**	14,918	**N/A**
Increase in fair value of investment properties	**1,596**	2,608	**-38.8**
Allowance for bad and doubtful debts (recognised) reversed	**(35,935)**	520	**N/A**
Reversal of revaluation deficit of leasehold land and buildings	**753**	212	**+255.2**
Others	**211**	(8)	**N/A**
Total	**(36,845)**	18,250	**N/A**

Distribution and selling expenses

Distribution and selling expenses increased by 18.2% over the same period last year to HK$24,309,000 (2011: HK$20,573,000) for the period, primarily as additional expenses were incurred by Steel cord segment for the development of new markets for steel cords and new business of sawing wires during the period.

Administrative expenses and research and development expenses

In view of the stringent market conditions, the Group had adopted various measures to reign in administrative expenses. Administrative expenses of the Group amounted to HK$39,218,000 (2011: HK$41,382,000) for the period, decreased by 5.2% as compared to the same period last year. As revenue of the Group increased by 1.7% over the same period last year, the ratio of administrative expenses to revenue lowered from 4.8% in the same period last year to 4.4% for the period.

Research and development expenses of the Group amounted to HK$6,847,000 for the period, decreased by 28.9% as compared to HK$9,631,000 for the same period last year because the techniques for producing certain specification of products had been well mastered.

Segment results

The Group recorded losses of HK$42,100,000 from its business segments in the first half year, as compared to profit of HK$59,697,000 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		
	2012	2011	
	HK$'000	*HK$'000*	**% change**
Steel cords	**(41,744)**	51,594	**N/A**
Copper and brass products	**(356)**	8,103	**N/A**
Total	**(42,100)**	59,697	**N/A**

Finance costs

Finance costs amounted to HK$34,964,000 for the period, increased by 69.2% as compared to HK$20,670,000 for the same period last year. Such increase in finance costs arose primarily due to (i) the raising of additional bank borrowings to finance the capital expenditures of the Steel cord segment; and (ii) increased short term bank borrowings and bills discounting to finance working capital needs arising from increased sales volume and slower repayments from our customers during the period.

Income tax expenses

Income tax expenses of the Group amounted to HK$989,000 for the period, decreased by 91.2% as compared to HK$11,266,000 (restated) for the same period last year. Despite its business segments reported loss in the period, the Group still incurred income tax expenses as the taxable profit generated by profitable entities in the Group could not be offset against losses incurred by other group entities.

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.

There was no change in the share capital of the Group during the period, therefore the issued share capital of the Company remained at 1,922,900,556 Shares at 30 June 2012. The net asset value of the Group was HK$2,246,461,000 at 30 June 2012, decreased by 4.1% as compared to HK$2,342,401,000 (restated) at 31 December 2011; and net asset value per Share also decreased by 4.1% as compared to the end of 2011 to HK$1.17 per Share at 30 June 2012.

Although the Group reported losses of HK$94,274,000 for the period, through strengthening credit control on sales and receivables, and improving raw materials procurement and inventory management, it generated net cash operating inflow of HK$31,847,000 in the period, significant improvement as compared to net cash operating outflow of HK$157,705,000 for the same period last year. But the Group had net cash outflow on investing activities of HK$44,032,000 primarily represented settlement of payables for the purchase of property, plant and equipment of TESC; and repaid net interest bearing borrowings of HK$28,229,000 in the period.

The Group's bank balances and cash amounted to HK$113,750,000 at 30 June 2012, lowered by 26.6% as compared to HK$154,956,000 at 31 December 2011. Total bank borrowings of the Group were HK$1,182,664,000 at 30 June 2012, lowered by 11.6% as compared to HK$1,338,447,000 at 31 December 2011.

At 30 June 2012, HK$984,913,000 of bank borrowings were floating-rate borrowings, while HK$197,751,000 of bank borrowings were collared at rate ranging from 1.92% to 9.06% per annum. The nature and maturing profile of the Group's bank borrowings at 30 June 2012 based on contracted repayment schedules were as follows:

	HK$'000	**% of total bank borrowings**
Due within one year or on demand:		
– Trust receipt loans	44,445	3.8
– Bank advances for discounted bills	38,336	3.2
– Working capital loans	167,717	14.2
– Current portion of medium term loans	500,273	42.3
	750,771	63.5
Medium term loans		
– Due in the second year	179,806	15.2
– Due in the third year	260,543	22.0
	1,191,120	100.7
Unamortized loan arrangement and management fees	(8,456)	(0.7)
Total	1,182,664	100.0

Gearing ratio (Total interest bearing borrowings less bank balances and cash/ Shareholders' equity) of the Group increased from 50.5% at 31 December 2011 to 53.1% at 30 June 2012, but still within the Group's target level. The current ratio of the Group was 1.26 times at 30 June 2012, slightly lower as compared to 1.33 times at 31 December 2011.

