



SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED

Stock Code : 103

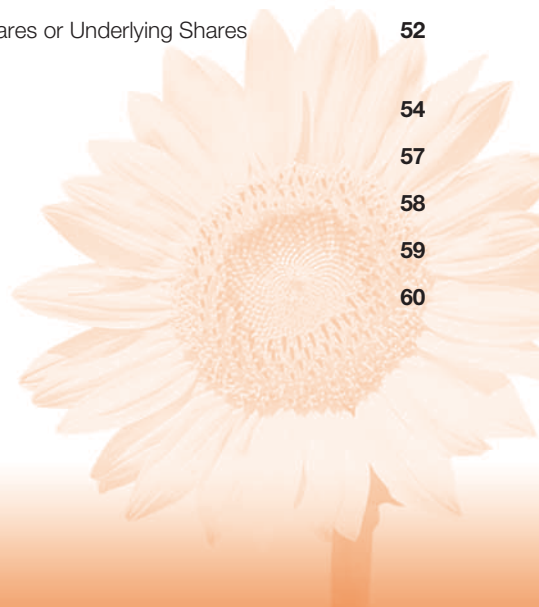
Sustain the core VALUE

2011 Interim Report



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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 cord for radial tyres
2. sales and processing and trading of copper and brass products

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 tonne annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality steel cord and sawing wire products

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

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive 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

Leung Shun Sang, Tony (*Chairman*)
Li Shaofeng (*Vice Chairman*)
Yip Kin Man, Raymond
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

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
Certified Public Accountants

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

Website

<http://www.shougangcentury.com.hk>

HKEx Stock Code

103

Listing Date

9 April 1992



FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change %
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	
Operations			
Revenue	870,027	829,102	+4.9
Gross profit	106,765	168,143	-36.5
Earnings before interest, tax, depreciation and amortization	135,187	183,775	-26.4
Profit for the period	26,750	91,205	-70.7
Core profit for the period (Note)	26,750	78,930	-66.1
Earnings per Share (basic) (HK cents)	1.39	4.74	-70.7

Note: Excluding non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the six months ended 30 June 2010 (six months ended 30 June 2011: Nil).

	30 June 2011 (Unaudited) HK\$'000		31 December 2010 (Audited) HK\$'000	Change %
	Financial position			
Total assets	3,941,129	3,767,274	+4.6	
Shareholders' equity	2,302,221	2,251,968	+2.2	
Net asset value per Share (HK\$)	1.20	1.17	+2.6	

INFORMATION FOR INVESTORS

Share Information

Board lot size:	2,000 Shares
Nominal value per Share:	HK\$0.10
Shares outstanding as at 30 June 2011:	1,922,900,556 Shares
Market capitalization as at 30 June 2011:	HK\$1,230,656,356
Closing stock price as at 30 June 2011:	HK\$0.64
Earnings per Share (basic) for the six months ended 30 June 2011:	HK1.39 cents

Key Date

Announcement of 2011 Interim Results:	26 August 2011
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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
Website:	http://www.hk.tricorglobal.com



BUSINESS CONTACTS



Jiaxing Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Jiaxing Economic
Development Zone, Zhejiang Province, PRC

Postal code: 314003

Telephone: (86) 573 8221 3511

Fax: (86) 573 8220 0076

Website: <http://www.jesc.com.cn>

E-mail address: market.dep@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



Shougang Concord Century (Shanghai) Management Co., Ltd.

Address: 16F, Shartex Plaza, No. 88 Zunyi Nan Road,
Shanghai, PRC

Postal code: 200336

Telephone: (86) 21 6291 8806

Fax: (86) 21 6291 8805

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**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 interim financial information set out on pages 8 to 30, which comprises the condensed consolidated statement of financial position of Shougang Concord Century Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period 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 this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu*Certified Public Accountants*

