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 2013

HIGHLIGHTS

	For the six months ended 30 June		
	2013	2012	
	(Unaudited)	(Unaudited)	**%**
	HK$'000	*HK$'000*	**Change**
Operations			
Revenue	**872,431**	884,976	**-1.4**
Gross profit	**75,353**	46,595	**+61.7**
Earnings before interest, tax, depreciation and amortization ("EBITDA")	**90,016**	25,468	**+253.4**
EBITDA before reversal of (allowance for) bad and doubtful debts	**80,747**	61,403	**+31.5**
Loss for the period	**(30,005)**	(94,274)	**-68.2**
Loss per Share (basic) *(HK cents)*	**(1.56)**	(4.90)	**-68.2**

	30 June 2013	31 December 2012	
	(Unaudited)	(Audited)	**%**
	HK$'000	*HK$'000*	**Change**
Financial position			
Total assets	**4,114,263**	3,917,338	**+5.0**
Shareholders' equity	**2,079,494**	2,064,550	**+0.7**
Net asset value per Share *(HK$)*	**1.08**	1.07	**+0.7**

The Board presents the unaudited consolidated interim results of the Group for the six months ended 30 June 2013. The interim results have been reviewed by the Company's Audit Committee and its Auditors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**872,431**	884,976
Cost of sales		**(797,078)**	(838,381)
Gross profit		**75,353**	46,595
Investment and other income	*4*	**3,124**	2,303
Other gains and losses	*5*	**14,562**	(36,845)
Distribution and selling expenses		**(21,674)**	(24,309)
Administrative expenses		**(36,673)**	(39,218)
Research and development expenses		**(19,150)**	(6,847)
Finance costs	*6*	**(40,340)**	(34,964)
Loss before tax		**(24,798)**	(93,285)
Income tax expenses	*7*	**(5,207)**	(989)
Loss for the period	*8*	**(30,005)**	(94,274)
Loss per share	*9*		
Basic and diluted		**(HK1.56 cents)**	(HK4.90 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(30,005)**	(94,274)
Other comprehensive income (expense)		
Items that will not be reclassified to profit or loss		
Surplus on revaluation of properties	**9,648**	14,218
Recognition of deferred tax liability on revaluation of properties	**(2,238)**	(3,512)
Exchange differences arising on translation of group entities	**37,539**	(12,372)
Other comprehensive income (expense) for the period (net of tax)	**44,949**	(1,666)
Total comprehensive income (expense) for the period	**14,944**	(95,940)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	**30 June 2013 (Unaudited) *HK$'000***	31 December 2012 (Audited) *HK$'000*
Non-current assets			
Investment properties	*11*	**39,797**	36,187
Property, plant and equipment	*11*	**1,956,056**	1,971,861
Prepaid lease payments		**189,205**	190,100
Goodwill		**41,672**	41,672
Club memberships		**757**	750
Deposit paid for the acquisition of property, plant and equipment		**862**	1,780
Deferred tax assets		**4,139**	5,942
		2,232,488	2,248,292
Current assets			
Inventories		**293,728**	292,685
Trade receivables	*12*	**605,732**	498,480
Bills receivable	*12*	**508,088**	525,956
Prepayments, deposits and other receivables		**156,379**	167,364
Prepaid lease payments		**8,614**	8,463
Tax recoverable		**75**	175
Bank balances and cash		**309,159**	175,923
		1,881,775	1,669,046
Current liabilities			
Trade payables	*13*	**265,062**	199,065
Other payables and accruals	*14*	**156,336**	224,314
Tax payable		**26,369**	21,445
Loan from a related company	*15*	**129,277**	123,327
Bank borrowings	*16*	**932,063**	824,941
Derivative financial instruments		**209**	–
		1,509,316	1,393,092
Net current assets		**372,459**	275,954
Total assets less current liabilities		**2,604,947**	2,524,246

	Notes	**30 June 2013 (Unaudited)** *HK$'000*	31 December 2012 (Audited) *HK$'000*
Non-current liabilities			
Bank borrowings	*16*	**500,917**	436,986
Other payable		**1,226**	1,154
Deferred tax liabilities		**23,310**	21,556
		525,453	459,696
Net assets		**2,079,494**	2,064,550
Capital and reserves			
Share capital	*17*	**192,290**	192,290
Reserves		**1,887,204**	1,872,260
Total equity		**2,079,494**	2,064,550

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and derivative financial instruments, 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 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has adopted the following new accounting policy:

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

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

The impact of the application of these standards is set out below.

Amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The Group has outstanding derivative instruments presented as derivative financial instruments under current liabilities in the condensed consolidated statement of financial position which are under master netting agreements.

