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SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 103)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

HIGHLIGHTS	For the year ended		
	31 December		% Change
	2010 HK\$'000	2009 HK\$'000	
Operations			
Revenue	1,663,484	1,099,272	+51.3
Gross profit	287,550	180,495	+59.3
Earnings before interest, tax, depreciation and amortisation	415,376	282,979	+46.8
Profit for the year	200,441	171,314	+17.0
Core profit for the year (Note)	92,999	40,156	+131.6
Earnings per Share (basic) (HK cents)	10.43	9.03	+15.5
<i>Note:</i> Excluding government grants (net of tax) of HK\$77,358,000 (2009: HK\$82,296,000) and gain on disposal of listed available-for-sale investments of HK\$30,084,000 (2009: HK\$30,999,000) and gain on disposal of jointly controlled entity (net of tax) of HK\$17,863,000 for the year ended 31 December 2009 (2010: Nil).			
Financial position			
	At 31 December		% Change
	2010 HK\$'000	2009 HK\$'000	
Total assets	3,767,274	3,038,112	+24.0
Shareholders' equity	2,251,968	2,065,826	+9.0
Net asset value per Share (HK\$)	1.17	1.08	+8.3

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2010 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 2010

	<i>Notes</i>	2010 HK\$'000	2009 <i>HK\$'000</i>
Revenue	2	1,663,484	1,099,272
Cost of sales		(1,375,934)	(918,777)
Gross profit		287,550	180,495
Investment and other income	4	90,763	99,841
Other gains and losses	5	58,184	49,230
Distribution and selling expenses		(28,326)	(21,266)
Administrative expenses		(100,736)	(92,193)
Other expenses		(15,954)	–
Finance costs	6	(32,559)	(6,624)
Share of result of a jointly controlled entity		–	(1,461)
Profit before tax		258,922	208,022
Income tax expenses	7	(58,481)	(36,708)
Profit for the year	8	200,441	171,314
Earnings per share	10		
Basic		HK10.43 cents	HK9.03 cents
Diluted		HK10.06 cents	HK8.84 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit for the year	<u>200,441</u>	<u>171,314</u>
Other comprehensive income		
Exchange differences arising on translation		
– group entities	70,560	6,532
– a jointly controlled entity	–	(1)
(Loss) gain on fair value change of listed available-for-sale investments	(13,379)	57,591
Reclassified from other comprehensive income upon disposal of listed available-for-sale investments	(29,873)	(30,827)
Surplus on revaluation of properties	3,903	4,952
Recognition of deferred tax liability on revaluation of properties	(718)	(1,016)
Other comprehensive income for the year (net of tax)	<u>30,493</u>	<u>37,231</u>
Total comprehensive income for the year	<u>230,934</u>	<u>208,545</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Non-current assets			
Investment properties		27,744	22,401
Property, plant and equipment		1,745,586	1,320,715
Prepaid lease payments		184,464	106,459
Goodwill		41,672	41,672
Club memberships		732	719
Available-for-sale investments		–	50,538
Deposit paid for the acquisition of property, plant and equipment		108,269	79,000
		<u>2,108,467</u>	<u>1,621,504</u>
Current assets			
Inventories		354,562	211,802
Trade receivables	11	495,156	322,700
Bills receivable	11	388,048	386,039
Prepayments, deposits and other receivables		136,907	98,862
Prepaid lease payments		7,587	4,489
Amounts due from related companies		–	277
Tax recoverable		99	96
Restricted bank deposits		–	49,448
Bank balances and cash		276,448	342,895
		<u>1,658,807</u>	<u>1,416,608</u>
Current liabilities			
Trade payables	12	42,514	46,448
Other payables and accruals		175,944	87,440
Tax payable		55,469	29,710
Bank borrowings		811,829	479,264
		<u>1,085,756</u>	<u>642,862</u>
Net current assets		<u>573,051</u>	<u>773,746</u>
Total assets less current liabilities		<u>2,681,518</u>	<u>2,395,250</u>

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Non-current liabilities			
Bank borrowings		403,426	317,400
Other payable		1,058	1,007
Deferred tax liabilities		24,226	10,177
		<u>428,710</u>	<u>328,584</u>
		<u>2,252,808</u>	<u>2,066,666</u>
Capital and reserves			
Share capital	13	192,230	192,180
Reserves		2,059,738	1,873,646
		<u>2,251,968</u>	<u>2,065,826</u>
Equity attributable to equity holders of the Company		840	840
Share option reserve of a subsidiary		<u>2,252,808</u>	<u>2,066,666</u>

