



**SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED**

Stock Code : 103

INTERIM REPORT 2012

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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, and 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 cords 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*)
Dong Haochun (*Deputy Managing Director*)
Zhang Zhong

Non-executive Director

Leung Shun Sang, Tony

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 CITIC Bank International Limited Hang Seng Bank Limited Industrial and Commercial Bank of China Industrial and Commercial Bank of China (Asia) Limited The Bank of East Asia, Limited
Auditors	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		
	2012 (Unaudited) HK\$'000	2011 (Unaudited) (Restated) HK\$'000	% Change
Operations			
Revenue	884,976	870,027	+1.7
Gross profit	46,595	106,765	-56.4
Earnings before interest, tax, depreciation and amortization ("EBITDA")	25,468	135,187	-81.2
EBITDA before allowance for bad and doubtful debts	61,403	134,667	-54.4
(Loss) profit for the period	(94,274)	26,952	N/A
(Loss) earnings per Share (basic) (HK cents)	(4.90)	1.40	N/A
	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) (Restated) HK\$'000	% Change
Financial position			
Total assets	4,111,520	4,306,894	-4.5
Shareholders' equity	2,246,461	2,341,561	-4.1
Net asset value per Share (HK\$)	1.17	1.22	-4.1



INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Nominal value per Share:	HK\$0.10
Shares outstanding as at 30 June 2012:	1,922,900,556 Shares
Market capitalization as at 30 June 2012:	HK\$596,099,172
Closing share price as at 30 June 2012:	HK\$0.31
Loss per Share (basic) for the six months ended 30 June 2012:	(HK4.90 cents)

Key Date

Announcement of 2012 Interim Results:	28 August 2012
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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	: info@hk.tricorglobal.com
Website	: http://www.hk.tricorglobal.com

BUSINESS CONTACTS



Jiaying Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Jiaying 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



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,
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Postal code: 200336
Telephone: (86) 21 6291 8806
Fax: (86) 21 6291 8805

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 36, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of 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 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) (Restated) HK\$'000
Non-current assets			
Investment properties	11	33,032	31,491
Property, plant and equipment	11	2,066,514	2,117,478
Prepaid lease payments		193,289	198,599
Goodwill	12	41,672	41,672
Club memberships		748	751
Deposit paid for the acquisition of property, plant and equipment		3,198	4,662
		2,338,453	2,394,653
Current assets			
Inventories		408,032	425,618
Trade receivables	13	613,084	595,578
Bills receivable	13	454,984	545,412
Prepayments, deposits and other receivables		173,976	181,293
Prepaid lease payments		8,417	8,464
Tax recoverable		824	920
Bank balances and cash		113,750	154,956
		1,773,067	1,912,241
Current liabilities			
Trade payables	14	235,892	188,742
Other payables and accruals	15	272,618	383,926
Tax payable		25,347	29,849
Loan from a related company	16	123,876	–
Bank borrowings	17	744,521	838,002
		1,402,254	1,440,519
Net current assets		370,813	471,722
Total assets less current liabilities		2,709,266	2,866,375

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

At 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) (Restated) HK\$'000
Non-current liabilities			
Bank borrowings	17	438,143	500,445
Other payable		1,093	982
Deferred tax liabilities	18	23,569	22,547
		462,805	523,974
		2,246,461	2,342,401
Capital and reserves			
Share capital	19	192,290	192,290
Reserves		2,054,171	2,149,271
Equity attributable to equity holders of the Company		2,246,461	2,341,561
Share option reserve of a subsidiary		–	840
		2,246,461	2,342,401