The amendments have been applied retrospectively. For the purpose of preparing the condensed consolidated financial statements, the additional disclosures are not presented but will be included in the Group's consolidated financial statements for the year ending 31 December 2013.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 10 ***Consolidated Financial Statements***

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) - Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company have assessed the impact of the application of HKFRS 10 to the Group and concluded that its application in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

HKFRS 12 ***Disclosure of Interests in Other Entities***

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards in the consolidated financial statements.

The directors of the Company concluded that the application of HKFRS 12 will not result in more disclosures in the consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirement previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's investment properties and leasehold land and buildings, will be presented in the consolidated financial statements for the year ending 31 December 2013. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the condensed consolidated financial statements.

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

3. SEGMENT INFORMATION

Information reported to the Company's managing director, being the chief operating decision maker (the "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.

No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the CODM for review.

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

Six months ended 30 June 2013

	Steel cord (Unaudited) *HK$'000*	**Copper and brass products (Unaudited)** *HK$'000*	**Segment total (Unaudited)** *HK$'000*
Segment revenue			
External sales	**669,149**	**202,622**	**871,771**
Inter-segment sales *(Note)*	**–**	**12,101**	**12,101**
Total	**669,149**	**214,723**	**883,872**
Segment results	**20,223**	**(1,569)**	**18,654**

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

Reconciliation of revenue

	(Unaudited) *HK$'000*
Total revenue for operating segments	**883,872**
Rental income	**660**
Elimination of inter-segment sales	**(12,101)**
Group's revenue	**872,431**

Reconciliation of loss before tax

	(Unaudited) *HK$'000*
Total profit for operating segments	**18,654**
Profit arising from property investment	**3,788**
Unallocated amounts	
Unallocated income	**469**
Unallocated foreign exchange gains, net	**5,840**
Unallocated expenses	**(13,209)**
Unallocated finance costs	**(40,340)**
Loss before tax	**(24,798)**

Six months ended 30 June 2012

	Steel cord (Unaudited) *HK$'000*	Copper and brass products (Unaudited) *HK$'000*	Segment total (Unaudited) *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 revenue 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)

Segment results represents the profit and loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits 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	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Investment income		
Interest income on bank deposits	**463**	513
Other income		
Government grants *(Note)*	**2,036**	650
Sales of scrap materials	**430**	894
Others	**195**	246
	2,661	1,790
	3,124	2,303

Note: The government grants represented immediate financial supports granted by the local government. There were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Foreign exchange gains (losses), net	**2,041**	(3,470)
Increase in fair value of investment properties	**3,427**	1,596
Allowance for bad and doubtful debts reversed (recognised), net	**9,269**	(35,935)
Reversal of revaluation deficit of leasehold land and buildings	**–**	753
Gain on disposal of property, plant and equipment, net	**34**	211
Fair value loss on derivative financial instruments	**(209)**	–
	14,562	(36,845)

6. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest expenses on bank borrowings wholly repayable within five years	**33,006**	30,064
Interest expenses on loan from a related company wholly repayable within five years	**4,488**	1,210
Amortisation of transaction costs	**3,040**	4,165
Total borrowing costs	**40,534**	35,439
Less: amounts capitalised	**(194)**	(475)
	40,340	34,964

Borrowing costs capitalised during the six months ended 30 June 2013 arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.69% (six months ended 30 June 2012: 4.81%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**3,950**	3,316
(Over) underprovision in prior periods:		
PRC Enterprise Income Tax	**(80)**	107
Deferred tax	**1,337**	(2,434)
	5,207	989

For the six months ended 30 June 2013 and 30 June 2012, no provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax, the Company's major subsidiaries in the PRC are subject to a tax rate of 25%.

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, these two subsidiaries are in the final year of entitling 50% relief from PRC Enterprise Income Tax. The PRC Enterprise Income Tax charges for the six months ended 30 June 2012 are arrived at after taking into account these tax incentives.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**70,209**	79,567
Allowance for inventories recognised (included in "Cost of sales")	**–**	4,937
Amortisation of prepaid lease payments (included in "Cost of sales")	**4,265**	4,222

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss		
Loss for the period for the purposes of calculation of basic and diluted loss per share	**(30,005)**	(94,274)

	Six months ended 30 June	
	2013	2012
Number of shares		
Number of ordinary shares for the purposes of calculation of basic and diluted loss per share	**1,922,900,556**	1,922,900,556

The computation of diluted loss per share does not assume the exercise of (i) the Company's outstanding share options during the six months ended 30 June 2013 and 30 June 2012 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.

10. DIVIDEND

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

During the six months ended 30 June 2013, the Group incurred approximately HK$9,221,000 (six months ended 30 June 2012: HK$28,463,000) on the expansion of production capacity of steel cord segment. In addition, the Group also acquired approximately HK$673,000 (six months ended 30 June 2012: HK$806,000) of other property, plant and equipment in the current interim period.

