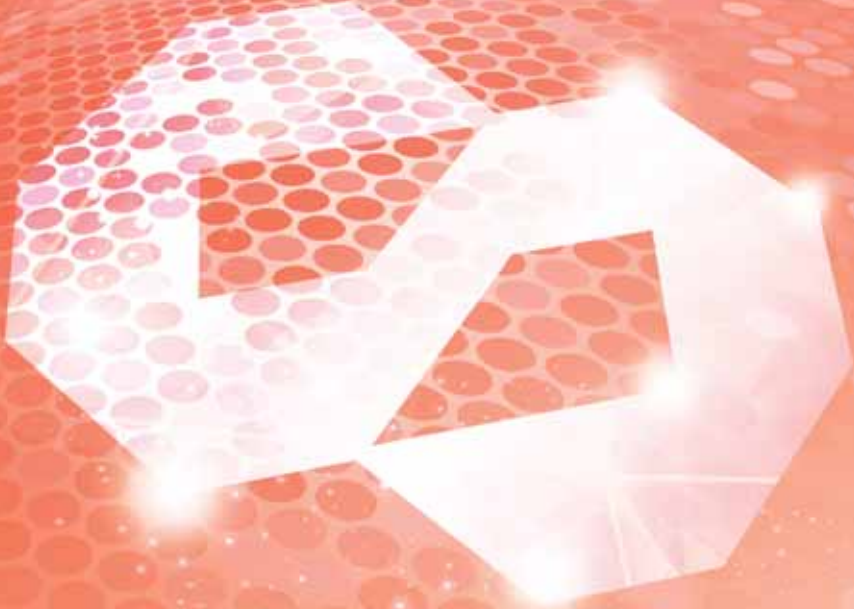




**SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED**

Stock Code : 103



INTERIM REPORT **2013**

CONTENTS

	Pages
Corporate Profile	2
Corporate Information	3
Financial Highlights	5
Information for Investors	6
Business Contacts	7
Report on Review of Condensed Consolidated Financial Statements	8
Condensed Consolidated Statement of Profit or Loss	9
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	11
Condensed Consolidated Statement of Changes in Equity	13
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16
Management Discussion and Analysis	39
Interim Dividend	57
Purchase, Sale or Redemption of Listed Securities	57
Directors' Interests and Short Positions in Shares, Debentures or Underlying Shares under the SFO	57
Shareholders' Interests and Short Positions in Shares or Underlying Shares under the SFO	61
Share Option Scheme	63
Corporate Governance Code	66
Appreciation	67
Definitions	68

CORPORATE PROFILE

Shougang Concord Century Holdings Limited (“Shougang Century”; together with its subsidiaries, collectively the “Group”) has been listed on the Stock Exchange since April 1992. Shougang HK, a wholly owned subsidiary of Shougang Corporation, and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of Shougang Century.

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. sales and processing and trading of copper and brass products
3. manufacturing of sawing wires

CORPORATE'S VISION AND MISSION

Shougang Century's Vision is to:

- deliver world-class products and services to our customers
- contribute to the economic and social development of the communities in which we operate
- maximize our shareholders' return

Shougang Century's Mission is to:

- strive for a successful “Eastern” brand awareness and recognition in steel cord industry
- be an enterprise of 200,000 tonnes annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- be one of the top five manufacturers in China sawing wire industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality steel cord and sawing wire products

To learn more about Shougang Century, please visit <http://www.shougangcentury.com.hk>.

CORPORATE INFORMATION

Board of Directors

Executive Directors

Li Shaofeng (*Chairman*)
Yang Kaiyu (*Managing Director*)
Tang Cornor Kwok Kau (*Deputy Managing Director*)
Zhang Zhong

Non-executive Directors

Leung Shun Sang, Tony
Zhang Wenhui

Independent Non-executive Directors

Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

Audit Committee

Yip Kin Man, Raymond (*Chairman*)
Law, Yui Lun
Chan Chung Chun

Remuneration Committee

Yip Kin Man, Raymond (*Chairman*)
Li Shaofeng (*Vice Chairman*)
Leung Shun Sang, Tony
Law, Yui Lun
Chan Chung Chun

Nomination Committee

Li Shaofeng (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

Authorised Representatives

Tang Cornor Kwok Kau
Chan Lai Yee

Company Secretary

Chan Lai Yee

Qualified Accountant

Wu Siu Man

CORPORATE INFORMATION (continued)

Principal Bankers	Agricultural Bank of China Bank of China Bank of China (Hong Kong) Limited China CITIC Bank International Limited Hang Seng Bank Limited Industrial and Commercial Bank of China Industrial and Commercial Bank of China (Asia) Limited
Auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i>
Share Registrar	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Hong Kong
Registered Office	5th Floor, Bank of East Asia Harbour View Centre 51–57 Gloucester Road Wanchai Hong Kong
Company's Website	http://www.shougangcentury.com.hk
Website For Publishing Listing Rules Related Announcements And Other Documents	http://www.irasia.com/listco/hk/sccentury/
HKEx Stock Code	103
Listing Date	9 April 1992