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, Hong Kong Accounting Standard 17 *Leases* (“HKAS 17”) has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. As at 1 January 2009, 31 December 2009 and 31 December 2010, no leasehold land qualifies for finance lease classification. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* (“HK Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time (“repayment on demand clause”) should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK\$129,156,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009. As at 1 January 2009, the Group had no bank loan that was repayable more than one year after the end of the reporting period but contained a repayment on demand clause, accordingly, there was no effect on the financial position of the Group as at 1 January 2009. Therefore, the consolidated statement of financial position of the Group as at 1 January 2009 is not presented as there was no restatement on that date. As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK\$327,075,000 have been classified as current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

The effects of the above changes in accounting policies on the financial position of the Group as at 31 December 2009 are as follows:

	As at 31 December 2009 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31 December 2009 (restated) HK\$'000
Bank borrowings – current	350,108	129,156	479,264
Bank borrowings – non-current	446,556	(129,156)	317,400
	<u>796,664</u>	<u>–</u>	<u>796,664</u>
Total effects on net assets	<u>796,664</u>	<u>–</u>	<u>796,664</u>
Total effects on equity	<u>–</u>	<u>–</u>	<u>–</u>

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ³
HKFRS 9	Financial Instruments ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁶
HKAS 32 (Amendments)	Classification of Rights Issues ⁷
HK (IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2012.

⁶ Effective for annual periods beginning on or after 1 January 2011.

⁷ Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013. Based on the Group's financial assets and financial liabilities as at 31 December 2010, the application of the new Standard may affect the classification and measurement of the Group's financial assets but not on the Group's financial liabilities.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Directors are still in the process of assessing the impact of the amendments to the Group.

The Directors anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

2. REVENUE

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

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Sales of goods		
Manufacturing of steel cords	1,255,043	914,031
Processing and trading of copper and brass products	404,365	171,061
Trading of other metal products	3,478	13,292
	<u>1,662,886</u>	<u>1,098,384</u>
Rental income	598	888
	<u><u>1,663,484</u></u>	<u><u>1,099,272</u></u>

3. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

For the year ended 31 December 2010

	Steel cord <i>HK\$'000</i>	Copper and brass products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Segment revenue			
External sales	1,255,043	404,365	1,659,408
Inter-segment sales (<i>Note</i>)	–	17,041	17,041
	<hr/>	<hr/>	<hr/>
Total	<u>1,255,043</u>	<u>421,406</u>	<u>1,676,449</u>
Segment result	<u>276,069</u>	<u>8,786</u>	<u>284,855</u>

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

Reconciliation of revenue

	<i>HK\$'000</i>
Total revenue for operating segments	1,676,449
Rental income and revenue for trading of other metal products	4,076
Elimination of inter-segment sales	(17,041)
	<hr/>
Group's revenue	<u>1,663,484</u>

Reconciliation of profit before tax

	<i>HK\$'000</i>
Total profit for operating segments	284,855
Profit arising from trading of other metal products and property investment	4,969
Unallocated amounts	
Unallocated income	16,595
Unallocated expenses	(45,022)
Unallocated finance costs	(32,559)
Gain on disposal of listed available-for-sale investments	30,084
	<hr/>
Profit before tax	<u>258,922</u>

For the year ended 31 December 2009

	Steel cord <i>HK\$'000</i>	Copper and brass products <i>HK\$'000</i>	Segment total <i>HK\$'000</i>
Segment revenue			
External sales	914,031	171,061	1,085,092
Inter-segment sales (<i>Note</i>)	–	10,155	10,155
	<hr/>	<hr/>	<hr/>
Total	<u>914,031</u>	<u>181,216</u>	<u>1,095,247</u>
Segment result	<u>206,289</u>	<u>4,200</u>	<u>210,489</u>

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

Reconciliation of revenue

	<i>HK\$'000</i>
Total revenue for operating segments	1,095,247
Rental income and revenue for trading of other metal products	14,180
Elimination of inter-segment sales	(10,155)
	<hr/>
Group's revenue	<u>1,099,272</u>

Reconciliation of profit before tax

	<i>HK\$'000</i>
Total profit for operating segments	210,489
Profit arising from trading of other metal products and property investment	3,983
Unallocated amounts	
Unallocated income	3,869
Unallocated expenses	(53,698)
Unallocated finance costs	(6,624)
Gain on disposal of listed available-for-sale investments	30,999
Gain on disposal of a jointly controlled entity	20,465
Share of result of a jointly controlled entity	(1,461)
	<hr/>
Profit before tax	<u>208,022</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of Directors, share of result of a jointly controlled entity, gain on disposal of listed available-for-sale investments, gain on disposal of a jointly controlled entity, interest income on bank deposits, dividend income from listed available-for-sale investments, realised gain on change in fair value of leveraged foreign exchange contract, commission income 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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Investment income		
Interest income on bank deposits	2,253	1,653
Dividend income from listed available-for-sale investments	263	591
	<u>2,516</u>	<u>2,244</u>
Other income		
Government grants	81,472	96,101
Sales of scrap and other materials	6,342	–
Subcontracting income	433	–
Commission income	–	1,496
	<u>88,247</u>	<u>97,597</u>
	<u>90,763</u>	<u>99,841</u>