During the six months ended 30 June 2013, the Group disposed of certain machineries with an aggregate carrying amount of HK$181,000 (six months ended 30 June 2012: HK$3,379,000) for cash proceeds of HK$215,000 (six months ended 30 June 2012: HK$3,590,000), resulting in a gain on disposal of HK$34,000 (six months ended 30 June 2012: gain on disposal of HK$211,000).

The fair value of the Group's investment properties at the end of the reporting period has been arrived at on the basis of a valuation carried out on that date by Grant Sherman Appraisal Limited ("Grant Sherman"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity. The resulting increase in fair value of investment properties of approximately HK$3,427,000 (six months ended 30 June 2012: HK$1,596,000) has been credited to profit or loss for the period.

The leasehold land and buildings of approximately HK$390,784,000 (31 December 2012: HK$385,505,000) included in property, plant and equipment were valued by Grant Sherman on either: (1) an open market value basis by reference to recent market transactions for comparable properties; or (2) on basis of depreciated replacement costs for certain properties in the absence of a known market based on comparable sales at the end of the reporting period. The resulting increase in fair value of leasehold land and buildings has been credited to property revaluation reserve of approximately HK$9,648,000 (six months ended 30 June 2012: HK$14,218,000), and no reversal of revaluation deficit of leasehold land and buildings has been recognised to profit or loss for the period (six months ended 30 June 2012: HK$753,000).

12. TRADE RECEIVABLES/BILLS RECEIVABLE

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

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period presented based on the sales invoice dates, which approximated the respective revenue recognition dates, is as follows:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
0 – 90 days	**468,250**	390,454
91 – 180 days	**117,716**	89,952
Over 180 days	**19,766**	18,074
	605,732	498,480

An aged analysis of bills receivable at the end of the reporting period based on the sales invoice dates, which approximated the respective revenue recognition dates, is as follows:

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
0 – 90 days	**16,879**	17,165
91 – 180 days	**171,639**	184,653
Over 180 days	**319,570**	324,138
	508,088	525,956

Included in bills receivable as at 30 June 2013 was an amount of approximately HK$26,615,000 (31 December 2012: HK$6,166,000) and approximately HK$168,636,000 (31 December 2012: HK$176,904,000) that have been discounted to banks and have been endorsed to certain creditors respectively, on a full recourse basis.

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

13. TRADE PAYABLES

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

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
0 – 30 days	**96,682**	89,633
31 – 90 days	**92,755**	61,965
91 – 180 days	**65,717**	40,082
181 – 365 days	**8,432**	6,655
Over 1 year	**1,476**	730
	265,062	199,065

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

14. OTHER PAYABLES AND ACCRUALS

At 30 June 2013, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$116,608,000 (31 December 2012: HK$172,310,000).

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, bear interest at 6% per annum and repayable within one year.

16. BANK BORROWINGS

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Trust receipt loans	**38,910**	32,071
Other bank loans	**1,367,455**	1,223,690
Discounted bills with recourse	**26,615**	6,166
	1,432,980	1,261,927
Secured	**174,474**	245,364
Unsecured	**1,258,506**	1,016,563
	1,432,980	1,261,927

During the six months ended 30 June 2013, the Group obtained new bank borrowings of approximately HK$669,046,000 (six months ended 30 June 2012: HK$245,184,000) and repaid bank borrowings of approximately HK$501,769,000 (six months ended 30 June 2012: HK$396,079,000). These borrowings carry interest at market rates ranging from 1.76% to 7.22% per annum (six months ended 30 June 2012: 1.90% to 9.06% per annum) and are repayable over a period of one to three years.

The Group has classified the bank borrowings of HK$932,063,000 (31 December 2012: HK$824,941,000) as current liabilities. Of which HK$598,521,000 (31 December 2012: HK$782,441,000) are repayable within one year according to agreed scheduled repayment dates and HK$333,542,000 (31 December 2012: HK$42,500,000) that are not repayable within one year from the end of the reporting period but contain a repayable on demand clause.

17. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	Number of shares *'000*	Nominal value *HK$'000*
Authorised:		
At 1 January 2012, 31 December 2012 and 30 June 2013	5,000,000	500,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 30 June 2013	1,922,901	192,290

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Review of operations

The global economy continued to maintain a low rate of growth during the first half year. In the PRC, the place where the Group mainly operates, recorded a slower pace in economic growth of 7.6% during the said period. Due to the slower economic growth and the persistent tightening monetary policy in the PRC, the operating environment of the steel cord industry remained competitive during the period. The selling price of steel cords continued to drop but stabilized gradually. On the other hand, the prices of raw materials also dropped which counteracted the impact of decline in selling price of steel cords. As a result, the Steel cord segment achieved a significant increase in EBITDA as compared to the same period last year; however, it still recorded operating loss during the period, albeit decreased significantly as compared to the same period last year.

