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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

HIGHLIGHTS

Revenue increased by 18% to HK$831,640,000 (2007: HK$704,716,000)

Net profit before allowance for inventories and non-cash/non-recurring expenses* increased by 13.2% to HK$120,927,000 (2007: HK$106,786,000)

Profit for the year decreased by 67.1% to HK$34,762,000 (2007: HK$105,762,000)

Net asset value increased by 22.5% to HK$1,836,685,000 (31 December 2007: HK$1,499,929,000)

* *Including (i) share-based payment expenses of HK$26,791,000 (2007: HK$1,291,000); (ii) exchange losses of HK$21,154,000 that mainly arising from the translation of Hong Kong Dollar monetary assets and liabilities into Renminbi; (iii) realised loss on leveraged foreign exchange contract of HK$9,397,000; and (iv) change in fair value loss on leveraged foreign exchange contract of HK$1,396,000.*

The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") announced the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 and that final results were reviewed by the Audit Committee of the Company and agreed with the auditors:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
Revenue	2	**831,640**	704,716
Cost of sales		**(760,758)**	(612,479)
Gross profit		**70,882**	92,237
Investment income	4	**11,736**	4,416
Other income and gains	5	**112,947**	86,526
Other expense and losses	6	**(32,105)**	(4,406)
Distribution and selling expenses		**(15,382)**	(8,903)
Administrative expenses		**(88,583)**	(49,650)
Finance costs	7	**(4,361)**	(11,786)
Share of result of a jointly controlled entity		**(1,820)**	3,015
Share of result of an associate		**–**	7,423
Profit before taxation		**53,314**	118,872
Income tax expenses	8	**(18,552)**	(13,110)
Profit for the year	9	**34,762**	105,762
Dividends	10	**37,642**	12,761
Earnings per share	11		
Basic		**HK1.87 cents**	HK8.22 cents
Diluted		**HK1.82 cents**	HK7.68 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Investment properties		**18,396**	16,340
Property, plant and equipment		**843,007**	507,637
Prepaid lease payments		**31,974**	8,616
Interests in a jointly controlled entity		**26,186**	39,467
Goodwill		**41,672**	41,672
Club memberships		**719**	675
Available-for-sale investments		**29,218**	357,657
Deposit paid for acquisition of prepaid lease		**13,040**	–
		1,004,212	972,064
Current assets			
Inventories		**233,095**	110,701
Trade receivables	12	**197,929**	175,414
Bills receivable	12	**172,865**	203,661
Entrusted loan receivable		**17,009**	–
Prepayments, deposits and other receivables		**64,549**	7,196
Prepaid lease payments		**1,333**	539
Amounts due from related companies		**949**	5,875
Tax recoverable		**1,388**	3,068
Derivative financial instruments		**–**	4
Restricted bank deposits		**3,000**	3,000
Bank balances and cash		**399,322**	393,624
Dividend receivables		**–**	4,792
		1,091,439	907,874
Current liabilities			
Trade payables	13	**75,545**	39,728
Other payables and accruals		**53,742**	25,102
Tax payable		**5,622**	7,816
Amount due to a jointly controlled entity		**4,189**	–
Bank borrowings – due within one year		**55,877**	186,542
Derivative financial instrument		**1,396**	–
		196,371	259,188

	Note	2008 *HK$'000*	2007 *HK$'000*
Net current assets		**895,068**	648,686
Total assets less current liabilities		**1,899,280**	1,620,750
Non-current liabilities			
Bank borrowings – due after one year		**59,854**	86,604
Other payable		**1,425**	1,830
Deferred tax liabilities		**1,316**	32,387
		62,595	120,821
		1,836,685	1,499,929
Capital and reserves			
Share capital	14	**186,774**	138,435
Reserves		**1,649,071**	1,360,654
Equity attributable to equity holders of the Company		**1,835,845**	1,499,089
Share option reserve of a subsidiary		**840**	840
		1,836,685	1,499,929

Notes:

1. **APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretation ("HK(IFRIC)") – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK (IFRIC) – Int 12	Service Concession Arrangements
HK (IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

1. Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2. Effective for annual periods beginning on or after 1 January 2009
3. Effective for annual periods beginning on or after 1 July 2009
4. Effective for annual periods ending on or after 30 June 2009
5. Effective for annual periods beginning on or after 1 July 2008
6. Effective for annual periods beginning on or after 1 October 2008
7. Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the Group's annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, and gross rental income during the year.