5. OTHER GAINS AND LOSSES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Gain on disposal of listed available-for-sale investments	30,084	30,999
Foreign exchange gains (losses), net	19,904	(4,574)
Increase in fair value of investment properties	5,097	3,997
Reversal of allowance for (allowance for) bad and doubtful debts	1,870	(4,060)
Reversal of revaluation deficit of leasehold land and buildings	655	442
Loss on disposal of property, plant and equipment	(346)	(152)
Gain on disposal of a jointly controlled entity	–	20,465
Realised gain on change in fair value of leveraged foreign exchange contract	–	1,397
Others	920	716
	<u>58,184</u>	<u>49,230</u>

6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interest expenses on bank borrowings wholly repayable within five years	34,261	7,193
Amortisation of borrowing costs	1,860	702
	<hr/>	<hr/>
Total borrowing costs	36,121	7,895
Less: amounts capitalised	(3,562)	(1,271)
	<hr/>	<hr/>
	32,559	6,624
	<hr/> <hr/>	<hr/> <hr/>

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 3.11% (2009: 3.20%) per annum to expenditure on qualifying assets.

7. INCOME TAX EXPENSES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax:		
Hong Kong	95	–
PRC Enterprise Income Tax	45,321	34,551
	<hr/>	<hr/>
	45,416	34,551
	<hr/>	<hr/>
Overprovision in prior years:		
Hong Kong	–	(26)
PRC Enterprise Income Tax	(78)	(5,665)
	<hr/>	<hr/>
	(78)	(5,691)
	<hr/>	<hr/>
Deferred taxation:		
Current year	13,143	7,848
	<hr/>	<hr/>
	58,481	36,708
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current year. For the year ended 31 December 2009, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit arising in Hong Kong.

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

In addition, according to the New Law, starting from 1 January 2008, withholding income tax would 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 rates of 5% and 10% as the subsidiaries receiving the dividends are located in a region where Avoidance of Double Taxation Arrangement with the PRC exists.

8. PROFIT FOR THE YEAR

	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
Profit for the year has been arrived at after charging:		
Cost of inventories recognised as an expense (including allowance for inventories of HK\$6,869,000 (2009: reversal of allowance for inventories of HK\$6,734,000))	1,375,934	918,777
Depreciation of property, plant and equipment	118,739	64,899
Amortisation of prepaid lease payments (included in “Cost of sales”)	5,156	3,434
Share of tax of a jointly controlled entity (included in “Share of result of a jointly controlled entity”)	–	204
	<u> </u>	<u> </u>

9. DIVIDENDS

	2010	2009
	<i>HK\$’000</i>	<i>HK\$’000</i>
Dividends recognised as distribution during the year:		
2009 final dividend of HK1.5 cents per share	28,827	–
2010 interim dividend of HK1 cent per share	19,218	–
	<u> </u>	<u> </u>
	<u>48,045</u>	<u> </u>

The final dividend of HK1.5 cents (2009: HK1.5 cents) per share for the year ended 31 December 2010 has been proposed by the Directors and is subject to approval by the Shareholders at the forthcoming general meeting.

10. EARNINGS PER SHARE

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of calculation of basic and diluted earnings per share	<u>200,441</u>	<u>171,314</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	1,921,896,995	1,896,267,908
Effect of dilutive potential ordinary shares:		
Share options	<u>71,392,636</u>	<u>41,212,937</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>1,993,289,631</u>	<u>1,937,480,845</u>

The computation of diluted earnings per share does not assume the exercise of (i) certain of the Company's outstanding share options as the exercise price of these options is higher than the average market price of the shares for the outstanding periods during 2010 and 2009 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

11. TRADE RECEIVABLES/BILLS RECEIVABLE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	497,444	327,251
Less: allowance for bad and doubtful debts	<u>(2,288)</u>	<u>(4,551)</u>
	495,156	322,700
Bills receivable	<u>388,048</u>	<u>386,039</u>
	<u>883,204</u>	<u>708,739</u>

Included in bills receivable as at 31 December 2010 is an amount of approximately HK\$176,000 (2009: HK\$37,707,000) that has been discounted to banks.