In respect of the Copper and brass products segment, its operation in the first half year was affected by the stagnant economic performance in other major developed regions including the United States and Europe. The demand of copper products outside the PRC remained weak while the decline in copper price during the period also eroded its profit margin. Attributable to the lower demand and declining copper price, this segment recorded significant increase in operating loss during the period.

In all, the Group reported significant increase in EBITDA of 253.4% over the same period last year to HK$90,016,000 (2012: HK$25,468,000) for the period; while net loss decreased by 68.2% as compared to the same period last year to HK$30,005,000 (2012: HK$94,274,000) for the period.

Steel cord

Overall performance

This segment continued to achieve steady growth in sales volume during the period. Furthermore, both our steel cord manufacturing plants accomplished lower unit production cost of steel cords in light of decline in the prices of raw materials and reduction in other production costs which was attributable to enhancement in production efficiency and higher production volume. Such decrease in unit production cost of steel cords contributed to the significant increase in gross profit of 69.3% as compared to the same period last year.

In addition, the quality of trade receivables improved during the period and given our perseverance, certain bad and doubtful debts were recovered that resulted in the reversal of allowance for bad and doubtful debts of HK$9,269,000 for the period, as compared to allowance for bad and doubtful debts of HK$35,935,000 made at the same period last year. Therefore, this segment recorded a significant increase in EBITDA of 127.0% as compared to the same period last year to HK$93,717,000 (2012: HK$41,293,000) for the period. If this allowance and the reversal were excluded, EBITDA of this segment would be HK$84,448,000 for the period, increased by 9.3% as compared to HK$77,228,000 for the same period last year.

In corollary to the increase in EBITDA, this segment achieved an operating profit of HK$20,223,000, significant improvement as compared to an operating loss of HK$41,744,000 for the same period last year.

Revenue

This segment sold 51,629 tonnes of steel cords during the period, increased by 5.8% as compared to 48,809 tonnes in the same period last year. In respect of its sawing wire business, this segment sold 332 tonnes (2012: 514 tonnes) of half products and 94 tonnes (2012: 137 tonnes) of final products respectively. The sales volume of both half product and final product of sawing wire dropped as compared to the same period last year due to the discernible slowdown in the solar energy sector since the second half year of 2012. The analysis of sales volume of this segment is as follows:

	For the six months ended 30 June				
	2013		2012		
	Sales volume *(Tonne)*	**% of total sales volume of steel cord**	Sales volume *(Tonne)*	% of total sales volume of steel cord	**% change**
Steel cords for					
– truck tyres	**37,337**	**72.3**	34,829	71.4	**+7.2**
– off the road truck tyres	**1,953**	**3.8**	1,724	3.5	**+13.3**
– passenger car tyres	**12,339**	**23.9**	12,256	25.1	**+0.7**
Total for steel cords	**51,629**	**100.0**	48,809	100.0	**+5.8**
Sawing wires:					
– half product	**332**		514		**-35.4**
– final product	**94**		137		**-31.4**
Total for sawing wires	**426**		651		**-34.6**
Other steel wires	**47**		199		**-76.4**
Total	**52,102**		49,659		**+4.9**

There was no significant change in sales mix of steel cords during the period, steel cords for truck tyres remained the largest part of sales of steel cords which accounted for 72.3% of sales of steel cords for the period.

In respect of sales of steel cords by region, the export sales volume of steel cords amounted to 5,284 tonnes (2012: 6,073 tonnes) for the period, decreased by 13.0% as compared to the same period last year; its percentage to total sales volume was 10.2% for the period, lower as compared to 12.4% for the same period last year. An analysis of sales of steel cords is as follows:

	For the six months ended 30 June				
	2013		2012		
	Sales volume *(Tonne)*	**% of total sales volume of steel cords**	Sales volume *(Tonne)*	% of total sales volume of steel cords	**% change**
Domestic	**46,345**	**89.8**	42,736	87.6	**+8.4**
Export	**5,284**	**10.2**	6,073	12.4	**-13.0**
Total	**51,629**	**100.0**	48,809	100.0	**+5.8**

The sales volume of steel cords contributed by the two manufacturing plants, JESC and TESC during the period is as follows:

	JESC *(Tonne)*	**TESC *(Tonne)***	**Total *(Tonne)***
Steel cords for			
– truck tyres	**22,536**	**14,801**	**37,337**
– off the road truck tyres	**1,953**	**–**	**1,953**
– passenger car tyres	**10,916**	**1,423**	**12,339**
Total	**35,405**	**16,224**	**51,629**
Sales volume for the same period last year	32,046	16,763	48,809
% change	**+10.5%**	**-3.2%**	**+5.8%**

The average selling price of steel cords dropped by 5.1% as compared to the same period last year to RMB10,305 (2012: RMB10,860) per tonne for the period. Despite the drop, the pressure on downward selling price tapered off during the period. The average selling price of steel cord decreased slightly by approximately 0.8% as compared to RMB10,389 per tonne in the second half of last year.