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	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
At 1 January 2011 (Audited)	192,230	996,400	23,990	2,724	17,022	240,201	34,663	38,815	705,923	2,251,968	840	2,252,808
Adjustments (Note 2)	-	-	-	-	-	35	-	-	1,206	1,241	-	1,241
At 1 January 2011 (Restated)	192,230	996,400	23,990	2,724	17,022	240,236	34,663	38,815	707,129	2,253,209	840	2,254,049
Profit for the period	-	-	-	-	-	-	-	-	26,952	26,952	-	26,952
Exchange differences arising on translation of group entities	-	-	-	-	-	51,213	-	-	-	51,213	-	51,213
Surplus on revaluation of properties	-	-	-	-	738	-	-	-	-	738	-	738
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(57)	-	-	-	-	(57)	-	(57)
Total comprehensive income for the period	-	-	-	-	681	51,213	-	-	26,952	78,846	-	78,846
Shares issued at premium	60	384	-	-	-	-	-	-	-	444	-	444
Dividend paid (Note 10)	-	-	-	-	-	-	-	-	(28,844)	(28,844)	-	(28,844)
Recognition of equity settled share-based payments	-	-	-	-	-	-	3	-	-	3	-	3
Cancellation of share options	-	-	-	-	-	-	(268)	-	268	-	-	-
At 30 June 2011 (Unaudited and restated)	192,290	996,784	23,990	2,724	17,703	291,449	34,398	38,815	705,505	2,303,658	840	2,304,498

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

For the six months ended 30 June 2012

	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 (Note i)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012 (Audited)	192,290	996,784	23,990	2,724	23,484	346,747	33,858	38,815	681,414	2,340,106	840	2,340,946
Adjustments (Note 2)	-	-	-	-	-	19	-	-	1,436	1,455	-	1,455
At 1 January 2012 (Restated)	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

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 registered or incorporated 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 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from (used in) operating activities:		
Allowance for bad and doubtful debts recognised (reversed), net	35,935	(520)
Increase in trade and bills receivables	(159,449)	(167,791)
Decrease (increase) in prepayments, deposits and other receivables	6,319	(56,949)
Increase in trade payables	158,696	115,779
Decrease in other payables and accruals	(13,776)	(29,459)
Others	4,122	(18,765)
	31,847	(157,705)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(44,908)	(8,269)
Deposit paid for the acquisition of property, plant and equipment	(2,714)	(9,208)
Increase in restricted bank deposits	-	(3,686)
Proceeds from disposal of property, plant and equipment	3,590	-
	(44,032)	(21,163)
Net cash (used in) from financing activities:		
New bank loans raised	146,842	199,721
Trust receipt loans raised	72,753	126,182
Bank advances for discounted bills	83,675	41,233
Proceed on issue of ordinary shares	-	444
Repayment of bank loans	(308,314)	(157,672)
Repayment of trust receipt loans	(87,765)	(88,402)
Repayment of bank advances for discounted bills	(58,086)	(29,508)
Loan advanced from a related company	122,666	-
Dividend paid	-	(28,844)
	(28,229)	63,154
Net decrease in cash and cash equivalents	(40,414)	(115,714)
Cash and cash equivalents at 1 January	154,956	276,448
Effect of foreign exchange rate changes	(792)	6,255
Cash and cash equivalents at 30 June, represented by bank balances and cash	113,750	166,989

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Summary of the effect of the above change in accounting policy

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets (continued)

Summary of the effect of the above change in accounting policy (continued)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Summary of the effect of the above change in accounting policy (continued)

Impact on basic (loss) earnings per share

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

Impact on diluted (loss) earnings per share

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION

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

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

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

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

Six months ended 30 June 2012

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

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 2012

3. SEGMENT INFORMATION (continued)
Six months ended 30 June 2012 (continued)

Reconciliation of revenue

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

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)
	<hr/>
Loss before tax	(93,285)
	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2011

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

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

Reconciliation of revenue	(Unaudited) HK\$'000
Total revenues for operating segments	882,772
Rental income	316
Elimination of inter-segment sales	(13,061)
Group's revenue	870,027
Reconciliation of profit before tax	(Unaudited) HK\$'000
Total profit for operating segments	59,697
Profit arising from property investment	2,648
Unallocated amounts	
Unallocated income	1,005
Unallocated foreign exchange gains, net	12,310
Unallocated expenses	(16,772)
Unallocated finance costs	(20,670)
Profit before tax	38,218