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

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	379,145	302,070
91 – 180 days	100,169	20,529
Over 180 days	15,842	101
	<u>495,156</u>	<u>322,700</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	24,994	12,016
91 – 180 days	160,220	293,187
Over 180 days	202,834	80,836
	<u>388,048</u>	<u>386,039</u>

12. TRADE PAYABLES

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 – 90 days	40,777	45,239
91 – 180 days	305	754
181 – 365 days	55	20
Over 1 year	1,377	435
	<u>42,514</u>	<u>46,448</u>

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

13. SHARE CAPITAL

	2010		2009	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1 January and 31 December	5,000,000	500,000	5,000,000	500,000
Issued and fully paid:				
At 1 January	1,921,801	192,180	1,867,737	186,774
Exercise of share options (<i>Note</i>)	500	50	54,064	5,406
At 31 December	1,922,301	192,230	1,921,801	192,180

Note: During the year ended 31 December 2010, employees other than Directors exercised 500,000 (2009: Nil) share options. During the year ended 31 December 2009, Directors exercised 31,108,000 (2010: Nil) share options and other eligible participants exercised 22,956,000 (2010: Nil) share options. Therefore, 500,000 and 54,064,000 new Shares were issued during the years ended 31 December 2010 and 2009 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2010, the PRC economy maintained its fast growing track with increase in gross domestic product of 10.3% over that of the previous year. Investments in fixed assets and the value of imports and exports achieved strong growth over the previous year. Together with the steady increase in domestic consumption, these economic activities stimulated further expansion of road transportation and automobile industries in the PRC.

According to the National Bureau of Statistics, the total volume of freight for highways was 24.25 billion tonnes for the year, an increase of 14.0% as compared to that of the previous year; while the turnover volume of freight transport for highways was 4,300.54 billion tonnes per kilometre for the year, an increase of 15.6% as compared to that of the previous year. In addition, the manufacture and sales of vehicles continued to record strong growth during the year. According to the China Association of Automobile Manufacturers, approximately 18,264,700 units and 18,061,900 units of vehicles were manufactured and sold during the year, representing an increase of 32.44% and 32.37% over that of the previous year respectively. The palpable growth in land transportation and new vehicle sales spurred the demand for radial tyres, and hence steel cords during the year.

Further to the increasing demand of steel cords, our steel cord production plants accomplished a lower production cost base, as a result of improved operational efficiency and enlarged production capacity. Therefore, the Steel cord segment achieved a remarkable growth in sales and profit for the year.

With respect to Copper and brass products segment, the demand from overseas customers rejuvenated and our marketing thrust of domestic sales in the PRC maintained as planned, sales increased tremendously as compared to that of the previous year. As such, this segment recorded a significant growth in profit over that of the previous year.

In summary, the Group achieved net profit of HK\$200,441,000 for the year, increased by 17.0% as compared to HK\$171,314,000 for the previous year. Core profit of the Group, excluding government grants (net of tax) and gain on disposal of listed available-for-sale investments (the “Grant and Gain”) was HK\$92,999,000 for the year, significantly increased by 131.6% as compared to HK\$40,156,000 (excluding the Grant and Gain and gain on disposal of a jointly controlled entity (net of tax)) for the previous year, reflecting the strong performance of the Group’s core business of manufacturing of steel cords for the year.

Steel cord

Overall performance

Pushed by the rising demand of steel cords and the enlarged production capacities of our steel cord manufacturing plants, Steel cord segment recorded revenue growth of 37.3% over that of the previous year. Coupled with lowered production costs, this segment achieved an increase in operating profit of 33.8% over that of the previous year to HK\$276,069,000 for the year. When government grants were excluded, operating profit of this segment would be HK\$194,815,000 (2009: HK\$110,188,000), significantly increased by 76.8% over that of the previous year.

Revenue

This segment achieved an increase in sales volume of 41.0% over that of the previous year to 85,195 tonnes (2009: 60,407 tonnes) for the year. The breakdown of sales volume is as follows:

	2010		2009		
	Sales volume (tonne)	% of total sales volume	Sales volume (tonne)	% of total sales volume	% change
Steel cord for:					
– truck tyres	65,750	77.2	45,294	75.0	+45.2
– off the road truck tyres	2,133	2.5	1,436	2.4	+48.5
– passenger car tyres	16,895	19.8	13,529	22.4	+24.9
Total for steel cord	84,778	99.5	60,259	99.8	+40.7
Half product of sawing wire	298	0.4	–	–	N/A
Other steel wire	119	0.1	148	0.2	-19.6
Total	85,195	100.0	60,407	100.0	+41.0

The sales volume attributable to the two manufacturing plants, JESC and TESC for the year is as follows:

	JESC (Tonne)	TESC (Tonne)	Total (Tonne)
Steel cord for:			
– truck tyres	52,791	12,959	65,750
– off the road truck tyres	2,133	–	2,133
– passenger car tyres	14,728	2,167	16,895
Half product of sawing wire	298	–	298
Other steel wire	119	–	119
	<hr/>	<hr/>	<hr/>
Total	70,069	15,126	85,195
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Sales volume in 2009	59,199	1,208	60,407
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Growth over 2009	18.4%	1,152.2%	41.0%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The average selling price of steel cord was RMB12,815 per tonne for the year, lowered by 3.9% as compared to RMB13,341 per tonne of the previous year, this was primarily attributable to the decline in raw material prices since the second half year of 2009. In summary, the increase in sales volume contributed to the growth in revenue of this segment by 37.3% over that of the previous year to HK\$1,255,043,000 (2009: HK\$914,031,000) for the year.