An analysis of the Group's revenue is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cords	**573,840**	436,767
Processing and trading of copper and brass products	**192,974**	266,554
Trading of pre-stressed concrete strands and wires	**64,054**	481
	830,868	703,802
Rental income	**772**	914
	831,640	704,716

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's primary format for reporting segment information is business segments.

(a) Business segments

For the year ended 31 December 2008

	Steel cord *HK$'000*	Copper and brass products *HK$'000*	Investment *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue						
External sales	573,840	192,974	–	64,826	–	831,640
Inter-segment sales	–	241	–	–	(241)	–
Total	573,840	193,215	–	64,826	(241)	831,640
Result						
Segment result	61,346	(11,990)	97,476	(6,036)		140,796
Unallocated income						9,929
Unallocated expenses						(91,230)
Finance costs						(4,361)
Share of result of a jointly controlled entity						(1,820)
Profit before taxation						53,314
Income tax expenses						(18,552)
Profit for the year						34,762

For the year ended 31 December 2007

	Steel cord	Copper and brass products	Investment	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue					
External sales	436,767	266,554	–	1,395	704,716
Result					
Segment result	52,804	10,958	66,736	5,262	135,760
Unallocated income					12,862
Unallocated expenses					(28,402)
Finance costs					(11,786)
Share of result of a jointly controlled entity					3,015
Share of result of an associate					7,423
Profit before taxation					118,872
Income tax expenses					(13,110)
Profit for the year					105,762

(b) Geographical segments

	Hong Kong		**Other regions in the People's Republic of China (the "PRC")**		**Others**		**Consolidated**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**179,199**	234,823	**548,596**	422,989	**103,073**	45,990	**830,868**	703,802
Gross rental income	**471**	472	**301**	442	**–**	–	**772**	914
	179,670	235,295	**548,897**	423,431	**103,073**	45,990	**831,640**	704,716

4. INVESTMENT INCOME

	2008	2007
	HK$'000	*HK$'000*
Interest income on bank deposits	**9,884**	4,416
Dividend income from listed available-for-sale investment	**1,852**	–
	11,736	4,416

5. OTHER INCOME AND GAINS

	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of listed available-for-sale investments	**95,624**	66,736
Government grants	**11,536**	–
Reversal of allowance for bad and doubtful debts	**2,520**	1,841
Foreign exchange gains	**2,391**	11,614
Increase in fair value of investment properties	**343**	4,120
Gain on disposal of property, plant and equipment	**19**	–
Surplus on revaluation of leasehold land and buildings	**–**	1,652
Others	**514**	563
	112,947	86,526

6. OTHER EXPENSE AND LOSSES

	2008	2007
	HK$'000	*HK$'000*
Foreign exchange losses	**21,154**	3,603
Realised loss on leveraged foreign exchange contract	**9,397**	–
Change in fair value loss on leveraged foreign exchange contract	**1,396**	–
Deficit on revaluation of leasehold land and buildings	**154**	–
Changes in fair value of interest rate swaps	**4**	290
Loss on disposal of property, plant and equipment	**–**	513
	32,105	4,406

7. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**6,005**	13,267
Amortisation of borrowing costs	**864**	1,170
Total borrowing costs	**6,869**	14,437
Less: amount capitalised	**(2,508)**	(2,651)
	4,361	11,786

Borrowing costs capitalised during the year arose on general borrowing pool and are calculated by applying a capitalisation rate of 1.3% (2007: 0.8%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**–**	1,400
PRC Enterprise Income Tax	**18,724**	11,900
	18,724	13,300
Under (over) provision in prior years:		
Hong Kong	**70**	–
PRC Enterprise Income Tax	**(9)**	1,505
	61	1,505
Deferred taxation:		
Current year	**(183)**	(1,029)
Attributable to change in tax rate	**(50)**	(666)
	(233)	(1,695)
Taxation attributable to the Company and its subsidiaries	**18,552**	13,110

No provision for Hong Kong Profits Tax has been made in the financial statements for the year ended 31 December 2008 as the Group has no assessable profit arising in Hong Kong. Hong Kong Profits Tax was calculated at 17.5% of the estimated assessable profits for the year ended 31 December 2007.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008-2009.

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law (the "Implementation Regulation"). Under the New Law and Implementation Regulation, the Company's major subsidiaries in the PRC are subject to a respective tax rate of 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 18% (2007: 15%) for the year ended 31 December 2008.

In addition, according to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has been provided in the consolidated income statement in respect of the temporary differences attributable to such incomes based on the applicable tax rate of 5% as the subsidiaries receiving the dividends are located in a region where Avoidance of Double Taxation Arrangement with the PRC exists.