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

3. SEGMENT INFORMATION (continued)

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

4. INVESTMENT AND OTHER INCOME

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

5. OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	(Restated) HK\$'000
Current tax:		
Hong Kong Profits Tax	–	814
PRC Enterprise Income Tax	3,316	12,091
	3,316	12,905
Underprovision in prior periods:		
PRC Enterprise Income Tax	107	28
Deferred tax (Note 18)	(2,434)	(1,667)
	989	11,266

For the six months ended 30 June 2012, no provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit arising in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for prior period.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law (the "Implementation Regulation"). Under the New Law and Implementation Regulation, the Company's major subsidiaries in the PRC are subject to a respective tax rate of 18%, 20%, 22%, 24% and 25% for the years ended 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 25% for the six months ended 30 June 2012 (six months ended 30 June 2011: 24%).

Two subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC Enterprise Income Tax and are exempted from PRC Enterprise Income Taxes for two years commencing from their first year of operation and thereafter, these subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. During the six months ended 30 June 2012, the two subsidiaries are entitled to 50% relief from PRC Enterprise Income Tax (six months ended 30 June 2011: 50% relief). The PRC Enterprise Income Tax charges are arrived at after taking into account these tax incentives.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

8. (LOSS) PROFIT FOR THE PERIOD

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

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

9. (LOSS) EARNINGS PER SHARE

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

9. (LOSS) EARNINGS PER SHARE (continued)

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

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

For the six months ended 30 June 2011, the computation of diluted earnings per share does not assume the exercise of (i) certain of the Company's outstanding share options as the exercise price of these options is higher than the average market price of the shares for the outstanding periods during the six months ended 30 June 2011 and (ii) the share option granted by the Company's subsidiary outstanding during the six months ended 30 June 2011 as it is anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

10. DIVIDEND

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

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

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

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

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

The fair value of the Group's investment properties as at 30 June 2012 has been arrived at on the basis of a valuation carried out on that date by Messrs. Vigers Appraisal & Consulting Limited ("Vigers"), an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity. The resulting increase in fair value of investment properties of approximately HK\$1,596,000 (six months ended 30 June 2011: HK\$2,608,000) has been credited to profit or loss for the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

12. GOODWILL

For the purposes of impairment testing, goodwill has been allocated to one cash generating unit ("CGU"), comprising a subsidiary in the steel cord segment, Jiayang Eastern Steel Cord Co., Ltd. ("JESC").

As the net profit of JESC declined significantly during the six months ended 30 June 2012, the management of the Group performed a goodwill impairment test and determined that there was no impairment of the CGU containing goodwill.

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation use cash flow projections based on financial budgets approved by management covering a 4.5-year period, and a discount rate of 8.30% (31 December 2011: 8.09%). The cash flow of CGU beyond the 4.5-year period is extrapolated for nine years (31 December 2011: nine years) using a 0% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin and other direct costs, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU to exceed the aggregate recoverable amount of the above CGU.

13. TRADE RECEIVABLES/BILLS RECEIVABLE

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

13. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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

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

Included in bills receivable as at 30 June 2012 was an amount of approximately HK\$38,336,000 (31 December 2011: HK\$12,818,000) that had been discounted to banks (Note 17).

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

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
0 – 90 days	132,000	159,162
91 – 180 days	33,480	42,121
Over 180 days	45,368	5,896
	210,848	207,179

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

13. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	HK\$'000
At 1 January 2011 (Audited)	2,288
Impairment losses recognised on receivables	10,276
Exchange realignment	140
	<hr/>
At 31 December 2011 and 1 January 2012 (Audited)	12,704
Impairment losses recognised on receivables (Note)	35,935
Amount written off as uncollectible	(613)
Exchange realignment	(70)
	<hr/>
At 30 June 2012 (Unaudited)	<u>47,956</u>

Note: Impairment losses of HK\$35,935,000 are recognised on receivables of certain long overdue customers as sales to these customers had been ceased by the Group during the six months ended 30 June 2012. The management has reviewed the repayment history of these long overdue customers, considering their deteriorating credit quality and financial position, and made provision on these receivables.