Gross profit

Gross profit of this segment substantially increased by 58.5% over that of the previous year to HK\$269,272,000 (2009: HK\$169,907,000) for the year. Gross profit margin was 21.5% for the year, an improvement of 2.9 percentage points as compared to 18.6% for the previous year.

The principal contributor to the improved gross profit margin was JESC, whose gross profit margin significantly increased from 20.8% in the previous year to 28.0% for the year, which was brought forth by greater economies of scale from increased production volume, improvement in raw materials procurement strategies and enhancement of production efficiency.

In respect of the steel cord manufacturing plant at TESC, its first phase development with 30,000 tonnes of annual production capacity was completed and production already commenced at the end of 2009. Additional machineries for 40,000 tonnes of production capacity were installed and commissioned during the year with the goal to increase the production capacity to 100,000 tonnes per annum in 2011. Nonetheless, TESC was at the stage of getting the approval and recognition of its various specifications of steel cords by radial tyre manufacturers, therefore the volume of production and sales remained low with utilization of production capacity of less than 50% during the year. Owing to the low production and sales, and considerable initial operating costs incurred, TESC incurred gross loss of HK\$26,446,000 for the year.

Investment and other income

Investment and other income of this segment dropped by 7.6% to HK\$89,809,000 (2009: HK\$97,241,000) for the year as the amount of government grants received during the year decreased by 15.5% as compared to that of the previous year to HK\$81,254,000 (2009: HK\$96,101,000).

Distribution and selling expenses

Distribution and selling expenses increased by 34.9% over that of the previous year to HK\$27,717,000 (2009: HK\$20,553,000) for the year primarily attributable to the higher transportation expenses incurred which were in line with the increase in sales.

Administrative expenses and other expenses

Administrative expenses increased by 25.6% over that of the previous year to HK\$45,509,000 (2009: HK\$36,220,000) for the year, reflecting the needed marketing effort in new steel cord specifications, certification of TESC's products and establishment of a solid foundation for the expanding production and sales activities.

Other expenses of HK\$15,954,000 (2009: Nil) represents research and development expenditures incurred for the development of new specifications of steel cords, advancement of production techniques and process.

Copper and brass products

Overall performance

The operating performance of Copper and brass products segment improved significantly as compared to that of the previous year. Its sales recovered sharply from the doldrums last year as the global economy gradually regained its momentum since the second quarter of 2009. Domestic sales in the PRC also recorded huge growth during the year. As a result of the significant increase in sales, this segment achieved an increase in operating profit of 109.2% to HK\$8,786,000 (2009: HK\$4,200,000) for the year.

Revenue

This segment achieved a remarkable growth in revenue of 132.5% over that of the previous year to HK\$421,406,000 (2009: HK\$181,216,000) for the year. Sales volume increased by 88.4% to 7,822 tonnes (2009: 4,152 tonnes), the breakdown by geographical location is as follows:

	2010		2009		% change
	Sales volume (tonne)	% of total sales volume	Sales volume (tonne)	% of total sales volume	
Mainland China	3,441	44.0	1,505	36.2	+128.6
Other regions	4,381	56.0	2,647	63.8	+65.5
Total	<u>7,822</u>	<u>100.0</u>	<u>4,152</u>	<u>100.0</u>	<u>+88.4</u>

As copper price rebounded since early 2009, average selling price climbed from HK\$43,644 per tonne in the previous year to HK\$53,875 per tonne for the year, representing an increase of 23.4%. The higher sales volume and rising average selling price contributed to the revenue growth of 132.5% over that of the previous year.

Gross profit

Gross profit of this segment amounted to HK\$17,435,000 for the year, increased by 55.7% as compared to HK\$11,196,000 for that of the previous year. However, gross profit margin dropped from 6.2% in the previous year to 4.1% for the year. During the year, the movement of copper price was more volatile than that of the previous year, especially during the second quarter of 2010 when the European sovereign debt crisis occurred. Such volatility in copper price increased the difficulty in the management of inventory and sales. However, the management had endeavoured to take appropriate measures to minimize the impact of such volatility to the gross profit margin of this segment.

Listed available-for-sale investments

The Group disposed of the remaining 4,966,141 'A' shares of Xinyu Iron during the year at an average price of RMB6.54 per share on the Shanghai Stock Exchange and recorded a gain of approximately HK\$30,084,000 on such disposals, while in the previous year, 3,712,500 'A' shares of Xinyu Iron were disposed of and recorded a gain on disposal of approximately HK\$30,999,000. All 'A' shares of Xinyu Iron held by the Group had been disposed of.