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	% Change
Operations			
Revenue	872,431	884,976	-1.4
Gross profit	75,353	46,595	+61.7
Earnings before interest, tax, depreciation and amortization ("EBITDA")	90,016	25,468	+253.4
EBITDA before reversal of (allowance for) bad and doubtful debts	80,747	61,403	+31.5
Loss for the period	(30,005)	(94,274)	-68.2
Loss per Share (basic) (HK cents)	(1.56)	(4.90)	-68.2
	30 June 2013 (Unaudited) HK\$'000		
	31 December 2012 (Audited) HK\$'000		
			% Change
Financial position			
Total assets	4,114,263	3,917,338	+5.0
Shareholders' equity	2,079,494	2,064,550	+0.7
Net asset value per Share (HK\$)	1.08	1.07	+0.7

INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Nominal value per Share:	HK\$0.10
Shares outstanding as at 30 June 2013:	1,922,900,556 Shares
Market capitalization as at 30 June 2013:	HK\$519,183,150
Closing stock price as at 30 June 2013:	HK\$0.27
Loss per Share (basic) for the six months ended 30 June 2013:	(HK1.56 cents)

Key Date

Announcement of 2013 Interim Results:	28 August 2013
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Investor Relations Contact

Address	: 5th Floor, Bank of East Asia Harbour View Centre 51-57 Gloucester Road, Wanchai, Hong Kong
Telephone	: (852) 2527 2218
Fax	: (852) 2861 3527
E-mail address	: business_link@shougangcentury.com.hk ir@shougangcentury.com.hk scchl@shougangcentury.com.hk
Website	: http://www.shougangcentury.com.hk

Shareholder Enquiries

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address	: 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong
Telephone	: (852) 2980 1888
Fax	: (852) 2810 8185
E-mail address	: is-enquiries@hk.tricorglobal.com
Website	: http://www.tricoris.com

BUSINESS CONTACTS

JESC Jiaxing Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Jiaxing Economic
Development Zone, Zhejiang Province, PRC
Postal code: 314003
Telephone: (86) 573 8222 2790
Fax: (86) 573 8221 3500
Website: <http://www.jesc.com.cn>
E-mail address: jesc@jesc.com.cn

TESC Tengzhou Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Tengzhou Economic
Development Zone, Shandong Province, PRC
Postal code: 277500
Telephone: (86) 632 525 2100
Fax: (86) 632 525 2111
Website: <http://www.tesc.com.cn>
E-mail address: tesc@tesc.com.cn



Hing Cheong Metals (China & Hong Kong) Limited

Address: Unit 2-3, G/F., TCL Tower, 8 Tai Chung Road
Tsuen Wan, Hong Kong
Telephone: (852) 2498 7800
Fax: (852) 2498 7912
E-mail address: hingcheong_m@ctimail.com



東莞興銅五金有限公司

Address: San Zhong Jinlong Industrial Zone, Qingxi,
Dongguan Guangdong Province, PRC
Postal code: 523660
Telephone: (86) 769 8709 1818
Fax: (86) 769 8709 1810
Website: <http://www.dgxtong.com>



首長寶佳(上海)管理有限公司

Address: 16F., Shartex Plaza, No. 88 Zunyi Nan Road
Shanghai, PRC
Postal code: 200336
Telephone: (86) 21 6291 8806
Fax: (86) 21 6291 8805

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**

首長寶佳集團有限公司

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries set out on pages 9 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

28 August 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Non-current assets			
Investment properties	11	39,797	36,187
Property, plant and equipment	11	1,956,056	1,971,861
Prepaid lease payments		189,205	190,100
Goodwill		41,672	41,672
Club memberships		757	750
Deposit paid for the acquisition of property, plant and equipment		862	1,780
Deferred tax assets		4,139	5,942
		2,232,488	2,248,292
Current assets			
Inventories		293,728	292,685
Trade receivables	12	605,732	498,480
Bills receivable	12	508,088	525,956
Prepayments, deposits and other receivables		156,379	167,364
Prepaid lease payments		8,614	8,463
Tax recoverable		75	175
Bank balances and cash		309,159	175,923
		1,881,775	1,669,046
Current liabilities			
Trade payables	13	265,062	199,065
Other payables and accruals	14	156,336	224,314
Tax payable		26,369	21,445
Loan from a related company	15	129,277	123,327
Bank borrowings	16	932,063	824,941
Derivative financial instruments	20	209	–
		1,509,316	1,393,092
Net current assets		372,459	275,954
Total assets less current liabilities		2,604,947	2,524,246