14. TRADE PAYABLES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2012

15. OTHER PAYABLES AND ACCRUALS

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

16. LOAN FROM A RELATED COMPANY

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

17. BANK BORROWINGS

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

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

18. DEFERRED TAX

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

19. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

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

20. 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 2002 Scheme.

No shares options have been granted under the 2012 Scheme during the six months ended 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 term of issue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

20. SHARE-BASED PAYMENT (continued)

The movements of the share options granted under the 2002 Scheme during the six months ended 30 June 2012 are as follows:

	Number of share options
Outstanding at 1 January 2012	276,728,000
Lapsed during the period	<u>(4,500,000)</u>
Outstanding at 30 June 2012	<u><u>272,228,000</u></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, was lapsed during the period.

21. CAPITAL COMMITMENTS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (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	<u><u>5,201</u></u>	<u><u>21,429</u></u>

22. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2012, the Group acquired property, plant and equipment of HK\$29,269,000, of which approximately HK\$23,925,000 (six months ended 30 June 2011: HK\$26,173,000) has not been paid and was included in other payables and accruals as at 30 June 2012. Deposit paid for the acquisition of property, plant and equipment as at 31 December 2011 amounting of approximately HK\$4,138,000 was used to offset the consideration for acquisition of property, plant and equipment during the six months ended 30 June 2012.

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. In addition, approximately HK\$44,177,000 was paid to settle the payable for acquisition of property, plant and equipment which was included in other payables and accruals as at 31 December 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

23. 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 State Council of the PRC. Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) 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.

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Consultancy fees paid to Shougang HK Group	480	480
Rental expenses paid to Shougang HK Group	900	900
Loan from Shougang HK Group	122,666	–
Interest expense on loan from Shougang HK Group	1,210	–
	<u>1,210</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

For the six months ended 30 June 2012

23. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(i) Transactions with PRC government-related entities (continued)

(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 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.

(ii) 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	4,382	4,477
Retirement benefit scheme contributions	215	220
	4,597	4,697

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 conditions.

24. COMPARATIVE INFORMATION

Certain comparative information in respect of bills receivable, prepayments, deposits and other receivables, trade payables and other payables and accruals has been re-presented to conform to current period presentation in the condensed consolidated statement of financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

1. Both the Steel cord segment and Copper and brass products segment achieved steady growth in sales volume. The sales volume of steel cords and copper and brass products increased by 10.8% and 15.0% over the same period last year respectively;
2. There was a great improvement in net cashflow from operating activities. The Group recorded net operating cash inflow of HK\$31,847,000 for the period, as compared to net operating cash outflow of HK\$157,705,000 for the same period last year; and
3. The total amounts of interest bearing borrowings decreased by HK\$31,907,000 as compared to the same at the end of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord

Overall performance

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

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

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Revenue (continued)

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

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

The sales volume contributed by the two manufacturing plants, JESC and TESC in the period is as follows:

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Revenue (continued)

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

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

Gross profit

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Investment and other income

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

Allowance for bad and doubtful debts

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

Distribution and selling expenses

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

Administrative expenses and research and development expenses

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

Copper and brass products

Overall performance

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Copper and brass products (continued)

Revenue

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

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

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

Gross profit

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW

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

Revenue

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Gross profit

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

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

Investment and other income

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

Other gains and losses

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

1. The Group recorded exchange loss of HK\$3,470,000 for the period as compared to exchange gain of HK\$14,918,000 for the same period last year, as the exchange rate of RMB depreciated by approximately 0.6% against HKD over the period, while RMB had a corresponding appreciation of 2.3% against HKD over the same period last year. Therefore, the Group recorded exchange loss on its HKD and USD denominated bank borrowings during the period.
2. Additional allowance for bad and doubtful debts of HK\$35,935,000 was made for trade receivables of Steel cord segment in the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Other gains and losses (continued)