9. PROFIT FOR THE YEAR

	2008	2007
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**760,758**	612,479
Provision for (reversal of) allowance for inventories	**27,427**	(267)
Depreciation for property, plant and equipment	**51,734**	43,103
Amortisation of prepaid lease payments (included in "Cost of sales")	**1,257**	698
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**50**	665
Share of tax of an associate (included in "Share of result of an associate")	**–**	143

10. DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
2008 Interim dividend of HK1 cent per share (2007: Nil)	**18,793**	–
2007 Final dividend of HK1 cent per share (2007: 2006 Final dividend of HK1 cent per share)	**18,849**	12,761
	37,642	12,761

No final dividend was paid or proposed for the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date.

11. EARNINGS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Earnings		
Profit for the year for the purpose of calculation of basic and diluted earnings per share	**34,762**	105,762

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,856,769,462**	1,286,288,035
Effect of dilutive potential ordinary shares:		
Share options	**58,339,480**	90,779,817
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**1,915,108,942**	1,377,067,852

The computation of diluted earnings per share did 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 Company's shares for the outstanding periods during both 2008 and 2007 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

12. TRADE RECEIVABLES/BILLS RECEIVABLE

	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**199,143**	179,096
Less: allowance for bad and doubtful debts	**(1,214)**	(3,682)
	197,929	175,414
Bills receivable	**172,865**	203,661
	370,794	379,075

Included in bills receivable as at 31 December 2008 is an amount of HK$15,466,000 that have been discounted to banks (2007: Nil).

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

An aged analysis of trade and bills receivables net of allowance for bad and doubtful debts as at the balance sheet date based on sales invoice date and bills receipt date respectively, is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**197,739**	271,466
91 – 180 days	**170,946**	107,609
Over 180 days	**2,109**	–
	370,794	379,075

13. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on purchase invoice date, is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**72,466**	37,529
91 – 180 days	**2,033**	2,060
Over 180 days	**1,046**	139
	75,545	39,728

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

14. SHARE CAPITAL

	2008		2007	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January	**2,000,000**	**200,000**	2,000,000	200,000
Increase on 10 January *(Note 1)*	**3,000,000**	**300,000**	–	–
At 31 December	**5,000,000**	**500,000**	2,000,000	200,000
Issued and fully paid:				
At 1 January	**1,384,347**	**138,435**	1,276,067	127,607
Issued on placing of new shares *(Note 2)*	**500,000**	**50,000**	100,000	10,000
Exercise of share options *(Note 3)*	**500**	**50**	8,280	828
Shares repurchased and cancelled *(Note 4)*	**(17,110)**	**(1,711)**	–	–
At 31 December	**1,867,737**	**186,774**	1,384,347	138,435

Notes:

1. The authorised share capital of the Company was increased from HK$200,000,000 comprising 2,000,000,000 shares of HK$0.1 each to HK$500,000,000 comprising 5,000,000,000 shares of HK$0.1 each by creation of an additional 3,000,000,000 shares of HK$0.1 each on 10 January 2008 and each of the new shares, upon issue, ranked pari passu in all respects with the existing shares of the Company.

2. On 29 November 2007, the Company entered into subscription agreement with Shougang Concord International Enterprises Company Limited ("Shougang International"), a substantial shareholder of the Company, and Li Ka Shing Foundation Limited ("LKFSL") respectively, pursuant to which, Shougang International and LKFSL would subscribe for 400,000,000 and 100,000,000 new shares of the Company at a price of HK$1.03 each (the "Subscription"). The Subscription was completed on 18 January 2008 and raised net proceeds of approximately HK$515,000,000 for the Group, which was used for expediting the progress of expansion of production capacity of the steel cord business including but not limited to the establishment of new steel cords production plant in Tengzhou City, Shandong, and reducing finance costs.

3. A director of the Company exercised 500,000 share options and therefore 500,000 new shares were issued during the year ended 31 December 2008.

4. During the year, the Company had repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	**Number of ordinary shares of HK$0.1 each**	**Price per share**		**Aggregate consideration paid (including expenses)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
September	15,300,000	0.490	0.420	7,121
October	1,810,000	0.435	0.230	710

The above shares were cancelled and destroyed upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's principal business activities were affected by the intensified economic recession originated from the financial tsunami in various degrees. The performance of its businesses suffered from the sharp decline in customers' demand during the fourth quarter. The sharp fall in raw material and commodity prices at the year end also caused substantial amounts of allowance for the inventories of various business segments of the Group. Overall, the above factors imposed a negative impact on the profitability of the Group's businesses for the year under review.