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 endeavor to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2012, the currency breakdown of the Group's bank borrowings was as follows:

	30 June 2012	31 December 2011
	%	%
HKD	**36.8**	41.4
RMB	**51.6**	40.7
USD	**11.6**	17.9
Total	**100.0**	100.0

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

Capital expenditures incurred by the Steel cord segment during the period amounted to HK$28,463,000. The capital expenditures to be incurred in the second half year of 2012 are estimated to be approximately HK$5,201,000, 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 2012, the Group had a total of 2,073 employees located in Hong Kong and the PRC, lowered by 12.1% as compared to 2,359 employees at 31 December 2011 due to downsizing exercise during the period under review. 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$9,745,000. 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 "2002 Scheme"). Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of a new share option scheme (the "2012 Scheme") which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

During the period, no options were granted, exercised and cancelled under the 2002 and 2012 Scheme while 4,500,000 share options were lapsed under the 2002 Scheme.

PLEDGE OF ASSETS

At 30 June 2012, 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$8,500,000;

2. Prepaid lease payments amounted to HK$89,703,000; and

3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

First half of 2012 was the most difficult time in the history of the steel cord industry, we believe. Externally, we were facing a weakening sentiment across all manufacturing sectors, chronicle shock on the European sovereign debt crisis and the lingering aftermath on fiscal deficit of various industrialized economies. Internally, we were dealing with excessive capacity in steel cords, lackluster demand for tyres from both the OEM and replacement segments, slowdown in the growth of GDP and tightening of monetary policy which was supposed to aim at fine tuning sectors which had distorted the purchasing power of the general public. These foreign and domestic factors caused a discernible fall in our average selling price and substantial deterioration in credit quality of some of our customers which were the principal reasons for the dismal interim results of the Group. For the rest of the year, we fell the tyre manufacturing industry will continue to be cautious on expansion and keeping inventory low. On the supply side, we believe some of the smaller steel cord makers are experiencing acute cashflow problems, and the rate of decrease in our average selling price has shown abatement. On the cost side, we believe the cost of wire rod will be relatively stable in the second half of the year. Nonetheless, we are constantly reviewing our competitive position and have identified the following areas which we, with utmost effort from every member of the Group, are confident to ride through the storm ahead:

(1) Rebuilding the operational excellence and machine utilization rate of TESC

TESC had commenced commercial production in 2009, merely one year after ground breaking. A feat was done at record pace of the Group. However, such pace has brought various management issues which have caused instability of our product quality and hence, sub-par utilization rate and high fixed cost per tonne. In the latter half of the year, we will assign a team of technical, production and quality control professional comprising of both TESC and JESC's personnel to rectify the production and quality problems.

(2) Improving our receivables quality

In order to promote TESC's products, we have marketed them to a number of smaller tyres manufacturers in the PRC. Indeed, such direction boosted the sales tonnage of TESC but at the expense of prices and credit risk primarily due to the tightening of monetary policy by the Central Government to combat inflation. We have purged some of these customers by ceasing supply and taken various actions including legal proceedings, with a view to improve upon the quality of our outstanding receivables. With the amount of provisions made in the first half, the continual stringent monitoring of the financial positions of our clientele, and the expected gradual easing of credits, we are hopeful that the quality of our receivables will improve.

(3) Repositioning of our customer and product mix of Steel cord segment

While ceasing supply to certain domestic customers of Steel cord segment, we have and will continue to strengthen our selling effort to the export markets with a view to attain a level of 15 to 20 per cent. of our total sales of steel cords. In respect of our product mix, indeed it is subject to the demand and technical requirement of our customers but we have discussed with a number of our customers to steer them to replace some of the construction types which could bring better margin to us without increasing their overall cost of tyre production.

(4) Continuation on cost control

This is a continuous exercise. The substantial increase in selling and marketing expenses in the first half is primarily due to the establishment of our Shanghai management office. While we maintain there are merits of having it, perhaps, the benefits do not seem to have justified its cost given the dampening of market conditions. We are in the process of downsizing and embarking on other costs measures with a view to keeping our cost competitiveness in the industry.

In summary, the remaining six months of the year will continue to be demanding. However, given the above measures, our positive cash inflow and manageable debt structure, our position among the leaders in the industry is undeterred.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2012.

CORPORATE GOVERNANCE CODE

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

The Company has also adopted the Continuous Disclosure Obligation Policy 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 addition, in order to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company, the Company has adopted the SCCHL Whistleblowing Policy on 22 March 2012.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and the Revised Code, and also the SCCHL Corporate Governance Code throughout the six months ended 30 June 2012, except for deviation from code provision D.1.4 of the Revised Code. Due to the nomination of Mr. Zhang Zhong as the representative of NV Bekaert SA, a substantial Shareholder in accordance with the subscription agreement dated 22 September 2006, Mr. Zhang does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere thanks to all Shareholders and our diligent staff for their continuing trust and support to the Company during this difficult operating environment.

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 (effective until 31 March 2012) 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 adopted on 28 March 2011 and revised from time to time thereafter
"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
"Revised Code"	The Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance
"SCCHL Whistleblowing Policy"	Shougang Concord Century Holdings Limited Whistleblowing Policy
"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 cords for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

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

Hong Kong, 28 August 2012

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. Dong Haochun (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.irasia.com/listco/hk/sccentury/ and the Stock Exchange at http://www.hkexnews.hk. The Interim Report 2012 will be despatched to Shareholders and made available on the above websites in due course.