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	PRC reserve funds HK\$'000 (Note ii)	Retained profits HK\$'000	Total HK\$'000	Share option reserve of a subsidiary HK\$'000	Total HK\$'000
At 1 January 2012 (Audited)	192,290	996,784	23,990	2,724	23,484	346,766	33,858	38,815	682,850	2,341,561	840	2,342,401
Loss for the period	-	-	-	-	-	-	-	-	(94,274)	(94,274)	-	(94,274)
Exchange differences arising on translation of group entities	-	-	-	-	-	(12,372)	-	-	-	(12,372)	-	(12,372)
Surplus on revaluation of properties	-	-	-	-	14,218	-	-	-	-	14,218	-	14,218
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(3,512)	-	-	-	-	(3,512)	-	(3,512)
Total comprehensive income (expense) for the period	-	-	-	-	10,706	(12,372)	-	-	(94,274)	(95,940)	-	(95,940)
Transfer upon deregistration of a subsidiary	-	-	-	-	-	(866)	-	-	866	-	-	-
Transfer upon lapse of share options	-	-	-	-	-	-	(803)	-	1,643	840	(840)	-
At 30 June 2012 (Unaudited)	192,290	996,784	23,990	2,724	34,190	333,528	33,055	38,815	591,085	2,246,461	-	2,246,461

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2013

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Property revaluation reserve	Translation reserve	Share option reserve	PRC reserve funds	Retained profits	Total	Share option reserve of a subsidiary	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note i)					(Note ii)				
At 1 January 2013 (Audited)	192,290	996,784	23,990	2,724	40,219	351,000	32,347	45,468	379,728	2,064,550	-	2,064,550
Loss for the period	-	-	-	-	-	-	-	-	(30,005)	(30,005)	-	(30,005)
Exchange differences arising on translation of group entities	-	-	-	-	-	37,539	-	-	-	37,539	-	37,539
Surplus on revaluation of properties	-	-	-	-	9,648	-	-	-	-	9,648	-	9,648
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(2,238)	-	-	-	-	(2,238)	-	(2,238)
Total comprehensive income (expense) for the period	-	-	-	-	7,410	37,539	-	-	(30,005)	14,944	-	14,944
At 30 June 2013 (Unaudited)	192,290	996,784	23,990	2,724	47,629	388,539	32,347	45,468	349,723	2,079,494	-	2,079,494

Notes:

- i. The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.
- ii. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve fund is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Net cash (used in) from operating activities:		
Loss before tax	(24,798)	(93,285)
Allowance for bad and doubtful debts (reversed) recognised, net	(9,269)	35,935
Depreciation of property, plant and equipment	70,209	79,567
Adjustments for non-cash items	6,167	7,194
Operating cash flows before movements in working capital	42,309	29,411
Decrease in inventories	3,722	10,646
Increase in trade and bills receivables	(252,194)	(159,449)
Decrease in prepayments, deposits and other receivables	11,510	6,319
Increase in trade payables	172,110	158,696
Decrease in other payables and accruals	(6,096)	(13,776)
	(28,639)	31,847
Net cash used in investing activities:		
Purchase of property, plant and equipment	(2,063)	(44,908)
Deposit paid for the acquisition of property, plant and equipment	(5,278)	(2,714)
Proceeds from disposal of property, plant and equipment	215	3,590
	(7,126)	(44,032)
Net cash from (used in) financing activities:		
New bank loans raised	573,527	146,842
Trust receipt loans raised	64,379	72,753
Bank advances for discounted bills	31,140	25,589
Repayment of bank loans	(444,229)	(308,314)
Repayment of trust receipt loans	(57,540)	(87,765)
Loan advanced from a related company	150,000	122,666
Repayment to a related company	(150,000)	–
	167,277	(28,229)
Net increase (decrease) in cash and cash equivalents	131,512	(40,414)
Cash and cash equivalents at 1 January	175,923	154,956
Effect of foreign exchange rate changes	1,724	(792)
Cash and cash equivalents at 30 June, represented by bank balances and cash	309,159	113,750

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and derivative financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

Derivative financial instruments

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

HKFRS 10 Consolidated Financial Statements

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

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

HKFRS 12 Disclosure of Interests in Other Entities

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

The directors of the Company concluded that the application of HKFRS 12 will result in more disclosures in the consolidated financial statements for the year ending 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

HKFRS 13 Fair Value Measurement

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

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

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with consequential amendments of HKAS 34 are set out in note 20 and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group’s investment properties and leasehold land and buildings, will be presented in the consolidated financial statements for the year ending 31 December 2013. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the condensed consolidated financial statements.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2013

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

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

Reconciliation of revenue

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2013 (continued)

Reconciliation of loss before tax

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

Six months ended 30 June 2012

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2012 (continued)

Reconciliation of revenue

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

Reconciliation of loss before tax

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

Segment results represents the profit and loss of each segment without allocation of profit arising from property investment, certain foreign exchange gains or losses, central administration costs, the emoluments of directors of the Company, interest income on bank deposits and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Investment income		
Interest income on bank deposits	463	513
Other income		
Government grants (Note)	2,036	650
Sales of scrap materials	430	894
Others	195	246
	2,661	1,790
	3,124	2,303