FINANCIAL REVIEW

The Group recorded profit of HK\$200,441,000 for the year, increased by 17.0% as compared to HK\$171,314,000 for the previous year. Core profit of the Group, excluding government grants (net of tax) and gain on disposal of listed available-for-sale investments (the “Grant and Gain”) was HK\$92,999,000 for the year, increased by 131.6% as compared to HK\$40,156,000 (excluding the Grant and Gain and gain on disposal of a jointly controlled entity (net of tax)) of the previous year, as follows:

	2010	2009	
	HK\$'000	HK\$'000	% change
Profit for the year	200,441	171,314	+17.0
Less: Government grants (net of tax)	77,358	82,296	-6.0
Gain on disposal of listed available-for-sale investments	30,084	30,999	-3.0
Gain on disposal of a jointly controlled entity (net of tax)	<u>–</u>	<u>17,863</u>	-100.0
Core profit for the year	<u>92,999</u>	<u>40,156</u>	+131.6

Revenue

Revenue of the Group increased by 51.3% over that of the previous year to HK\$1,663,484,000 (2009: HK\$1,099,272,000) for the year. The breakdown of revenue by business segments is as follows:

	2010		2009		
	HK\$'000	% of total	HK\$'000	% of total	% change
		revenue		revenue	
Steel cord	1,255,043	75.4	914,031	83.1	+37.3
Copper and brass products	421,406	25.3	181,216	16.5	+132.5
Sub-total	1,676,449	100.7	1,095,247	99.6	+53.1
Elimination of inter-segment sales	(17,041)	(1.0)	(10,155)	(0.9)	+67.8
Other operations (<i>Note</i>)	4,076	0.3	14,180	1.3	-71.3
Total	<u>1,663,484</u>	<u>100.0</u>	<u>1,099,272</u>	<u>100.0</u>	+51.3

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

Gross profit

Gross profit of the Group increased by 59.3% over that of the previous year to HK\$287,550,000 (2009: HK\$180,495,000) for the year. Gross profit margin was 17.3%, moderately increased by 0.9 percentage point as compared to 16.4% of the previous year. The breakdown of gross profit by business segments is as follows:

	2010		2009		
	Gross profit	Gross profit	Gross profit	Gross profit	% change
	<i>HK\$'000</i>	margin (%)	<i>HK\$'000</i>	margin (%)	
Steel cord	269,272	21.5	169,907	18.6	+58.5
Copper and brass products	17,435	4.1	11,196	6.2	+55.7
Sub-total	286,707	N/A	181,103	N/A	+58.3
Other operations	843	20.7	(608)	-4.3	N/A
Total	287,550	17.3	180,495	16.4	+59.3

Investment and other income

Investment and other income dropped by 9.1% as compared to that of the previous year to HK\$90,763,000 (2009: HK\$99,841,000) for the year primarily because the amount of government grants received decreased by 15.2% as compared to that of the previous year to HK\$81,472,000 (2009: HK\$96,101,000) for the year.

Other gains and losses

The Group recorded net gain of HK\$58,184,000 for the year, increased by 18.2% as compared to HK\$49,230,000 for the previous year. The Group recorded net foreign exchange gains of HK\$19,904,000 for the year, as compared to net foreign exchange losses of HK\$4,574,000 for the previous year. Such exchange gains was primarily contributed by the effect of appreciation of RMB exchange rate by approximately 3.5% against HKD over the year on the Group's HKD and USD denominated bank borrowings. The breakdown of other gains and losses is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	% change
Gain on disposal of listed available-for-sale investments, as mentioned in the section "Listed available-for-sale investments" above	30,084	30,999	-3.0
Foreign exchange gains (losses), net	19,904	(4,574)	N/A
Increase in fair value of investment properties	5,097	3,997	+27.5
Gain on disposal of a jointly controlled entity	-	20,465	-100.0
Others	3,099	(1,657)	N/A
Total	<u>58,184</u>	<u>49,230</u>	+18.2

Distribution and selling expenses

Distribution and selling expenses increased by 33.2% over that of the previous year to HK\$28,326,000 (2009: HK\$21,266,000) for the year as higher amount of transportation expenses was incurred to commensurate with the increase in revenue of 51.3% over that of the previous year.

Administrative expenses and other expenses

Administrative expenses of the Group amounted to HK\$100,736,000 (2009: HK\$92,193,000) for the year, representing an increase of 9.3% over that of the previous year. As revenue of the Group increased by 51.3% over the previous year, the ratio of administrative expenses to revenue lowered from 8.4% in the previous year to 6.1% for the year.

Other expenses of HK\$15,954,000 (2009: Nil) represents research and development expenditures incurred by Steel cord segment during the year.