Hong Kong

26 August 2011



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	Notes		
Revenue	3	870,027	829,102
Cost of sales		(763,262)	(660,959)
Gross profit		106,765	168,143
Investment and other income	4	5,459	5,861
Other gains and losses	5	18,250	16,972
Distribution and selling expenses		(20,573)	(13,270)
Administrative expenses		(41,382)	(45,568)
Research and development expenses		(9,631)	(4,435)
Finance costs	6	(20,670)	(13,546)
Profit before tax		38,218	114,157
Income tax expenses	7	(11,468)	(22,952)
Profit for the period	8	26,750	91,205
Earnings per share	9		
Basic		HK1.39 cents	HK4.74 cents
Diluted		HK1.36 cents	HK4.55 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	26,750	91,205
Other comprehensive income (expense)		
Exchange differences arising on translation of group entities	51,219	18,337
Loss on fair value change of listed available-for-sale investments	–	(19,354)
Reclassification adjustment upon disposal of listed available-for-sale investments	–	(12,307)
Surplus on revaluation of properties	738	–
Recognition of deferred tax liability on revaluation of properties	(57)	–
Other comprehensive income (expense) for the period	51,900	(13,324)
Total comprehensive income for the period	78,650	77,881



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Non-current assets			
Investment properties	11	30,567	27,744
Property, plant and equipment	11	1,758,193	1,745,586
Prepaid lease payments		184,866	184,464
Goodwill		41,672	41,672
Club memberships		740	732
Deposit paid for the acquisition of property, plant and equipment	13	105,973	108,269
		2,122,011	2,108,467
Current assets			
Inventories		440,168	354,562
Trade receivables	14	573,724	495,156
Bills receivable	14	426,804	388,048
Prepayments, deposits and other receivables		199,888	136,907
Prepaid lease payments		7,763	7,587
Tax recoverable		96	99
Restricted bank deposits		3,686	–
Bank balances and cash		166,989	276,448
		1,819,118	1,658,807
Current liabilities			
Trade payables	15	103,994	42,514
Other payables and accruals	16	162,590	175,944
Tax payable		31,096	55,469
Bank borrowings	17	838,456	811,829
		1,136,136	1,085,756
Net current assets		682,982	573,051
Total assets less current liabilities		2,804,993	2,681,518

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Non-current liabilities			
Bank borrowings	17	477,782	403,426
Other payable		960	1,058
Deferred tax liabilities	18	23,190	24,226
		501,932	428,710
		2,303,061	2,252,808
Capital and reserves			
Share capital	19	192,290	192,230
Reserves		2,109,931	2,059,738
Equity attributable to equity holders of the Company		2,302,221	2,251,968
Share option reserve of a subsidiary		840	840
		2,303,061	2,252,808



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital	Share premium	Capital reserve	Capital redemption reserve	Property revaluation reserve	Investment revaluation reserve	Translation reserve	Share option reserve	PRC reserve funds	Retained profits	Total	Equity component of 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	HK\$'000
Balance at 1 January 2010 (audited)	192,180	996,080	23,990	2,724	13,837	43,252	169,641	31,967	38,815	553,340	2,065,826	840	2,066,666
Profit for the period	-	-	-	-	-	-	-	-	-	91,205	91,205	-	91,205
Exchange differences arising on translation of group entities	-	-	-	-	-	-	18,337	-	-	-	18,337	-	18,337
Loss on fair value change of listed available-for-sale investments	-	-	-	-	-	(19,354)	-	-	-	-	(19,354)	-	(19,354)
Reclassified from other comprehensive income upon disposal of listed available-for-sale investments	-	-	-	-	-	(12,307)	-	-	-	-	(12,307)	-	(12,307)
Total comprehensive (expense) income for the period	-	-	-	-	-	(31,661)	18,337	-	-	91,205	77,881	-	77,881
Dividend recognised as distribution (Note 10)	-	-	-	-	-	-	-	-	-	(28,827)	(28,827)	-	(28,827)
Recognition of equity settled share-based payments	-	-	-	-	-	-	-	1,067	-	-	1,067	-	1,067
Balance at 30 June 2010 (unaudited)	192,180	996,080	23,990	2,724	13,837	11,591	187,978	33,024	38,815	615,718	2,115,937	840	2,116,777
Balance 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
Profit for the period	-	-	-	-	-	-	-	-	-	26,750	26,750	-	26,750
Exchange differences arising on translation of group entities	-	-	-	-	-	-	51,219	-	-	-	51,219	-	51,219
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	-	51,219	-	-	26,750	78,650	-	78,650
Issue of shares upon exercise of share options	60	384	-	-	-	-	-	-	-	-	444	-	444
Dividend recognised as distribution (Note 10)	-	-	-	-	-	-	-	-	-	(28,844)	(28,844)	-	(28,844)
Recognition of equity settled share-based payments	-	-	-	-	-	-	-	3	-	-	3	-	3
Cancellation of share options	-	-	-	-	-	-	-	(268)	-	268	-	-	-
Balance at 30 June 2011 (unaudited)	192,290	996,784	23,990	2,724	17,703	-	291,420	34,398	38,815	704,097	2,302,221	840	2,303,061