The revenue from sales of half product and final product of sawing wires amounted to HK$6,792,000 for the period, decreased by 59.2% as compared to HK$16,656,000 for the same period last year, owing to the lower sales volume and tremendous decline in selling price of sawing wires as compared to the same period last year. In all, the increase in revenue from sales of steel cords was offset by the decrease in revenue from sales of sawing wire products, therefore the revenue of this segment slightly dropped by 0.3% as compared to the same period last year to HK$669,149,000 (2012: HK$671,209,000) for the period.

Gross profit

Gross profit of this segment significantly increased by 69.3% over the same period last year to HK$71,839,000 (2012: HK$42,444,000) for the period. Gross profit margin improved from 6.3% in the same period last year to 10.7% for the period. The breakdown is as follows:

	For the six months ended 30 June				
	2013		2012		
		Gross profit		Gross profit	
	HK$'000	**margin *(%)***	*HK$'000*	margin *(%)*	**% change**
JESC	**67,441**	**14.3**	48,002	10.2	**+40.5**
TESC	**4,156**	**1.8**	(6,130)	-2.7	**N/A**
Others and elimination of intercompany sales	**242**	**N/A**	572	N/A	**-57.7**
Total	**71,839**	**10.7**	42,444	6.3	**+69.3**

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.

Investment and other income

Investment and other income increased by 48.4% over the same period last year to HK$2,841,000 (2012: HK$1,915,000) for the period, mainly as the amount of government grants increased by 313.8% over the same period last year to HK$2,036,000 (2012: HK$492,000) for the period.

Reversal of (allowance for) bad and doubtful debts

There was reversal of allowance for bad and doubtful debts of HK$9,269,000 for the period, being the result of persistent effort on the management of quality of trade receivables and the recovery of long overdue debts since the end of last year at which an allowance for bad and doubtful debts of HK$59,439,000 was made.

Distribution and selling expenses

Distribution and selling expenses decreased by 11.8% as compared to the same period last year to HK$19,789,000 (2012: HK$22,439,000) for the period.

Administrative expenses and research and development expenses

The amount of administrative expenses slightly increased by 0.8% as compared to the same period last year to HK$20,220,000 (2012: HK$20,063,000) for the period; while research and development expenses significantly increased by 179.7% over the same period last year to HK$19,150,000 (2012: HK$6,847,000) for the period as this segment deployed more resources on the development of new specifications of steel cord for ongoing market expansion.

Copper and brass products

Overall performance

The performance of this segment for the period was largely affected by the subdued economic growth in the major economies of the United States and Europe and the declining copper price during the period. Overall sales volume decreased despite a steady growth in sales volume in Mainland China. Furthermore, the continuous decline in copper price eroded the gross profit margin of this segment. Attributable to these negative factors, this segment incurred an operating loss of HK$1,569,000 for the period, significantly increased by 340.7% as compared to HK$356,000 for the same period last year.

Revenue

This segment sold 4,007 tonnes of copper and brass products during the period, slightly dropped by 1.2% as compared to 4,055 tonnes for the same period last year. The proportion of sales in the Mainland China continued to increase, sales volume in Mainland China increased by 6.7% over the same period last year, and its percentage to total sales volume increased from 67.0% in the same period last year to 72.4% for the period. However, sales to other regions dropped by 17.3% as compared to the same period last year, attributable to the softened demand in other major developed regions. The breakdown of sales volume by geographical location is as follows:

	For the six months ended 30 June				
	2013		2012		
	Sales volume *(Tonne)*	**% of total sales volume**	Sales volume *(Tonne)*	% of total sales volume	**% change**
Mainland China	**2,900**	**72.4**	2,717	67.0	**+6.7**
Other regions	**1,107**	**27.6**	1,338	33.0	**-17.3**
Total	**4,007**	**100.0**	4,055	100.0	**-1.2**

Due to the decline in copper price, average selling price dropped from HK$55,292 per tonne in the same period last year to HK$53,588 per tonne for the period, representing a decrease of 3.1%. As both sales volume and average selling price dropped as compared to the same period last year, this segment recorded a decline in revenue of 4.2% as compared to the same period last year to HK$214,723,000 (2012: HK$224,231,000) for the period.