Segment results

Profit from the Group's business segments amounted to HK\$284,855,000 for the year, increased by 35.3% as compared to HK\$210,489,000 for the previous year. When the amounts of government grants received by the Steel cord segment were excluded, the increase would be 78.0% as compared to that of the previous year. The breakdown of the operating results of the Group's business segments is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	% change
Steel cord			
– Core operating profit	194,815	110,188	+76.8
– Government grants	81,254	96,101	-15.5
Sub-total for Steel cord	276,069	206,289	+33.8
Copper and brass products	8,786	4,200	+109.2
Total	284,855	210,489	+35.3

Finance costs

Finance costs significantly increased by 391.5% over that of the previous year to HK\$32,559,000 (2009: HK\$6,624,000) for the year. Such discernible increase in finance costs arose primarily due to: (i) the raising of additional bank borrowings to finance the capacity expansion plan of the Steel cord segment, in particular the expansion of the production capacity of TESC during the year; and (ii) the increase in working capital borrowings to provide funding for the expansion of production and sales of the Group's products.

Income tax expenses

Income tax expenses of the Group increased by 59.3% over that of the previous year to HK\$58,481,000 (2009: HK\$36,708,000) for the year, primarily attributable to the increase in profit of Steel cord segment. The effective tax rate of the Group and our Steel cord segment was 22.6% and 22.6% respectively, higher as compared to 17.6% and 17.0% for the previous year, as the tax rate of the Company's major subsidiaries in the PRC increased from 20% for the year ended 31 December 2009 to 22% in the current year in accordance with the implementation of the Law of the PRC on Enterprise Income Tax 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.

During the year, 500,000 share options were exercised and therefore the same number of new Shares was issued accordingly. The issued share capital of the Company then increased from 1,921,800,556 Shares at 31 December 2009 to 1,922,300,556 Shares at 31 December 2010. The net asset value of the Group was HK\$2,252,808,000 at 31 December 2010, increased by 9.0% as compared to HK\$2,066,666,000 at 31 December 2009; net asset value per Share increased by 8.3% over the end of 2009 to HK\$1.17 per Share at 31 December 2010.

The Group's bank balances and cash amounted to HK\$276,448,000 at 31 December 2010, lowered by 29.5% as compared to HK\$392,343,000 (including restricted bank deposits) at 31 December 2009. Total bank borrowings of the Group were HK\$1,215,255,000 at 31 December 2010, increased by 52.5% as compared to HK\$796,664,000 at 31 December 2009.

At 31 December 2010, HK\$1,066,202,000 of bank borrowings were floating-rate borrowings, while HK\$149,053,000 of bank borrowings were collared at rate ranging from 1.58% to 6.37% per annum. The nature and maturing profile of the Group's bank borrowings at 31 December 2010 based on contracted repayment schedules were as follows:

	<i>HK\$'000</i>	% of total bank borrowings
Due within one year or on demand:		
– Trust receipt loans	39,326	3.2
– Bank advances for discounted bills	176	–
– Working capital loans	180,629	14.9
– Current portion of medium term loans	266,509	21.9
	<u>486,640</u>	<u>40.0</u>
Medium term loan		
– Due in the second year	302,184	24.9
– Due in the third year	331,351	27.3
– Due in the fourth year	98,514	8.1
	<u>1,218,689</u>	<u>100.3</u>
Unamortized loan arrangement fees	(3,434)	(0.3)
	<u>1,215,255</u>	<u>100.0</u>
Total	<u><u>1,215,255</u></u>	<u><u>100.0</u></u>

As a result of the increased bank borrowings during the year to finance the capacity expansion plan of the Steel cord segment and working capital requirements, the gearing ratio (bank borrowings less bank balances and cash/shareholders' equity) of the Group increased from 19.6% at 31 December 2009 to 41.7% at 31 December 2010.

Despite the increased gearing level, the liquidity position of the Group remained healthy. Although current ratio of the Group dropped from 2.2 times (as restated) at 31 December 2009 to 1.5 times at 31 December 2010, however, when the classification of bank borrowings was based on contracted repayment schedules, current ratio of the Group at 31 December 2010 would be 2.2 times, that we considered a healthy and manageable level.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are concentrated on RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavour to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 31 December 2010, the currency breakdown of the Group's bank borrowings was as follows:

	31 December 2010	31 December 2009
	%	%
HKD	55.5	38.7
RMB	27.9	42.2
USD	16.6	13.8
Others	–	5.3
	<hr/>	<hr/>
Total	100.0	100.0
	<hr/> <hr/>	<hr/> <hr/>

In respect of exposure to interest rate risk, even though the majority of the bank borrowings are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit and cashflows of the Group as we were of the view that interest rate would remain at a relatively low level for a considerable period of time.