Note: 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Net cash used in operating activities	(147,604)	(282,352)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(18,370)	(107,933)
Deposit paid for the acquisition of property, plant and equipment	(9,208)	(167,120)
(Increase) decrease in restricted bank deposits	(3,686)	47,509
Proceeds from disposal of listed available-for-sale investments	–	15,637
Dividend received from listed available-for-sale investments	–	263
Proceeds from disposal of property, plant and equipment	–	17
	(31,264)	(211,627)
Net cash from financing activities:		
New bank loans raised	199,721	463,290
Trust receipt loans raised	126,182	126,907
Bank advances for discounted bills	41,233	270,212
Proceed on issue of ordinary shares	444	–
Repayment of bank loans	(157,672)	(132,159)
Repayment of trust receipt loans	(88,402)	(75,314)
Repayment of bank advances for discounted bills	(29,508)	(229,978)
Dividend paid	(28,844)	–
	63,154	422,958
Net decrease in cash and cash equivalents	(115,714)	(71,021)
Cash and cash equivalents at 1 January	276,448	342,895
Effect of foreign exchange rate changes	6,255	3,547
Cash and cash equivalents at 30 June, represented by bank balances and cash	166,989	275,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The application of the new or revised HKFRSs in the current interim period has had no material effect on the result and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements ¹
HKFRS 11	Joint Arrangements ¹
HKFRS 12	Disclosures of Interests in Other Entities ¹
HKFRS 13	Fair Value Measurement ¹
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ²
HKAS 19 (as revised in 2011)	Employee Benefits ¹
HKAS 27 (as revised in 2011)	Separate Financial Statements ¹
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ¹

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

² Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the above new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

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 segments are as follows:

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

For the 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	–	13,061	13,061
Total	659,981	222,791	882,772
Segment results	51,594	8,103	59,697

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011 (continued)

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	13,315
Unallocated expenses	(16,772)
Unallocated finance costs	(20,670)
Profit before tax	38,218

For the six months ended 30 June 2010

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Total segment (Unaudited) HK\$'000
Segment revenue			
External sales	613,395	213,772	827,167
Inter-segment sales	–	7,969	7,969
Total	<u>613,395</u>	<u>221,741</u>	<u>835,136</u>
Segment results	<u>126,061</u>	<u>4,638</u>	<u>130,699</u>

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 2011

3. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2010 (continued)

Reconciliation of revenue

	(Unaudited) HK\$'000
Total revenues for operating segments	835,136
Rental income and revenue for trading of other metal products	1,935
Elimination of inter-segment sales	<u>(7,969)</u>
Group's revenue	<u><u>829,102</u></u>

Reconciliation of profit before tax

	(Unaudited) HK\$'000
Total profit for operating segments	130,699
Profit arising from trading of other metal products and property investment	533
Unallocated amounts	
Unallocated income	13,548
Unallocated expenses	(17,077)
Unallocated finance costs	<u>(13,546)</u>
Profit before tax	<u><u>114,157</u></u>

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of directors of the Company, interest income on bank deposits, gain on disposal of listed available-for-sale investments, dividend income from listed available-for-sale investments and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

4. INVESTMENT AND OTHER INCOME

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Investment income		
Interest income on bank deposits	999	1,593
Dividend income from listed available-for-sale investments	–	263
	999	1,856
Other income		
Government grants	1,037	796
Sales of scrap and other materials	3,185	2,660
Others	238	549
	4,460	4,005
	5,459	5,861