The breakdown of other gains and losses is as follows:

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

Distribution and selling expenses

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

Administrative expenses and research and development expenses

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Segment results

The Group recorded losses of HK\$42,100,000 from its business segments in the first half year, as compared to profit of HK\$59,697,000 for the same period last year. The breakdown of the operating results of the Group's business segments is as follows:

	For the six months ended 30 June		
	2012 HK\$'000	2011 HK\$'000	% change
Steel cord	(41,744)	51,594	N/A
Copper and brass products	(356)	8,103	N/A
Total	<u>(42,100)</u>	<u>59,697</u>	N/A

Finance costs

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

Income tax expenses

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

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES (continued)

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are concentrated on RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavor to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2012, the currency breakdown of the Group's bank borrowings was as follows:

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

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

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

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Capital expenditures incurred by the Steel cord segment during the period amounted to HK\$28,463,000. The capital expenditures to be incurred in the second half year of 2012 are estimated to be approximately HK\$5,201,000, which will be financed by the Group's internal resources and bank borrowings.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2012, the Group had a total of 2,073 employees located in Hong Kong and the PRC, lowered by 12.1% as compared to 2,359 employees at 31 December 2011 due to downsizing exercise during the period under review. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to consolidated income statement for the period amounted to approximately HK\$9,745,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

PLEDGE OF ASSETS

At 30 June 2012, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$8,500,000;
2. Prepaid lease payments amounted to HK\$89,703,000; and
3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS OUTLOOK (continued)

(2) Improving our receivables quality

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

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

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

(4) Continuation on cost control

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

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

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

As at 30 June 2012, 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 <i>Note (a)</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 <i>Note (b)</i>

Notes:

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

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

Long position in Shares (continued)

(b) Share options

As at 30 June 2012, there were a total of 98,438,000 outstanding share options of the Company granted to Directors, 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 (a)</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 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 (b)</i> 13,800,000	-	-	- 13,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864			
	<u>44,414,000</u>	<u>-</u>	<u>-</u>	<u>44,414,000</u>				Beneficial owner	2.30	
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	13/7/2009	1/1/2010 to 12/7/2019	0.680			
	<i>Note (c)</i> 7,200,000	-	-	- 7,200,000	13/7/2009	1/1/2011 to 12/7/2019	0.680			
	<u>18,000,000</u>	<u>-</u>	<u>-</u>	<u>18,000,000</u>				Beneficial owner	0.93	
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			
	<u>16,592,000</u>	<u>-</u>	<u>-</u>	<u>16,592,000</u>				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	

**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				Date of exercise	Date of grant <i>Note (a)</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 outstanding share options held at the end of the period						
Yip Kin Man, Raymond	382,000	-	-	-	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	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		
	<u>2,816,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816,000</u>				Beneficial owner	0.14
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		
	<u>2,816,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,816,000</u>				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
	<u>98,438,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,438,000</u>					

**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:

- (a) Share options granted are exercisable within the period from the date of grant to the end of the exercise period except for the share options set out under *Note (c)* below.
- (b) 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.
- (c) 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 the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 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 2012.

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

As at 30 June 2012, 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 ^{Note (1)}
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations ^{Note (2)}
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	904,639,179	47.04	Beneficial owner and interests of controlled corporations ^{Note (3)}
Bekaert Holding	250,000,000	13.00	Beneficial owner ^{Note (4)}
Bekaert	250,000,000	13.00	Interests of controlled corporations ^{Note (5)}
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner ^{Note (6)}

**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

A share option scheme (the “2002 Scheme”) was adopted by the Shareholders at the annual general meeting held on 7 June 2002.

At the annual general meeting of the Company held on 25 May 2012, the Shareholders approved the adoption of a new share option scheme (the “2012 Scheme”) and termination of the 2002 Scheme. Share options granted under the 2002 Scheme remain valid and exercisable in accordance with the terms of issue.