Gross profit

The decrease in revenue of this segment and the decline in copper price during the period affected the gross profit of this segment, which dropped by 23.8% as compared to the same period last year to HK$2,908,000 (2012: HK$3,817,000) for the period. Gross profit margin dropped from 1.7% in the same period last year to 1.4% for the period.

FINANCIAL REVIEW

The Group reported net loss of HK$30,005,000 for the period, significantly lowered by 68.2% as compared to HK$94,274,000 for the same period last year. EBITDA amounted to HK$90,016,000 for the period, significantly increased by 253.4% as compared to HK$25,468,000 for the same period last year. When the reversal of (allowance for) bad and doubtful debts was excluded, EBITDA would be HK$80,747,000 for the period, increased by 31.5% as compared to HK$61,403,000 for the same period last year.

Revenue

Revenue of the Group amounted to HK$872,431,000 (2012: HK$884,976,000) for the period, representing a slight decrease of 1.4% as compared to the same period last year, mainly because of the decrease in sales revenue of Copper and brass products segment. The breakdown of revenue by business segments is as follows:

	For the six months ended 30 June				
	2013		2012		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cord	**669,149**	**76.7**	671,209	75.9	**-0.3**
Copper and brass products	**214,723**	**24.6**	224,231	25.3	**-4.2**
Sub-total	**883,872**	**101.3**	895,440	101.2	
Elimination of inter-segment sales	**(12,101)**	**(1.4)**	(10,880)	(1.2)	**+11.2**
Property rental income	**660**	**0.1**	416	–	**+58.7**
Total	**872,431**	**100.0**	884,976	100.0	**-1.4**

Gross profit

Gross profit of the Group significantly increased by 61.7% over the same period last year to HK$75,353,000 (2012: HK$46,595,000) for the period, which was mainly contributed by the significant increase in gross profit of Steel cord segment by 69.3% over the same period last year. Gross profit margin was 8.6% for the period, higher by 3.3 percentage points as compared to 5.3% of the same period last year. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				
	2013		2012		
		Gross profit		Gross profit	
	HK$'000	**margin *(%)***	*HK$'000*	margin *(%)*	**% change**
Steel cord	**71,839**	**10.7**	42,444	6.3	**+69.3**
Copper and brass products	**2,908**	**1.4**	3,817	1.7	**-23.8**
Property rental income	**606**	**91.8**	334	80.3	**+81.4**
Total	**75,353**	**8.6**	46,595	5.3	**+61.7**

Investment and other income

Investment and other income increased by 35.6% over the same period last year to HK$3,124,000 (2012: HK$2,303,000) for the period, mainly as the amount of government grants increased by 213.2% to HK$2,036,000 (2012: HK$650,000) for the period.

Other gains and losses

The Group recorded net gain of HK$14,562,000 for the period, as compared to net loss of HK$36,845,000 for the same period last year. The net gain for the period was attributable to the followings:

1. The Group recorded exchange gain of HK$2,041,000 for the period as compared to exchange loss of HK$3,470,000 for the same period last year, as the exchange rate of RMB recorded an appreciation of approximately 1.8% against HKD over the period, whereas RMB had a corresponding depreciation of 0.6% over the same period last year. Contributed by the appreciation of RMB during the period, the Group therefore recorded exchange gain on its HKD and USD denominated bank borrowings.

2. There was reversal of allowance for bad and doubtful debts of HK$9,269,000 in respect of trade receivables of Steel cord segment during the period, instead of allowance for bad and doubtful debts of HK$35,935,000 made in the same period last year.

The breakdown of other gains and losses is as follows:

	For the six months ended 30 June		
	2013	2012	
	HK$'000	*HK$'000*	**% change**
Foreign exchange gains (losses), net	**2,041**	(3,470)	**N/A**
Increase in fair value of investment properties	**3,427**	1,596	**+114.7**
Reversal of (allowance for) bad and doubtful debts	**9,269**	(35,935)	**N/A**
Reversal of revaluation deficits of leasehold land and buildings	**–**	753	**-100.0**
Others	**(175)**	211	**N/A**
Total	**14,562**	(36,845)	**N/A**

Distribution and selling expenses and administrative expenses

The implementation of cost control measures was on track during the period, both distribution and selling expenses and administrative expenses decreased as compared to the same period last year.

Distribution and selling expenses amounted to HK$21,674,000 (2012: HK$24,309,000) for the period, representing a decrease of 10.8% as compared to the same period last year. Administrative expenses amounted to HK$36,673,000 (2012: HK$39,218,000) for the period, decreased by 6.5% as compared to the same period last year.

Research and development expenses

Research and development expenses of the Group amounted to HK$19,150,000 for the period, significantly increased by 179.7% as compared to HK$6,847,000 for the same period last year. Such expenses were all incurred by Steel cord segment, which have been mentioned in "Steel cord" section above.