In all, we would keep monitoring the currency and interest rate composition of the Group's bank borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

TESC completed the installation and commissioning of the plant and machineries for another 40,000 tonnes of annual production capacity in 2010 and reached to 70,000 tonnes of annual production capacity at 31 December 2010. The remaining 30,000 tonnes of annual production capacity will be added in 2011 to achieve an annual production capacity of 100,000 tonnes by the end of 2011. Capital expenditures incurred by the Steel cord segment during the year amounted to approximately HK\$492,504,000. The capital expenditures to be incurred in 2011 are estimated to be approximately HK\$273,389,000, 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 2010, the Group had a total of 2,282 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated income statement for the year amounted to approximately HK\$12,828,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the year, 2,000,000 share options were granted, while a total of 500,000 share options to subscribe for Shares and 700,000 share options were exercised and cancelled respectively.

PLEDGE OF ASSETS

At 31 December 2010, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$7,350,000;
2. Prepaid lease payments amounted to HK\$90,834,000; and
3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

Whilst uncertainty still lingers in the United States and European economies in the new financial year, we believe the engine of growth remains in China. The PRC is the world's second largest economy both in nominal and purchasing power parity terms after the United States. The year 2011 is the first year of the 12th Five-Year Plan of China and the upcoming changes in the PRC sovereign leadership casts due consideration on the balance between growth and inflation, harmony vis-à-vis disparity. Hence, we expect market environment in the PRC will be even more competitive. We are also sensitive to the unprecedented price increase in commodities including that of natural rubber and if the trend continues, will add more challenge to a challenging market of the PRC. Nonetheless, we are not fazed by these undulations as the PRC economy is targeted to a GDP growth of 8% in 2011 with an average growth of 7% in the next five years (2011 to 2016) and incessant investments will be made in the automobile industry. 2010 was the first stage of the Group's quantum leap plan and in our view, we had succeeded particularly considering the satisfactory performance of JESC and the encouraging improvement in TESC. With increasing utilization of TESC's added capacity, we are adamant that our market share in the Chinese steel cord market will continue to expand forging us to be the fastest growing steel cord manufacturer in the country. The latest economic statistics of the US are pointing to the realisation of a recovery. We believe that there will be a widening window in the export markets in the US and ASEAN countries. In addition to strengthening our market share in the steel cord business, we have embarked on the half product of sawing wire in 2010 with spirited results. We are minded to make investment in the production of sawing wire in the near future following considerations (among others) on the prospective demand situation and potential return on investment with a view to becoming a diversified metal product manufacturer capable of consistently purveying premium quality steel cord and sawing wire products.

Further increase in the domestic sales of copper and brass products continues to be the Group's risk diversification strategy, which is appropriate and well recognized, in the Copper and brass products segment in light of the anticipated strong demand in the PRC market. We expect we can achieve further profit enhancement from the increase of domestic sales in the next financial year.

FINAL DIVIDEND

The Board is pleased to recommend to the Shareholders the payment of a final dividend of HK1.5 cents per Share for the year ended 31 December 2010 and the balance of the profit will be retained. Subject to the approval of the Shareholders at the forthcoming annual general meeting, the final dividend will be payable in HKD on or about 20 June 2011 to the Shareholders whose names appear on the Register of Members of the Company at the close of business on 19 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 May 2011 to 19 May 2011, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed 2010 final dividend, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 16 May 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and the SCCHL Corporate Governance Code throughout the year ended 31 December 2010, except for a deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The posts of chairman and managing director of the Company were not separate. In view of Mr. Li Shaofeng's extensive experience in the industry and deep understanding of the Group's businesses, vesting the roles of both chairman and managing director in Mr. Li allows for more effective planning and enhances efficiency in decision-making. This structure will not impair the balance of power and authority between the Board and the management. However, the roles of the Chairman and Managing Director will be segregated and performed by Mr. Li Shaofeng and Mr. Yang Kaiyu respectively with effect from 1 April 2011 in order to comply with all the principles and the Code.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2010 as set out in this preliminary announcement 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

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

ACKNOWLEDGEMENTS

Taking this opportunity, being the newly appointed Chairman, I would like to express my heartfelt thanks to all of our staff and the management for their loyal services and relentless efforts made during the year. I would also like to express my sincere gratitude to our Shareholders, business partners, banks and customers for their continuous support and trust.

DEFINITIONS

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

"Board"	the board of Directors
"Code"	the code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Company"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Group"	the Company and its subsidiaries

“HKD/HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Internal Control Manual”	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
“JESC”	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Steel cord”	manufacturing of steel cord for radial tyres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“USD/US\$”	United States dollars, the lawful currency of the United States of America
“Xinyu Iron”	Xinyu Iron & Steel Co., Ltd. 新余鋼鐵股份有限公司, a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange

“%”

per cent.

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

Hong Kong, 29 March 2011

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

Mr. Li Shaofeng (Chairman and Managing Director), Mr. Tong Yihui (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Yang Kaiyu (Deputy Managing Director), Mr. 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 final results announcement is published on the websites of the Company at <http://www.shougangcentury.com.hk> and the Stock Exchange at <http://www.hkexnews.hk>. The Annual Report 2010 will be despatched to Shareholders and made available on the above websites in due course.