The 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, and will remain in force for a period of ten years from 29 May 2012.

Movements in the share options during the six months ended 30 June 2012 under the 2002 Scheme and the 2012 Scheme are as follows:

(a) 2002 Scheme adopted on 7 June 2002

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						Date of grant Note (a)	Exercise period	Exercise price per Share HK\$
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Reclassification of categories of participant	Number of share options exercised during the period	Date of exercise	Number of share options cancelled/ lapsed during the period			
Employees other than the Directors	38,268,000	-	-	-	-	-	25/6/2003	25/6/2003 to 24/6/2013	0.365
	8,380,000	-	(3,380,000) Note (b)	-	-	-	25/8/2003	25/8/2003 to 24/8/2013	0.740
	35,200,000	-	(1,000,000) Note (b)	-	-	-	28/1/2008	28/1/2008 to 27/1/2018	0.864
	200,000	-	-	-	-	-	28/1/2008	28/1/2011 to 27/1/2018	0.864
	1,350,000	-	-	-	-	-	13/7/2009	13/7/2009 to 12/7/2019	0.680
	1,350,000	-	-	-	-	-	13/7/2009	1/1/2010 to 12/7/2019	0.680
	1,800,000	-	-	-	-	-	13/7/2009	1/1/2011 to 12/7/2019	0.680
		86,548,000	-	(4,380,000)	-	-	-		

SHARE OPTION SCHEME (continued)

(a) 2002 Scheme adopted on 7 June 2002 (continued)

Category of participant	Options to subscribe for Shares						Number of outstanding share options held at the end of the period	Date of grant Note (a)	Exercise period	Exercise price per Share HK\$
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Reclassification of categories of participant	Number of share options exercised during the period	Date of exercise	Number of share options cancelled/lapsed during the period				
All other eligible participants	2,296,000	-	-	-	-	-	2,296,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	5,356,000	-	-	-	-	-	5,356,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	1,500,000	-	-	-	-	(1,500,000) Note (e)	-	25/8/2003	25/8/2003 to 30/4/2012	0.740
	500,000	-	-	-	-	-	500,000	25/8/2003	25/8/2003 to 30/6/2012	0.740
	2,240,000	-	-	-	-	-	2,240,000	25/8/2003	25/8/2003 to 31/12/2012	0.740
	-	-	3,380,000 Note (b)	-	-	-	3,380,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
	57,350,000	-	-	-	-	-	57,350,000 Note (f)	2/10/2003	2/10/2003 to 1/10/2013	0.780
	3,000,000	-	-	-	-	(3,000,000) Note (e)	-	28/1/2008	28/1/2008 to 31/12/2011	0.864
	17,000,000	-	-	-	-	-	17,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	-	-	1,000,000 Note (b)	-	-	-	1,000,000	28/1/2008	28/1/2008 to 24/8/2013	0.864
	500,000	-	-	-	-	-	500,000	28/1/2008	28/1/2008 to 30/6/2012	0.864
	2,000,000	-	-	-	-	-	2,000,000	28/1/2008	28/1/2008 to 14/12/2012	0.864
		<u>91,742,000</u>	<u>-</u>	<u>4,380,000</u>	<u>-</u>	<u>(4,500,000)</u>	<u>91,622,000</u>			
Total	<u>178,290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,500,000)</u>	<u>173,790,000</u>				



SHARE OPTION SCHEME (continued)

(a) 2002 Scheme adopted on 7 June 2002 (continued)

Notes:

- (a) The vesting period of the share options is from the date of grant to the end of the exercise period except for the share options set out under *Notes (c)* and *(d)* below.
- (b) On 11/1/2012 and 20/2/2012, the Board approved the 2,140,000, 1,240,000 and 1,000,000 outstanding share options held by two retired employees who are reclassified as “All other eligible participants” under the 2002 Scheme remain exercisable up to 24/8/2013.
- (c) 200,000 share options have a vesting period of three years from the date of grant.
- (d) 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 under the category of “Employees other than the Directors”.
- (e) 3,000,000 and 1,500,000 share options were lapsed with effect from 1/1/2012 and 1/5/2012 respectively.
- (f) 57,350,000 share options granted were in excess of the individual limit and the approval from shareholders was obtained in general meeting held on 2/10/2003.