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

5. OTHER GAINS AND LOSSES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

6. FINANCE COSTS

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

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

7. INCOME TAX EXPENSES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

7. INCOME TAX EXPENSES (continued)

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

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

Two subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC Enterprise Income Tax and are exempted from PRC Enterprise Income Taxes for two years commencing from their first year of operation and thereafter, these subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the six months ended 30 June 2012, these two subsidiaries are in the final year of entitling 50% relief from PRC Enterprise Income Tax. The PRC Enterprise Income Tax charges for the six months ended 30 June 2012 are arrived at after taking into account these tax incentives.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

9. LOSS PER SHARE

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

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

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

The computation of diluted loss per share does not assume the exercise of (i) the Company's outstanding share options during the six months ended 30 June 2013 and 30 June 2012 and (ii) the share option granted by the Company's subsidiary outstanding during the six months ended 30 June 2012 since their exercise would result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

10. DIVIDEND

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

12. TRADE RECEIVABLES/BILLS RECEIVABLE

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

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

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

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

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

Included in bills receivable as at 30 June 2013 was an amount of approximately HK\$26,615,000 (31 December 2012: HK\$6,166,000) and approximately HK\$168,636,000 (31 December 2012: HK\$176,904,000) that have been discounted to banks (note 16) and have been endorsed to certain creditors respectively, on a full recourse basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

12. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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

The aged analysis of trade receivables which are past due but not impaired based on the due date is as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
0 – 90 days	207,792	130,635
91 – 180 days	19,002	16,132
Over 180 days	10,405	8,724
	237,199	155,491

Movement in the allowance for bad and doubtful debts:

	HK\$'000
At 1 January 2012 (Audited)	12,704
Exchange realignment	190
Amount written off as uncollectible	(4,411)
Impairment losses recognised on receivables	51,052
At 31 December 2012 (Audited)	59,535
Exchange realignment	1,067
Amount written off as uncollectible	(67)
Impairment losses reversed on receivables	(9,269)
At 30 June 2013 (Unaudited)	51,266

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

13. TRADE PAYABLES

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

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

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

14. OTHER PAYABLES AND ACCRUALS

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

15. LOAN FROM A RELATED COMPANY

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

16. BANK BORROWINGS

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

17. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

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

18. SHARE-BASED PAYMENT

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. A new share option scheme (the "2012 Scheme") was adopted and the 2002 Scheme was terminated by the shareholders of the Company at the annual general meeting held on 25 May 2012.

The 2012 Scheme which serves the same purpose as the 2002 Scheme became effective on 29 May 2012 upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted, and will remain in force for a period of ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2012 Scheme is 192,290,055 shares which represented 10% of the issued share capital of the Company as at the date of approval of this interim report. The other principal terms of 2012 Scheme are the same as the 2002 Scheme.

No share options have been granted under the 2012 Scheme during the six months ended 30 June 2013 and 30 June 2012. The share options which have been granted and remained outstanding under the 2002 Scheme shall remain valid and exercisable in accordance with their terms of issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

18. SHARE-BASED PAYMENT (continued)

The movements of the share options granted under the 2002 Scheme:

	Number of share options
Outstanding at 1 January 2012	276,728,000
Lapsed/cancelled during the year	(10,278,000)
Outstanding at 31 December 2012 and 1 January 2013	266,450,000
Lapsed during the period	(76,478,000)
Outstanding at 30 June 2013	<u>189,972,000</u>

In addition, the share option granted to an employee to subscribe for up to 10% equity interest in Rise Boom International Limited, an indirect wholly owned subsidiary of the Company, lapsed on 30 April 2012.

19. CAPITAL COMMITMENTS

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment – contracted for but not provided in the condensed consolidated financial statements	7,369	5,178

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

20. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 Liabilities HK\$'000 (Unaudited)	31 December 2012 Liabilities HK\$'000 (Audited)
Foreign currency forward contracts	209	–

At 30 June 2013, the Group entered into foreign currency forward contracts with banks, and the major terms of the outstanding contracts are as follows:

Notional amount	Maturity	Forward exchange rates
Sell JPY20,000,000	31.07.2013	USD/JPY 0.01012
Sell JPY20,000,000	30.08.2013	USD/JPY 0.01012
Sell JPY17,000,000	30.08.2013	RMB/JPY 0.06013
Sell JPY17,000,000	30.09.2013	RMB/JPY 0.06024
Sell JPY17,000,000	31.10.2013	RMB/JPY 0.06035
Sell USD1,300,000	30.09.2013	RMB/USD 6.17225
Sell USD1,300,000	31.10.2013	RMB/USD 6.18193

As at 31 December 2012, the Group did not have any outstanding foreign currency forward contract.

Financial instruments measured at fair value are categorised into Levels 1 to 3 based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

20. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Fair values of the above derivative financial instruments were determined based on the discounted cash flow valuation and were classified as Level 2 of the fair value hierarchy. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 in current interim period.

21. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2013, the Group acquired property, plant and equipment of HK\$9,894,000 (six months ended 30 June 2012: HK\$29,269,000), of which approximately HK\$1,635,000 (six months ended 30 June 2012: HK\$23,925,000) has not been paid and was included in other payables and accruals as at 30 June 2013. Deposit paid for the acquisition of property, plant and equipment as at 31 December 2012 amounting of approximately HK\$1,780,000 was used to offset the consideration for acquisition of property, plant and equipment during the six months ended 30 June 2013.

During the six months ended 30 June 2013, bills receivable of approximately HK\$59,271,000 endorsed to certain creditors of the Group as at 31 December 2012 to settle the payable for acquisition of property, plant and equipment were matured. During the six months ended 30 June 2012, bills receivable of approximately HK\$75,766,000 endorsed to certain creditors of the Group as at 31 December 2011 to settle the payable for acquisition of property, plant and equipment were matured.

During the six months ended 30 June 2013, bills receivable discounted to banks with full recourse of approximately HK\$10,802,000 (30 June 2012: HK\$58,086,000) were matured.

22. RELATED PARTY TRANSACTIONS/BALANCES

The Company is an associate of Shougang HK, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the Beijing State-owned Assets Supervision and Administration Commission. Shougang Corporation, together with its associates (as defined in the Listing Rules) other than the Group, will hereinafter be referred to as the "Shougang Group". Accordingly, the Group is significantly influenced by Shougang Group, which is part of a larger group of companies ultimately controlled by the PRC government.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS/BALANCES (continued)

Apart from the transactions with Shougang HK and its subsidiaries (collectively referred to as the "Shougang HK Group"), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

(i) Transactions with PRC government-related entities

(a) Transactions with Shougang HK Group

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Consultancy fees paid to Shougang HK Group	480	480
Rental expenses paid to Shougang HK Group	1,188	900
Loan from Shougang HK Group	150,000	122,666
Loan repaid to Shougang HK Group	150,000	–
Interest expenses on loans from Shougang HK Group	4,488	1,210

(b) Transactions with other PRC government-related entities

The Group has entered into various transactions, including sales to, purchases from and other operating expenses paid to other PRC government-related entities. In the opinion of the directors of the Company, the transactions are considered as individually insignificant to the operation of the Group during the reporting period.

In addition, the Group has entered into various banking transactions, including deposits placements, borrowings, derivative contracts and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors of the Company are of the opinion that separate disclosure would not be meaningful.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2013

22. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(ii) Transactions with non-PRC government-related entities

Compensation of key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments are as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Director fees	75	75
Salaries and other benefits	2,312	4,307
Retirement benefit scheme contributions	115	215
	2,502	4,597

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Review of operations

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord

Overall performance

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

Revenue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

Revenue (continued)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

Revenue (continued)

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

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

Gross profit

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Steel cord (continued)

Gross profit (continued)

The production costs of steel cords dropped as compared to the same period last year, contributed by the lower raw material prices and reduction in other production costs attributable to the unremitting effort in improving our operating efficiency and increase in production volume.

Investment and other income

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

Reversal of (allowance for) bad and doubtful debts

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

Distribution and selling expenses

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

Administrative expenses and research and development expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Copper and brass products

Overall performance

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

Revenue

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Business Review (continued)

Copper and brass products (continued)

Gross profit

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

Financial Review

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

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Gross profit

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

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

Investment and other income

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Other gains and losses

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

1. The Group recorded exchange gain of HK\$2,041,000 for the period as compared to exchange loss of HK\$3,470,000 for the same period last year, as the exchange rate of RMB recorded an appreciation of approximately 1.8% against HKD over the period, whereas RMB had a corresponding depreciation of 0.6% over the same period last year. Contributed by the appreciation of RMB during the period, the Group therefore recorded exchange gain on its HKD and USD denominated bank borrowings.
2. There was reversal of allowance for bad and doubtful debts of HK\$9,269,000 in respect of trade receivables of Steel cord segment during the period, instead of allowance for bad and doubtful debts of HK\$35,935,000 made in the same period last year.