Segment results

The Group recorded operating profit of HK$18,654,000 from its business segments during the period, significant improvement as compared to operating loss of HK$42,100,000 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		
	2013	2012	
	HK$'000	*HK$'000*	**% change**
Steel cords	**20,223**	(41,744)	**N/A**
Copper and brass products	**(1,569)**	(356)	**+340.7**
Total	**18,654**	(42,100)	**N/A**

Finance costs

Finance costs amounted to HK$40,340,000 for the period, increased by 15.4% as compared to HK$34,964,000 for the same period last year. The increase in finance costs was mainly due to the increase of interest bearing borrowings to finance the capital expenditures and working capital needs of Steel cord segment.

Income tax expenses

Income tax expenses of the Group amounted to HK$5,207,000 (2012: HK$989,000) for the period, sharply increased by 426.5% over the same period last year. Such increase in income tax expenses was mainly attributable to the increase in profits of JESC, which could not be offset against losses incurred by other group entities during the period.

Trade receivables

The amount of trade receivables (before allowance for bad and doubtful debts) amounted to HK$656,998,000 at 30 June 2013, increased by 17.7% as compared to HK$558,015,000 at 31 December 2012. The increase in trade receivables as compared to the end of 2012 was mainly because of the higher revenue of the Group for the second quarter of the current year as compared to the fourth quarter of last year. The amount of allowance for bad and doubtful debts lowered from HK$59,535,000 at the end of 2012 to HK$51,266,000 at 30 June 2013, represented a decrease of 13.9% as (i) during the period, there were recovery of certain bad and doubtful debts from customers of Steel cord segment that we had ceased sales since last year; and (ii) the quality of trade receivables in respect of customers with ongoing sales improved that commanded a lower rate of allowance made. In respect of those receivables that allowance was made at 30 June 2013, we will keep on our continual actions to recover these receivables, including the negotiation of payment by way of assets other than cash and/or instituting legal actions against these customers to claim our payment back in the second half year.

In respect of the trade receivables at 30 June 2013, approximately 48.6% has been subsequently settled by cash or bills receivable up to 27 August 2013, details are as follows:

Age	**Amount at 30 June 2013** *HK$'000*	% of subsequent settlement
0 - 90 days	**468,250**	43.7
91 - 180 days	**117,716**	64.4
Over 180 days	**19,766**	70.5
Total	**605,732**	48.6

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders. 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 Company during the period, the issued share capital of the Company remained at 1,922,900,556 Shares at 30 June 2013. The net asset value of the Group was HK$2,079,494,000 at 30 June 2013, increased by 0.7% as compared to HK$2,064,550,000 at 31 December 2012; and net asset value per Share also increased by 0.7% as compared to the end of 2012 to HK$1.08 per Share at 30 June 2013.

Although the Group reported loss of HK$30,005,000 for the period, through strengthening credit control on sales and trade receivables, and improving raw materials procurement and inventory management, it generated net cash operating inflow of HK$41,434,000 for the period as follows:

	HK$'000
Net cash used in operating activities as per condensed consolidated statement of cash flows	(28,639)
Add: Operating cash inflows not reflected in the condensed consolidated statement of cash flows (non-cash transactions):	
Bills receivable that has been discounted to banks at 31 December 2012 and matured during the period	10,802
Bills receivable endorsed to creditors of the Group at 31 December 2012 to settle payable for purchase of property, plant and equipment and matured during the period	59,271
Net cash inflow from operating activities for the period	41,434

Furthermore, the Group incurred net cash outflow on investing activities of HK$7,126,000 during the period, primarily represented the capital expenditures incurred by Steel cord segment for enhancement of its production facilities.

The Group's bank balances and cash amounted to HK$309,159,000 at 30 June 2013, increased by 75.7% as compared to HK$175,923,000 at 31 December 2012. Total interest bearing borrowings (including bank borrowings and loan from a related company) of the Group were HK$1,562,257,000 at 30 June 2013, increased by 12.8% as compared to HK$1,385,254,000 at 31 December 2012.