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of listed available-for-sale investments (Note 12)	–	12,275
Foreign exchange gains, net	14,918	3,721
Increase in fair value of investment properties	2,608	–
Reversal of allowance for bad and doubtful debts	520	1,030
Reversal of revaluation deficit of properties	212	–
Others	(8)	(54)
	18,250	16,972

6. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank borrowings wholly repayable within five years	20,209	16,292
Amortisation of borrowing costs	2,177	760
Total borrowing costs	22,386	17,052
Less: amounts capitalised	(1,716)	(3,506)
	20,670	13,546

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	814	–
People's Republic of China ("PRC") Enterprise Income Tax	12,091	26,910
Under (over) provision in prior periods:		
PRC Enterprise Income Tax	28	(86)
Deferred taxation (Note 18)	(1,465)	(3,872)
	11,468	22,952

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current period. For the six months ended 30 June 2010, 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.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

7. INCOME TAX EXPENSES (continued)

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 Tax 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 2011, the two subsidiaries are entitled to 50% relief from PRC Enterprise Income Tax (six months ended 30 June 2010: 50% relief). The PRC Enterprise Income Tax charges are arrived at after taking into account these tax incentives.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	72,459	53,822
Amortisation of prepaid lease payments (included in "Cost of sales")	3,840	2,250
Loss on disposal of property, plant and equipment	8	54
Share-based payment expenses	3	1,057

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit for the period for the purposes of calculation of basic and diluted earnings per share	26,750	91,205

	Six months ended 30 June	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	1,922,857,462	1,921,800,556
Effect of dilutive potential ordinary shares: Share options	44,670,947	79,490,023
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	1,967,528,409	2,001,290,579

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 2010 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

10. DIVIDEND

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
2010 final dividend of HK1.5 cents per share (six months ended 30 June 2010: 2009 final dividend of HK1.5 cents per share)	28,844	28,827

The directors of the Company have resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1 cent per share).

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

During the six months ended 30 June 2011, the Group incurred approximately HK\$43,112,000 (six months ended 30 June 2010: HK\$267,813,000) on the expansion of production capacity of steel cord segment. In addition, the Group also acquired approximately HK\$1,545,000 (six months ended 30 June 2010: HK\$396,000) of other property, plant and equipment in the period.

The fair value of the Group's investment properties as at 30 June 2011 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 net rental income making allowance for reversionary income potential of the properties. The resulting increase in fair value of investment properties of approximately HK\$2,608,000 has been credited to profit or loss for the period.

Certain leasehold land and buildings of the Group were valued by Vigers on an open market value basis as at 30 June 2011. 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\$212,000 and HK\$738,000, respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

12. AVAILABLE-FOR-SALE INVESTMENTS

During the six months ended 30 June 2010, the Group disposed 2,291,283 "A" shares of Xinyu Iron & Steel Co., Ltd. ("Xinyu Iron") (six months ended 30 June 2011: Nil). Xinyu Iron is a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange. The net proceeds from the disposal in aggregate were approximately HK\$15,637,000, resulting in a gain of approximately HK\$12,275,000 (six months ended 30 June 2011: Nil).

13. DEPOSIT PAID FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The amount mainly represents the deposit paid by subsidiaries of the Company for the acquisition of plant and equipment for the expansion of production capacity of steel cord segment.

14. 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 – 90 days	412,589	379,145
91 – 180 days	125,302	100,169
181 – 365 days	28,906	15,824
Over 1 year	6,927	18
	573,724	495,156

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

14. 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 – 90 days	11,721	24,994
91 – 180 days	161,183	160,220
181 – 365 days	252,674	202,717
Over 1 year	1,226	117
	426,804	388,048

At the end of the reporting period, all bills receivable are matured within six months.

15. 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 – 90 days	102,455	40,777
91 – 180 days	907	305
181 – 365 days	173	55
Over 1 year	459	1,377
	103,994	42,514

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 2011

16. OTHER PAYABLES AND ACCRUALS

At 30 June 2011, included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK\$131,533,000 (31 December 2010: HK\$117,509,000).