The breakdown of other gains and losses is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Distribution and selling expenses and administrative expenses

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

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

Research and development expenses

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

Segment results

The Group recorded operating profit of HK\$18,654,000 from its business segments during the period, significant improvement as compared to operating loss of HK\$42,100,000 for the same period last year. The breakdown of the operating results of the Group's business segments is as follows:

	For the six months ended 30 June		
	2013 HK\$'000	2012 HK\$'000	% change
Steel cords	20,223	(41,744)	N/A
Copper and brass products	(1,569)	(356)	+340.7
Total	18,654	(42,100)	N/A

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Finance costs

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

Income tax expenses

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

Trade receivables

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Financial Review (continued)

Trade receivables (continued)

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

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

Share Capital, Liquidity and Financial Resources

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its Shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

There was no change in the share capital of the Company during the period, the issued share capital of the Company remained at 1,922,900,556 Shares at 30 June 2013. The net asset value of the Group was HK\$2,079,494,000 at 30 June 2013, increased by 0.7% as compared to HK\$2,064,550,000 at 31 December 2012; and net asset value per Share also increased by 0.7% as compared to the end of 2012 to HK\$1.08 per Share at 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital, Liquidity and Financial Resources (continued)

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Share Capital, Liquidity and Financial Resources (continued)

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Foreign Currency and Interest Rate Exposures

Both the Group's sources of revenue and purchases and payments are mainly denominated in RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavor to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2013, the currency breakdown of the Group's bank borrowings was as follows:

	30 June 2013 %	31 December 2012 %
HKD	42.4	30.6
RMB	51.6	61.0
USD	6.0	8.4
Total	100.0	100.0

In respect of exposure to interest rate risk, even though the majority of the bank borrowings are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit and cash flows of the Group, as we were of the view that interest rate would sustain at a relatively low level for at least the remaining part of the year.

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

Business Development Plan and Capital Commitments

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Employees, Remuneration Policies and Training Scheme of the Group

At 30 June 2013, the Group had a total of 2,156 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated statement of profit or loss for the period amounted to approximately HK\$7,397,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

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

In addition, the Company had adopted the 2002 Scheme. Under the 2002 Scheme, the Board shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The 2002 Scheme remained in force for a period of ten years from the date of its adoption and expired on 6 June 2012. The Shareholders at the annual general meeting held on 25 May 2012 approved the termination of the 2002 Scheme and adoption of the 2012 Scheme which serves the same purpose as the 2002 Scheme. The 2012 Scheme will remain in force for a period of ten years from 29 May 2012, the date of obtaining the approval of the listing and permission to deal in the Shares falling to be allotted and issued pursuant to the exercise of any options granted under the 2012 Scheme.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Pledge of Assets

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

1. Leasehold land and buildings with net book value of HK\$10,800,000;
2. Prepaid lease payments amounted to HK\$88,319,000; and
3. Equity interests in certain subsidiaries of the Company.

Business Outlook

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

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

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2013, save for the interests of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares of HK\$0.10 each of the Company

Name of Director	Total number of Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Yang Kaiyu ("Mr. Yang")	3,596,000	0.18	Family interest Note (i)
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner Note (ii)

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(a) Ordinary Shares of HK\$0.10 each of the Company (continued)

Notes:

- (i) All those Shares were beneficially owned by Mr. Yang's wife.
- (ii) Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

(b) Share options

As at 30 June 2013, there were a total of 67,442,000 outstanding share options of the Company granted to Directors under 2002 Scheme, details of which are summarized in the following table:

Name of Director	Options to subscribe for Shares					Date of exercise	Date of grant <i>Note (i)</i>	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the issued share capital
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Number of outstanding share options held at the end of the period						
Mr. Li	30,614,000	-	-	(30,614,000)	-	25/6/2003	25/6/2003 to 24/6/2013	0.365			
	<i>Note (ii)</i> 13,800,000	-	-	-	13,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864			
	44,414,000	-	-	(30,614,000)	13,800,000				Beneficial owner	0.71	
Mr. Yang	5,400,000	-	-	-	5,400,000	13/7/2009	13/7/2009 to 12/7/2019	0.680			
	5,400,000	-	-	-	5,400,000	<i>Note (iii)</i> 13/7/2009	1/1/2010 to 12/7/2019	0.680			
	7,200,000	-	-	-	7,200,000	<i>Note (iii)</i> 13/7/2009	1/1/2011 to 12/7/2019	0.680			
	18,000,000	-	-	-	18,000,000				Beneficial owner	0.93	

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

Name of Director	Options to subscribe for Shares					Number of outstanding share options held at the end of the period	Date of exercise	Date of grant <i>Note (i)</i>	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the issued share capital
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options lapsed during the period	Date of exercise							
Mr. Leung	4,592,000	-	-	-	-	4,592,000	25/8/2003	25/8/2003 to 24/8/2013	0.740			
	12,000,000	-	-	-	-	12,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864			
	16,592,000	-	-	-	-	16,592,000				Beneficial owner	0.86	
Mr. Tang	10,000,000	-	-	-	-	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.52	
Zhang Zhong	2,000,000	-	-	-	-	2,000,000	14/12/2010	14/12/2010 to 13/12/2020	0.940	Beneficial owner	0.10	
Yip Kin Man, Raymond	382,000	-	-	-	-	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740			
	252,000	-	-	-	-	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656			
	1,800,000	-	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864			
	2,434,000	-	-	-	-	2,434,000				Beneficial owner	0.12	
Law, Yui Lun	1,016,000	-	-	-	-	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656			
	1,800,000	-	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864			
	2,816,000	-	-	-	-	2,816,000				Beneficial owner	0.14	
Chan Chung Chun	1,800,000	-	-	-	-	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09	
	98,056,000	-	-	(30,614,000)	-	67,442,000						

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares (continued)

(b) Share options (continued)

Notes:

- (i) The vesting period of the share options is from the date of grant to the beginning of the exercise period except for the share options set out under *Note (iii)* below.
- (ii) These share options granted were in excess of the individual limit and the approval from Shareholders was obtained in general meeting held on 25 June 2003 and lapsed effective from 25 June 2013.
- (iii) 5,400,000 share options have a vesting period from the date of grant to 31 December 2009 and 7,200,000 share options have a vesting period from the date of grant to 31 December 2010.