Manufacturing of steel cord for radial tyres ("Steel cord")

The sales volume of Jiaxing Eastern Steel Cord Co., Ltd. ("JESC") amounted to 35,416 tonnes for the year, an increase of 7.1% as compared to that of 33,068 tonnes for the previous year. The expansion of its production capacity from 30,000 tonnes to 60,000 tonnes per annum has been completed in June 2008. However, since the occurrence of the financial tsunami in September 2008, customers' demand for our products dropped substantially in general. JESC was thus adversely affected and recorded a significant drop in sales in the fourth quarter and as a result its overall performance for the year was impacted. The analysis of sales volume of this segment for the year is as follows:

	2008		2007		
	Sales volume (tonne)	**% of total sales volume**	Sales volume (tonne)	% of total sales volume	**% change**
Steel cord for:					
– truck tyres	**25,129**	**71.0**	25,086	75.9	**+0.2**
– passenger car tyres	**9,952**	**28.1**	7,289	22.0	**+36.5**
Others and steel wires	**335**	**0.9**	693	2.1	**-51.7**
Total	**35,416**	**100.0**	33,068	100.0	**+7.1**

Revenue of this segment increased by 31.4% to HK$573,840,000 (2007: HK$436,767,000) for the year. In addition to the 7.1% increase in sales volume, the revenue growth was also contributed by the increase in selling price of steel cords during the year. Average selling price was RMB14,429 per tonne for the year, an increase of 11.5% as compared to that of RMB12,945 per tonne for the previous year. The volume of export sales increased by 27.1% over the pervious year to 4,702 tonnes (2007: 3,699 tonnes), and accounted for 13.3% (2007: 11.2%) of total sales volume for the year.

Gross profit of this segment increased by 5.7% to HK$77,640,000 (2007: HK$73,468,000) for the year. Gross profit margin dropped from 16.8% in the previous year to 13.5% for the year. When excluding share-based payment expenses of HK$3,480,000 in relation to the granting of share options during the year and allowance for inventories of HK$8,380,000 at the year end, gross profit for the year would be HK$89,500,000 and gross profit margin would be 15.6%, slightly decreased by 1.2 percentage points as compared to that of 16.8% for the previous year.

In view of the expansion of annual production capacity by JESC, JESC was granted a one-off subsidy of HK$11,536,000 as an incentive by the Administrative Committee of the Jiaxing Economic and Technological Development Zone during the year, which demonstrates the full support of the local administrative authority to our Steel cord business and its encouragement to the ongoing business development of JESC.

Distribution and selling expenses increased in line with the increase in sales. Administrative expenses increased as additional expenditures were incurred for the expansion of production capacity of JESC and for the development of the new production facility in Tengzhou City, Shandong.

In all, this segment achieved an increase in operating profit of 16.2% over the previous year to HK$61,346,000 (2007: HK$52,804,000).

Processing and trading of copper and brass products ("Copper and brass products")

The performance of our Copper and brass products segment was negatively affected by various factors, including deteriorating economies in developed countries, tightening credit supply to its downstream customers, appreciation of the Renminbi ("RMB") exchange rate and significant fluctuations in copper price during the year. In view of the foregoing, the management has adopted a strident approach in cash collection and inventory reduction in order to preserve cash and reduce its loss in inventory impairment. Nonetheless, sales volume dropped by 27.7% over the previous year to 3,173 tonnes (2007: 4,391 tonnes) for the year.

Despite the volatility in the market, the management was able to maintain the average selling price similar to that of the previous year at HK$60,885 per tonne (2007: HK$60,702 per tonne). As such, revenue of this segment decreased in line with sales volume of 27.5% over the previous year to HK$193,215,000 (2007: HK$266,554,000).

International copper price fluctuated significantly during the year, the 3-month copper price as quoted by the London Metals Exchange once climbed from approximately US$6,710 per tonne at the beginning of 2008 to US$8,585 per tonne in mid 2008, while it dropped sharply to US$2,935 per tonne at the end of 2008. The effectiveness of inventory management was affected by such huge volatility in copper price, as such, gross profit margin lowered from 6.6% in the previous year to 3.9% for the year. Owing to the sharp drop in copper price during the fourth quarter of 2008, an allowance of HK$11,747,000 had been provided against the inventories at the year end. As such, this segment recorded a gross loss of HK$4,298,000 for the year.