17. BANK BORROWINGS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Secured	430,040	463,209
Unsecured	886,198	752,046
	1,316,238	1,215,255

During the six months ended 30 June 2011, the Group obtained new bank borrowings of approximately HK\$367,136,000 (six months ended 30 June 2010: HK\$860,409,000) and repaid bank borrowings of approximately HK\$275,582,000 (six months ended 30 June 2010: HK\$437,451,000). These borrowings carry interest at market rates ranging from 1.28% to 7.80% per annum (six months ended 30 June 2010: 1.00% to 5.79% per annum) and are repayable over a period of one to five years.

18. DEFERRED TAX

As at 30 June 2011 and 31 December 2010, 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 2011

19. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2011 and 30 June 2011	5,000,000	500,000
Issued and fully paid:		
At 1 January 2011	1,922,301	192,230
Exercise of share options (Note)	600	60
At 30 June 2011	1,922,901	192,290

Note: During the six months ended 30 June 2011, one employee other than directors of the Company exercised 600,000 share options at the exercise price of HK\$0.74.

20. SHARE-BASED PAYMENT

The Company has adopted a share option scheme for directors of the Company and employees of the Group and other eligible participants. The movements of the share options during the six months ended 30 June 2011 are as follows:

	Number of share options
Outstanding at 1 January 2011	280,328,000
Exercised during the period	(600,000)
Cancelled during the period	(1,000,000)
Outstanding at 30 June 2011	278,728,000

The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$0.91.

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, remained outstanding at 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

21. CAPITAL COMMITMENTS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (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	213,533	214,562
– authorised but not contracted for	151,007	153,192
	364,540	367,754

22. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2011, the Group acquired property, plant and equipment of approximately HK\$26,173,000 (six months ended 30 June 2010: HK\$77,037,000). The aggregate consideration had not been paid and was included in other payables and accruals as at 30 June 2011.

23. RELATED PARTY TRANSACTIONS

Transactions with PRC Government-related Entities

The Group operates in an economic environment currently pre-denominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC Government-related Entities"). Apart from the transactions with Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group") (which are disclosed below), the Group also conducts businesses with other PRC Government-related Entities in the ordinary course of business.

Shougang HK is a substantial shareholder with significant influence over the Company. Shougang HK is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2011

23. RELATED PARTY TRANSACTIONS (continued)

Transactions with PRC Government-related Entities (continued)

(i) Transactions with Shougang HK Group

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Consultancy fees paid to Shougang HK Group	480	480
Rental expenses paid to Shougang HK Group	900	960

(ii) 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 period.

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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries and other benefits	4,477	3,902
Retirement benefit scheme contributions	220	183
Share-based payment	–	209
	4,697	4,294

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half year of 2011, the economic development in the PRC slowed down as the Central Government continued to implement tight financial and monetary policies to curb the soaring inflation. The overall economy was affected by these measures as the supply of credit and financial resources was limited. In addition to the impact on such tightening measures, the tyre industry in the PRC also suffered from higher raw material costs and softened demand from the automobile and transportation sectors. These factors translated to a low demand of steel cords; and hence decrease in selling price. Due to these negative factors, the Steel cord segment recorded a significant decline in profit for the period.

In respect of the Copper and brass products segment, the developed economies, in particular, the Euro Zone and the United States, were more sluggish as compared to that of the PRC. Furthermore, copper price recorded a historical high in the first half year, these led to cautious demand for copper and hence this segment recorded a lower sales volume in the period. However, attributable to better inventory management, tighter cost control and timely sales strategy, this segment achieved an increase in profit in the period.

In summary, the Group recorded net profit of HK\$26,750,000 for the period, decreased by 70.7% from HK\$91,205,000 for the same period last year. When the non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the same period last year was excluded, core profit of the Group would drop by 66.1% from HK\$78,930,000 as compared to that of the same period last year. Further details are discussed on '**FINANCIAL REVIEW**' section below.

Steel cord

Overall performance

This segment's profitability was negatively affected by palpable decrease in average selling price of steel cord in the PRC attributable to intense market competition, higher operating costs and increased research and development expenses of the two manufacturing plants, JESC and TESC.