The above share options are unlisted cash settled options granted pursuant to 2002 Scheme. Upon exercise of the share options in accordance with 2002 Scheme, Shares of HK\$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of the Company's associated corporations at 30 June 2013.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO

As at 30 June 2013, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Richson	148,537,939	7.72	Beneficial owner
Fair Union	686,655,179	35.70	Beneficial owner and interests of controlled corporations <i>Note (1)</i>
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations <i>Note (2)</i>
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	904,639,179	47.04	Beneficial owner and interests of controlled corporations <i>Note (3)</i>
Bekaert Holding	250,000,000	13.00	Beneficial owner <i>Note (4)</i>
Bekaert	250,000,000	13.00	Interests of controlled corporations <i>Note (5)</i>
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner <i>Note (6)</i>

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES OR UNDERLYING SHARES UNDER THE SFO (continued)

Long position in Shares or underlying Shares (continued)

Notes:

- (1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.
- (2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.
- (3) Shougang HK is beneficially interested in 2,096,000 Shares and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,034,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 14,870,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand as Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as it is the controlling shareholder of Shougang International.
- (4) Bekaert Holding is beneficially interested in 250,000,000 Shares.
- (5) By virtue of the SFO, Bekaert is deemed to be interested in 250,000,000 Shares held by Bekaert Holding, which is a wholly owned subsidiary of Bekaert.
- (6) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares. By virtue of the terms of the constituent documents of Li Ka Shing Foundation, each of Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor may be regarded as having the ability to exercise or control the exercise of one-third or more of the voting power at general meetings of Li Ka Shing Foundation.

SHARE OPTION SCHEME

2002 Scheme was adopted by the Shareholders at the annual general meeting held on 7 June 2002. Under 2002 Scheme, the Board shall, subject to and in accordance with the provisions of 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company. 2012 Scheme was adopted and 2002 Scheme was terminated by the Shareholders at the annual general meeting held on 25 May 2012.

2012 Scheme became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued and allotted upon the exercise of the share options granted. Unless otherwise cancelled or amended, 2012 Scheme will remain in force for a period of ten years from 29 May 2012.

The share options which have been granted and remained outstanding under 2002 Scheme remain valid and exercisable in accordance with their terms of issue.

The following table discloses details of the Company's share options granted under 2002 Scheme held by eligible participants and movements in such holdings in relation to 2002 Scheme during the six months ended 30 June 2013:

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme

Save as disclosed in the above sub-section "Share options" under "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES UNDER THE SFO", and the details of the share options of employees and other eligible participants set out as below, no share option had been granted, exercised, cancelled or lapsed:

Category of participant	Options to subscribe for Shares								
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise	Number of share options cancelled/lapsed during the period	Number of outstanding share options held at the end of the period	Date of grant Note (ii)	Exercise period	Exercise price per Share HK\$
Employees other than the Directors	38,268,000	-	-	-	(38,268,000) Note (i)	-	25/6/2003	25/6/2003 to 24/6/2013	0.365
	5,000,000	-	-	-	-	5,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
	34,200,000	-	-	-	-	34,200,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	100,000	-	-	-	-	100,000 Note (iii)	28/1/2008	28/1/2011 to 27/1/2018	0.864
	1,350,000	-	-	-	-	1,350,000	13/7/2009	13/7/2009 to 12/7/2019	0.680
	1,350,000	-	-	-	-	1,350,000 Note (iv)	13/7/2009	1/1/2010 to 12/7/2019	0.680
	1,800,000	-	-	-	-	1,800,000 Note (iv)	13/7/2009	1/1/2011 to 12/7/2019	0.680
	82,068,000	-	-	-	(38,268,000)	43,800,000			
All other eligible participants	5,356,000	-	-	-	(5,356,000) Note (i)	-	12/3/2003	12/3/2003 to 11/3/2013	0.325
	2,240,000	-	-	-	(2,240,000) Note (i)	-	25/8/2003	25/8/2003 to 31/12/2012	0.740
	3,380,000	-	-	-	-	3,380,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
	57,350,000	-	-	-	-	57,350,000	2/10/2003	2/10/2003 to 1/10/2013	0.780
	17,000,000	-	-	-	-	17,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	1,000,000	-	-	-	-	1,000,000	28/1/2008	28/1/2008 to 24/8/2013	0.864
	86,326,000	-	-	-	(7,596,000)	78,730,000			
Total	168,394,000	-	-	-	(45,864,000)	122,530,000			