Attributable to the decrease in revenue and allowance for inventories, this segment recorded an operating loss of HK$11,990,000 for the year, as compared to an operating profit of HK$10,958,000 for the previous year.

Investment

During the year, the Group had disposed of 15,239,320 "A" shares in Xinyu Iron & Steel Co., Ltd. ("Xinyu Iron") at the average selling price of approximately RMB6.99 per share on the Shanghai Stock Exchange. As at 31 December 2008, the closing price of Xinyu Iron was RMB4.04 per share. We recorded a gain of HK$95,624,000 on the disposal. After deducting the related income tax of HK$5,130,000, the net gain after tax on the disposal of shares in Xinyu Iron for the year amounted to HK$90,494,000 (2007: HK$59,635,000).

FINANCIAL REVIEW

The Group achieved net profit from business operations and other investments of HK$120,927,000 for the year, an increase of 13.2% as compared to that of HK$106,786,000 for the previous year. However, attributable to the allowance for inventories totalling HK$27,427,000 (2007: reversal of allowance for inventories totalling HK$267,000) and the following non-cash/non-recurring expenses during the year, net profit of the Group decreased by 67.1% over the previous year to HK$34,762,000 for the year.

1. 100,300,000 share options to subscribe for the shares of the Company were granted to directors of the Company and employees of the Group during the year. The fair value of these share options amounted to HK$26,791,000 (2007: HK$1,291,000) was expensed in the consolidated income statement;

2. The Company issued totalling 600,000,000 new shares to one of its substantial shareholders and other independent third parties at a price of HK$1.03 each in December 2007 and January 2008, and raised net proceeds of approximately HK$610,000,000. The majority of these funds were placed in bank deposits in Hong Kong during the year of 2008. The functional currency of the Company and the majority of its subsidiaries is in RMB as the business activities of the Group are primarily carried out in the People's Republic of China (the "PRC"). Due to the appreciation of the exchange rate of RMB against Hong Kong Dollar ("HKD") of approximately 6.2% during the year, an exchange loss of approximately HK$21,154,000 that was mainly incurred on the translation of these deposits and other HKD monetary assets and liabilities into RMB at the year end; and

3. During the middle of the year of 2008, JESC entered into several contracts with European suppliers for the acquisitions of certain plant and machineries for its expansion of production capacity. These contracts were denominated in Euro, and in anticipation of the strengthening Euro exchange rate in mid 2008, the Group entered into a structured forward exchange contract to hedge against the Euro exposure with the view to partially lock in the cost of these plant and machineries to be delivered in 2009. However, the exchange rate of Euro moved in an adverse direction, especially after the occurrence of the financial tsunami, therefore, the Group recorded an exchange loss of approximately HK$10,793,000 (including the loss on change in fair value of the structured forward exchange contract of HK$1,396,000 at the year end) on this contract. Although the purpose of this contract is to hedge against the cost of purchasing of plant and machineries in Euro, it was not able to meet the criteria of hedge accounting given the variation of machine delivery date and the eventual settlement amount of the supply contracts. Hence, such loss on this contract was required to be charged to the consolidated income statement for the year.

Revenue

Revenue of the Group amounted to HK$831,640,000 for the year, an increase of 18% as compared to that of the previous year. The breakdown of revenue (excluding inter-segment sales) by business segments is as follows:

	2008		2007		
	HK$'000	**% of total revenue**	*HK$'000*	% of total revenue	**% change**
Steel cord	**573,840**	**69.0**	436,767	62.0	**+31.4**
Copper and brass products	**192,974**	**23.2**	266,554	37.8	**-27.6**
Others *(Note)*	**64,826**	**7.8**	1,395	0.2	**+4547.0**
Total	**831,640**	**100.0**	704,716	100.0	**+18.0**

Note: Mainly comprises trading of pre-stressed concrete strands and wires and property investment.

Gross profit

Gross profit of the Group decreased by 23.2% as compared to that of the previous year to HK$70,882,000 for the year. Gross profit margin dropped from 13.1% in the previous year to 8.5%, as the gross profit margin of both our Steel cord and Copper and brass products segments dropped. The gross profit margin was 12.2% before deducting share-based payment expenses and allowance for inventories, lowered by 0.9 percentage point as compared to that of the previous year. The breakdown of gross profit by business segments is as follows:

	2008		2007		
		Gross profit		Gross profit	
	HK$'000	**margin (%)**	*HK$'000*	margin (%)	**% change**
Steel cord	**89,500**	**15.6**	73,468	16.8	**+21.8**
Copper and brass products	**7,449**	**3.9**	17,590	6.6	**-57.7**
Others	**4,840**	**7.5**	912	65.4	**+430.7**
Sub-total	**101,789**	**12.2**	91,970	13.1	**+10.7**
Share-based payment expenses	**(3,480)**		–		**N/A**
Provision for (reversal of) allowance for inventories	**(27,427)**		267		**N/A**
Gross profit	**70,882**	**8.5**	92,237	13.1	**-23.2**

Other income and gains, and Other expense and losses

The net amount of other income and gains, and other expense and losses of the Group was HK$80,842,000 for the year, declined by 1.6% as compared to that of HK$82,120,000 for the previous year. The breakdown is as follows:

	2008	2007	
	HK$'000	*HK$'000*	**% change**
Gain on disposal of listed available-for-sale investments, as mentioned in "Investment" section above	**95,624**	66,736	**+43.3**
Local government grant *(Note)*	**11,536**	–	**N/A**
Reversal of allowance for bad and doubtful debts	**2,520**	1,841	**+36.9**
Foreign exchange (losses) gains, net	**(18,763)**	8,011	**N/A**
Realised loss on leveraged foreign exchange contract	**(9,397)**	–	**N/A**
Change in fair value loss on leveraged foreign exchange contract	**(1,396)**	–	**N/A**
Others	**718**	5,532	**-87.0**
Total	**80,842**	82,120	**-1.6**

Note: This local government grant refers to the subsidy received by JESC from the Administrative Committee of the Jiaxing Economic and Technological Development Zone as mentioned in the section of "Manufacturing of steel cord for radial tyres ("Steel cord")" under "BUSINESS REVIEW" above.

Distribution and selling expenses

These expenses increased by 72.8% over the previous year to HK$15,382,000 (2007: HK$8,903,000). In addition to the increase in transportation costs following the growth in sales volume of JESC, the increase in distribution and selling expenses primarily represented the transportation costs incurred on the sales of pre-stressed concrete strands and wires during the year.

Administrative expenses

Administrative expenses of the Group amounted to HK$88,583,000 for the year under review, an increase of 78.4% over HK$49,650,000 for the previous year. When the share-based payment expenses in relation to the grant of share options of HK$23,311,000 (2007: HK$1,291,000) was excluded, administrative expenses would be HK$65,272,000 for the year, an increase of 35% as compared to that of HK$48,359,000 for the previous year, as additional costs were incurred on the ongoing business development plans of the Group including the ongoing second phase expansion plan of JESC, the development of domestic sales activities of the Group's Copper and brass products segment in the PRC, which had commenced operation in the first half of the year, and the construction of a new steel cord production plant in Tengzhou City, Shandong.

Segment results

Profit from the Group's business segments amounted to HK$140,796,000 for the year, representing an increase of 3.7% as compared to that of HK$135,760,000 for the previous year. The breakdown by business segments is as follows:

	2008 *HK$'000*	2007 *HK$'000*	**% change**
Steel cord	**61,346**	52,804	**+16.2**
Copper and brass products	**(11,990)**	10,958	**N/A**
Investment	**97,476**	66,736	**+46.1**
Others	**(6,036)**	5,262	**N/A**
Total	**140,796**	135,760	**+3.7**

Finance costs

The finance costs of the Group was HK$4,361,000 (2007: HK$11,786,000) for the year, representing a decrease of 63% as compared to that of the previous year. The Group repaid a portion of its bank borrowings from net proceeds received on the issue of totalling 600,000,000 new shares in December 2007 and January 2008, therefore the Group's interest expenses reduced significantly during the year.

Share of results of a jointly controlled entity and an associate

The revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") amounted to HK$605,149,000 for the year, an increase of 28.9% as compared to that of HK$469,303,000 for the previous year. However, its gross profit margin dropped significantly from 16.8% in the previous year to 10.8%, primarily due to increase in raw material prices during the year. Attributable to the decline in gross profit margin, its gross profit dropped by 17.3% as compared to that of the previous year to HK$65,053,000. Besides, other operating costs, particularly finance charges, also increased during the year which caused Shanghai Shenjia to incur a net loss of HK$7,281,000 for the year, vis-a-vis to a net profit of HK$12,060,000 for the previous year. As such, the Group shared a loss of HK$1,820,000 for the year, as opposed to a share of profit of HK$3,015,000 for the previous year.

As mentioned in the Company's 2007 Annual Report, Xinyu Iron (previously Xinhua Metal Products Co., Ltd.) ceased to be an associate of the Group and reclassified as an available-for-sale investment with effect from 22 October 2007. There was no share of profit of an associate for the year (2007: share of profit of HK$7,423,000) whereas the Group received a dividend of HK$1,852,000 from Xinyu Iron during the year.