SHARE OPTION SCHEME (continued)

(b) 2012 Scheme adopted on 29 May 2012

No share options were granted, exercised, cancelled or lapsed under the 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 the 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.

(c) Hing Cheong Metals (China & Hong Kong) Limited's share option scheme

On 30 April 2007, Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") has entered into an agreement with a director of Hing Cheong pursuant to which the director was granted an option to subscribe for up to 10% equity interest in one subsidiary of Hing Cheong, in order to recognise his valuable and potential contribution to the Company and its subsidiaries. The option vested immediately.

The option is exercisable in whole or in part (and in an integral multiple of 2% of the issued share capital of the Hing Cheong's subsidiary) at any time within the exercise period from 30 April 2007 to 29 April 2012 while the option lapsed on 30 April 2012. During the six months ended 30 June 2012, no options were granted, exercised or cancelled.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:

Mr. Li Shaofeng, the Executive Director and Chairman, was appointed as a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange, with effect from 23 February 2012.

Mr. Dong Haochun, the Executive Director and Deputy Managing Director, was appointed as the deputy general manager of the Company on 24 October 2011. He holds a Bachelor Degree in Naval Architecture and Ocean Engineering and a Master Degree in Naval Architecture in Shanghai Jiao Tong University. Mr. Dong has over 18 years of experience in sales, finance, general management and business development. Prior to joining the Company, he held various senior management positions with Cummins, Inc., including Chief Financial Officer of Cummins East Asia. Besides, he was awarded 2009 China Top 10 CFO by CFO Magazine 《首席財務官》雜誌.

Other than his directorship disclosed above, Mr. Dong does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders.

A service contract was entered into between Mr. Dong and the Company for a fixed term commencing from 1 April 2012 and ending on 31 December 2014. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). However, he is also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. Mr. Dong is entitled to receive a HK\$165,000 monthly salary at present under his service contract with the Company. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Mr. Chan Chung Chun, the Independent Non-executive Director, was appointed as an independent non-executive director of Global Digital Creations Holdings Limited and Shougang Fushan with effect from 20 June 2012 and 1 July 2012 respectively.

CORPORATE GOVERNANCE CODE

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

The Company has also adopted the Continuous Disclosure Obligation Policy which is to help and provide guidance to the Directors and employees of the Group to fulfill their obligations under the Listing Rules while allowing them to actively inform the market of Company developments as well as how to make their judgment as to what is price-sensitive information and when disclosure is required. In addition, in order to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company, the Company has adopted the SCCHL Whistleblowing Policy on 22 March 2012.

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

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 2012. 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 2012.

APPRECIATION

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

By order of the Board
Li Shaofeng
Chairman

Hong Kong, 28 August 2012

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.irasia.com/listco/hk/sccentury/>.

DEFINITIONS

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

“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
“Casula”	Casula Investments Limited, a subsidiary of Shougang International
“Code”	the code on Corporate Governance Practices (effective until 31 March 2012) as set out in Appendix 14 to the Listing Rules
“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
“Continuous Disclosure Obligation Policy”	Shougang Concord Century Holdings Limited Continuous Disclosure Obligation Policy adopted on 28 March 2011 and revised from time to time thereafter
“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“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



DEFINITIONS (continued)

“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
“Revised Code”	The Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Listing Rules
“Richson”	Richson Limited, a subsidiary of Shougang International
“RMB”	Renminbi, the lawful currency of the PRC
“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

DEFINITIONS (continued)

“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance
“SCCHL Whistleblowing Policy”	Shougang Concord Century Holdings Limited Whistleblowing Policy
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Fushan”	Shougang Fushan Resources Group Limited (Stock Code: 639), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“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



DEFINITIONS (continued)

“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.