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme (continued)

Notes:

- (i) 38,268,000, 5,356,000 and 2,240,000 share options lapsed with effect from 25/6/2013, 12/3/2013 and 1/1/2013 respectively.
- (ii) The vesting period of the share option is from the date of grant to the beginning of the exercise period except for the share options set out under *Notes (iii) and (iv)* below.
- (iii) 100,000 share options have a vesting period of three years from the date of grant.
- (iv) 1,350,000 share options have a vesting period from the date of grant to 31/12/2009 and 1,800,000 share options have a vesting period from the date of grant to 31/12/2010.

(b) 2012 Scheme

No share options were granted, exercised, cancelled or lapsed under 2012 Scheme during the period.

The Board considers that it is not appropriate to state the value of all share options that can be granted under 2012 Scheme on the assumption that they had been granted at the date of this report. The Board believes that any statement regarding the value of the share options as at the date of the report will be based on a large number of speculative assumptions and would therefore not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the value of the share options which have not been determined. Such variables include the exercise price, the option period, any lock-up period, any performance targets that may be set and other relevant variables.

CORPORATE GOVERNANCE CODE

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

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

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

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code and also the SCCHL Corporate Governance Code throughout the six months ended 30 June 2013, except for deviation from code provision D.1.4 of the Code. Due to the nomination of Mr. Zhang Zhong (the executive Director) as the representative of Bekaert in accordance with the subscription agreement dated 22 September 2006 entered into by the Company and Bekaert, Mr. Zhang does not have any formal letter of appointment setting out the key terms and conditions of his appointment as Director.

Model code for securities transactions by directors

The Company has approved and adopted the SCCHL Code on terms no less exacting than Model Code.

The Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and SCCHL Code during the period under review.

CORPORATE GOVERNANCE CODE (continued)

Audit committee

The Company's audit committee comprises of three independent non-executive Directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Chan Chung Chun. Mr. Yip acts as the chairman of the committee. The audit committee was established with specific written terms of reference with the task of monitoring the financial reporting procedures, reviewing internal control and risk management system of the Group and meeting with the external auditors. The Company has engaged the external auditors to assist the audit committee to review the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013. During the meetings of the audit committee for the period under review, the audit committee members, amongst other things, had reviewed the accounting principles and practices adopted by the Group and discussed the financial report matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2013.

APPRECIATION

On behalf of the Group and the Board, I would like to extend my sincere thanks and appreciations to our Shareholders, customers, suppliers, business partners and all the employees for their continuous supports and trusts to the Group during the period.

By order of the Board
Li Shaofeng
Chairman

Hong Kong, 28 August 2013

This interim report can also be accessed through the internet at the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.shougangcentury.com.hk> or <http://www.irasia.com/listco/hk/sccentury/>.

DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meaning set out below:

"2002 Scheme"	A share option scheme adopted and terminated by the Shareholders at the annual general meetings held on 7 June 2002 and 25 May 2012 respectively
"2012 Scheme"	A new share option scheme adopted by the Shareholders at the annual general meeting held on 25 May 2012 and became effective on 29 May 2012
"Able Legend"	Able Legend Investments Limited, a subsidiary of Shougang HK
"Bekaert"	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder (as defined under the SFO) of the Company
"Bekaert Holding"	Bekaert Holding B.V., a wholly owned subsidiary of Bekaert
"Board"	the board of Directors
"Board Diversity Policy"	Shougang Concord Century Holdings Limited Board Diversity Policy adopted on 26 August 2013 and revised from time to time thereafter
"Casula"	Casula Investments Limited, a subsidiary of Shougang International
"Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Codes on Promotion and Advertising"	Shougang Concord Century Holdings Limited Codes on Promotion and Advertising adopted in 2013 and revised from time to time thereafter
"Company"/ "Shougang Century"	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
"Contingency Plan Policy"	Contingency Plan for Market Rumours and Short Selling of the Securities of Shougang Concord Century Holdings Limited adopted in 2013 and revised from time to time thereafter

DEFINITIONS (continued)

“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
“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”	Jiaying Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“Li Ka Shing Foundation”	Li Ka Shing Foundation Limited, a “charitable body” within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial shareholder (as defined under the SFO) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
“Richson”	Richson Limited, a subsidiary of Shougang International
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS (continued)

"SCCHL Code"	Model Code for Securities Transactions by Directors and Specified Individuals of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance (revised from time to time)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"Share(s)"	ordinary share(s) of HK\$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shougang Grand"	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Shougang HK"	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder (as defined under the SFO) of the Company
"Shougang International"	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, a substantial shareholder (as defined under the SFO) of the Company
"Steel cord"	manufacturing of steel cords for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TESC"	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"USD/US\$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.