Income tax expenses

Income tax expenses of the Group amounted to HK$18,552,000 for the year, significantly increased by 41.5% as compared to that of HK$13,110,000 for the previous year, primarily as JESC's income tax expenses increased by 134.7% over the previous year to HK$11,383,000 for the year, as its profit increased and the implementation of the new enterprise income tax law in the PRC changed the income tax rate of JESC from previous 15% to 18% in 2008.

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.

On 29 November 2007, the Company entered into subscription agreements with Shougang Concord International Enterprises Company Limited ("Shougang International"), a substantial shareholder of the Company, and Li Ka Shing Foundation Limited ("Li Ka Shing Foundation") respectively, pursuant to which, Shougang International and Li Ka Shing Foundation would subscribe for 400,000,000 and 100,000,000 new shares of the Company at a price of HK$1.03 each (the "Subscription"). The Subscription was completed on 18 January 2008 and raised net proceeds of approximately HK$515,000,000 for the Group, which was used for expediting the expansion of production capacity of the steel cord business including but not limited to the establishment of a new steel cord production plant in Tengzhou City, Shandong, and reducing finance costs.

Further to the above, there were the following changes to the share capital of the Company during the year:

1. A director of the Company exercised 500,000 share options and therefore 500,000 new shares were issued during the year; and

2. The Company repurchased totaling 17,110,000 shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") during September and October 2008 at a total consideration (including expenses) of approximately HK$7,831,000. These shares were cancelled accordingly.

Following the above events, the total issued share capital of the Company changed from 1,384,346,556 shares at 31 December 2007 to 1,867,736,556 shares at 31 December 2008. The net assets of the Group increased from HK$1,499,929,000 at 31 December 2007 to HK$1,836,685,000 at 31 December 2008. Net asset value was HK$0.98 per share at 31 December 2008, as compared to HK$1.08 per share at 31 December 2007.

As at 31 December 2008, the Group's bank balances and cash (including restricted bank deposits) amounted to HK$402,322,000, a slight increase of 1.4% as compared to HK$396,624,000 at the end of 2007. The Group's total bank borrowings amounted to HK$115,731,000, decreased by HK$157,415,000 as compared to HK$273,146,000 as at 31 December 2007.

As at 31 December 2008, all the bank loans of the Group were variable-rate borrowings except HK$17,733,000 which were collared at a rate ranging from 2.08% to 7.20% per annum. The nature and maturity profile of the Group's bank borrowings as at 31 December 2008 were as follows:

	HK$'000
Due within one year or on demand	
– Trust receipt loans	11,393
– Bank advances for discounted bills	15,466
– Short term bank loan and current portion of medium term loan	29,018
Sub-total	55,877
Portion of medium term loan that is due in the second year	59,854
Total	115,731

Because of the strengthening of capital base from issue of new shares, the Group maintained net cash position at 31 December 2007 and 2008. The current ratio of the Group was 5.6 times at 31 December 2008, as compared to 3.5 times at 31 December 2007.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are in RMB, HKD and United States Dollar ("USD"). The currency mix of bank borrowings of the Group at 31 December 2008 was as follows:

	31 December 2008	31 December 2007
	%	%
HKD	**84.7**	97.2
RMB	**15.3**	–
USD	**–**	2.8
Total	**100.0**	100.0

The major source of the Group's revenue is in RMB. However, the majority of the Group's bank borrowings at 31 December 2008 were denominated in HKD as its borrowing rate was relatively lower than its RMB counterpart. We believe this arrangement could reduce our interest costs and minimize our exposure to currency risks.

We would keep monitoring the currency composition of our bank borrowings under the guidance of the Group's internal management and control manual and take appropriate action to minimize our exchange and interest rate risks when needed.

In respect of the currency risk exposure arisen on the substantial HKD cash balance on our balance sheet, the Group had considered various measures to allay the impact vis-à-vis the strength of the RMB. Given the prevailing relevant regulations in the PRC, hedging against the RMB is of limited means. As such, the Group endeavored to convert its HKD holding into RMB by ways of continued investment in the PRC. The Group had converted substantial amount of HKD and remitted to the PRC for the development of the steel cord plant in Tengzhou City, Shandong (the "Tengzhou Project") in the second half of 2008. Further injection to the Tengzhou Project will be made in 2009 to curb the potential loss due to the unremitting strength of the RMB.