At 30 June 2013, HK$1,121,193,000 of bank borrowings were floating-rate borrowings, while HK$311,787,000 of bank borrowings were collared at rate ranging from 1.76% to 7.22% per annum. The nature and maturity profile of the Group's bank borrowings at 30 June 2013, based on contracted repayment schedules were as follows:

	HK$'000	**% of total bank borrowings**
Due in the second half year of 2013:		
– Trust receipt loans	38,910	2.7
– Bank advances for discounted bills	26,615	1.8
– Working capital loans	208,600	14.6
– Short and medium term loans	237,273	16.6
	511,398	35.7
Short and medium term loans and working capital loans:		
– Due in 2014	311,490	21.7
– Due in 2015	464,698	32.4
– Due in 2016	150,000	10.5
	1,437,586	100.3
Unamortized loan arrangement fees	(4,606)	(0.3)
Total	1,432,980	100.0

Gearing ratio (total interest bearing borrowings less bank balances and cash/shareholders' equity) of the Group increased from 58.6% at 31 December 2012 to 60.3% at 30 June 2013. The current ratio of the Group was 1.25 times at 30 June 2013, improved as compared to 1.20 times at 31 December 2012.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. 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 2013, the currency breakdown of the Group's bank borrowings was as follows:

	30 June 2013	31 December 2012
	%	%
HKD	**42.4**	30.6
RMB	**51.6**	61.0
USD	**6.0**	8.4
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 cash flows of the Group, as we were of the view that interest rate would sustain at a relatively low level for at least the remaining part of the year.

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 Group during the period amounted to HK$9,894,000, which was mainly incurred by Steel cord segment for enhancement of its production facilities.

The capital expenditures to be incurred in the second half year of 2013 are estimated to be approximately HK$5,592,000, which are also mainly to be incurred by Steel cord segment. These capital expenditures will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2013, the Group had a total of 2,156 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the period amounted to approximately HK$7,397,000. 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 the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

Share options granted under the 2002 Scheme remain valid and exercisable in accordance with the terms of issue.

During the period, no options were granted, exercised and cancelled under the 2002 Scheme and 2012 Scheme while 76,478,000 share options lapsed under the 2002 Scheme.

PLEDGE OF ASSETS

At 30 June 2013, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with net book value of HK$10,800,000;

2. Prepaid lease payments amounted to HK$88,319,000; and

3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

Looking forward, the timing of the exit of the United States from quantitative easing monetary policies, the United States Federal Reserve's timing on the tapering of its asset purchase program and the persisting European debts issues still affect global economy. The economic outlook of Mainland China is anticipated to remain challenging with uncertainties on the domestic fiscal and monetary policies which might affect the performance of our Steel cord and Copper and brass products segments.

As said, the oversupply situation in the steel cord industry in the PRC is likely to persist in the future and the culmination of which is the pressure on selling prices. Over the course of the last couple of years, we have seen price erosion which renders a discernible drop in gross profit margin across the industry. However, in the first half year of 2013, we have been able to meet our goal in defending our market share as demonstrated by the increase in sales tonnage and counter the pressure on our average selling prices with vigilant cost cutting efforts as depicted by the improvement on our gross profit margin and EBITDA of both JESC and TESC. These efforts will be on going and more specifically, we will continue to invest in our product research and development with a view to better serve our high end and international customers which in turn should ameliorate our profitability and enhance the quality of our trade receivables.

Despite of uncertain global market conditions on copper business, oversupply of steel cords, sustained price pressure and increasingly competitive market conditions, we will focus on carrying out our cost control measures, carefully expand our client base and develop potential overseas markets, and improve our cash flow position to abate any unexpected adverse incident. In summary, the Group will continue to adopt prudent approach on the existing businesses with a target of turning them around by the end of 2013.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2013.

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.

In view of the changes of statutory inside information by the Securities and Futures (Amendment) Ordinance 2012 and consequential on the Listing Rules, and also the enhancement of fairness, transparency, accountability and responsibility of the Company, and the abatement of any negative impact on the Company when certain events such as short selling of the securities, market rumours related to the Company occur, the Company had adopted two policies, namely, Contingency Plan for Market Rumours and Short Selling of the Securities of Shougang Concord Century Holdings Limited, and Codes on Promotion and Advertising during the period.

In view of the implementation of a new code provision on board diversity of Appendix 14 of the Listing Rules, on 11 June 2013, the Board had reviewed analysis on board diversity of the Company. The Shougang Concord Century Holdings Limited Board Diversity Policy and the Nomination Committee's Terms of Reference have also been adopted and amended respectively on 26 August 2013.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the six months ended 30 June 2013, except for deviation from code provision D.1.4 of the Code. Due to the nomination of Mr. Zhang Zhong (the executive Director) as the representative of NV Bekaert SA ("Bekaert"), a substantial Shareholder in accordance with the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert, 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 Group and the Board, I would like to extend my sincere thanks and appreciations to our Shareholders, customers, suppliers, business partners and all the employees for their continuous supports and trusts to the Group during the period.

DEFINITIONS

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

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

"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries
"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Internal Control Manual"	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
"JESC"	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
"Share(s)"	ordinary share(s) of 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 2013

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. Zhang Wenhui (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.irasia.com/listco/hk/sccentury/ and the Stock Exchange at http://www.hkexnews.hk. The 2013 Interim Report will be despatched to Shareholders and made available on the above websites in due course.