Regarding the Group's exposure to its Euro holding arising on the structure forward exchange contract, we will monitor the position in consideration of factors including the exchange rate movement of Euro and the cashflow requirements of the Group with the view to minimize any potential loss.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The expansion of JESC's production capacity from 30,000 tonnes to 60,000 tonnes per annum had been completed in June and had already been operating since July 2008. In order to ensure operational proficiency could be stably achieved, further capital expenditure on development of JESC will be increased to approximately HK$556,000,000. Capital expenditure of RMB315,914,000 (equivalent to HK$358,224,000) had been incurred up to 31 December 2008, and the whole capital expenditure would be financed by the Group's internal resources and bank borrowings.

In addition to the above, the Group announced on 18 June 2008 that it had entered a letter of intent with the Municipal Government of Tengzhou City, Shandong, for the construction of a steel cord production plant with production capacity of 100,000 tonnes per annum. This development project will be implemented by phases. The first phase with 30,000 tonnes of annual production capacity is scheduled to be completed by the end of 2009. For the remaining phases of the development, we will determine the progress of construction based on the general economic condition, steel cord market operating environment and the cashflow position of the Group. Capital expenditure (excluding working capital requirements) of the first phase of 30,000 tonnes annual production capacity is estimated to be approximately HK$545,000,000, which will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2008, the Group had a total of 1,258 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 the consolidated income statement for the year amounted to approximately HK$4,141,000. 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 of the Company are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), grant share options to any eligible participant to subscribe for shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the year, a total of 100,300,000 share options were granted to all directors of the Company and employees of the Group to subscribe for shares of the Company and also 500,000 share options were exercised by a director of the Company.

PLEDGE OF ASSETS

As at 31 December 2008, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK$6,650,000; and

2. Bank deposits amounting to HK$3,000,000.

BUSINESS OUTLOOK

Despite the current difficult and complicated business environment, we are cautiously optimistic about our business performance in the coming years.

In particular, with the launch of a RMB4,000 billion program which mainly focuses on infrastructure projects such as roads and railways, policies to stimulate domestic consumption and ultimately, to stimulate the PRC economy to achieve a 8% growth in GDP for 2009, the Group expects demand for steel cords will rebound from the unprecedented low in the last quarter of 2008.

The Group has been well preparing for full radialization of tyres in the PRC. On one hand, we have completed the second phase of expansion of annual production capacity of JESC from 30,000 tonnes to 60,000 tonnes and on the other hand, we have invested in another steel cord plant in Tengzhou City, Shandong for the goals of enlargement of market share in the steel cord industry and the increase of annual production capacity for high quality steel cords by a further 100,000 tonnes in the next few years. If these goals are materialised, we believe the Group will become one of the leading independent steel cord manufacturers in the globe.

In the meantime, the directors of the Company will continue to control the production costs effectively by enhancing skill of techniques and technologies, broaden its customer base primarily in the mainland in the near term and its overseas market when the signs of a global economic recovery become palpable.

In respect of Copper and brass products segment, domestic sales will be our focus. We will consolidate our raw materials processing business with our domestic sales so that production costs will not be duplicated and greater economies of scale can be achieved.

Furthermore, we will painstakingly look into any potential investment opportunities, such as other metal products businesses in the PRC in the future that will nurture sustainable growth and within the acceptable risk profile of the Group.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Board is committed to practicing and achieving a high standard of corporate governance. The Board 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 Internal Control Manual, which will be amended and revised in order to enhance the effectiveness of the internal control system, and also to be in line with the relevant amendments to the law, rules and regulations.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2008.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of this preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 December 2008 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Set out below are particulars of repurchases by the Company of its own ordinary shares made on the Stock Exchange during the year:

Month of repurchase	Total number of shares repurchased	Price per share Highest	Price per share Lowest	Total consideration (before expenses)
		HK$	*HK$*	*HK$*
September	15,300,000	0.490	0.420	7,099,340
October	1,810,000	0.435	0.230	710,318
	17,110,000			7,809,658

All shares repurchased were cancelled and destroyed and accordingly, the Company's issued share capital was reduced by the nominal value of those shares.

The above repurchases were made for the purpose of achieving an increase in the consolidated net asset value and/or earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

ACKNOWLEDGEMENTS

Finally, I would like to express my heartfelt thanks to our staff, shareholders, investors and business partners for their dedication, support, cooperation and encouragement during a very difficult 2008.

By Order of the Board
Shougang Concord Century Holdings Limited
Cao Zhong
Chairman

Hong Kong, 9 April 2009

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

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