Although demand for steel cord products was below our expectation, this segment achieved significant progress in the development of sawing wire (which is used in the solar energy sector) business during the period. It recorded significant increase in sales of half products of sawing wire (brass wire for the manufacture of sawing wire) as compared to that of the second half year of 2010. It also commenced trial production and sales of sawing wire in the second quarter.

Owing to the lackluster performance of steel cords, the operating profit of this segment declined by 59.1% over the same period last year to HK\$51,594,000 (2010: HK\$126,061,000) for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Revenue

This segment achieved an increase in sales volume of steel cords by 6.1% over the same period last year to 44,065 tonnes (2010: 41,513 tonnes) for the period. We commenced the research and development of sawing wire business in 2010 and started trial production of half products of sawing wire since the second half year of 2010. Additional effort was made in the first half year of 2011 and therefore, this segment recorded sales of 713 tonnes of half products and final products of sawing wire during the period, significantly increased by 139.3% as compared to 298 tonnes sold in the second half year of 2010. The analysis of sales volume of this segment is as follows:

	For the six months ended 30 June				
	2011		2010		% change
	Sales volume (Tonne)	% of total sales volume of steel cord	Sales volume (Tonne)	% of total sales volume of steel cord	
Steel cord for:					
– truck tyres	31,799	72.2	32,228	77.6	-1.3
– off the road truck tyres	1,719	3.9	1,250	3.0	+37.5
– passenger car tyres	10,547	23.9	8,035	19.4	+31.3
Total for steel cord	44,065	100.0	41,513	100.0	+6.1
Sawing wire:					
– half product	709		–		N/A
– final product	4		–		N/A
Total for sawing wire	713		–		N/A
Other steel wires	149		127		+17.3
Total	44,927		41,640		+7.9

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**BUSINESS REVIEW** (continued)**Steel cord** (continued)*Revenue (continued)*

The export sales volume of steel cords amounted to 6,503 tonnes for the period, significantly increased by 150.8% over the same period last year; and its percentage of total sales volume increased from 6.2% in the same period last year to 14.8% for the period. An analysis is as follows:

	2011		2010		% change
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
Domestic	37,562	85.2	38,920	93.8	-3.5
Export	6,503	14.8	2,593	6.2	+150.8
Total	44,065	100.0	41,513	100.0	+6.1

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 cord for:			
– truck tyres	23,656	8,143	31,799
– off the road truck tyres	1,719	–	1,719
– passenger car tyres	7,924	2,623	10,547
Total for steel cord	33,299	10,766	44,065
Sawing wire:			
– half product	583	126	709
– final product	4	–	4
Total for sawing wire	587	126	713
Other steel wires	28	121	149
Total	33,914	11,013	44,927
Sales volume for the first half year of 2010	37,070	4,570	41,640
% change	-8.5%	+141.0%	+7.9%

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Revenue (continued)

Despite the lower than expected growth in steel cord volume, we are pleased to see the substantial improvement in obtaining approval and acceptance of our TESC's products as reflected by its more than doubling growth.

In respect of average selling price of steel cords, it dropped by 5.9% as compared to the same period last year to RMB12,168 (2010: RMB12,937) per tonne for the period, as the sales volume of steel cords for passenger car tyres (whose selling price is the lowest amongst the three types usage of steel cords) increased from 19.4% of total sales volume for the same period last year to 23.9% for the period, reflecting higher demand for passenger car tyres as compared to that of truck tyres. Furthermore, the drop in selling price was also affected by intensified market competition in the period.

The sales of half product and final product of sawing wire generated approximately HK\$20,200,000 (2010: Nil) of revenue to this segment. This together with the increase in sales volume of steel cords contributed to the growth in revenue of this segment by 7.6% over the same period last year to HK\$659,981,000 (2010: HK\$613,395,000) for the period.

Gross profit

Gross profit of this segment declined by 40.3% over the same period last year to HK\$94,860,000 (2010: HK\$158,901,000) for the period. Gross profit margin substantially dropped from 25.9% in the same period last year to 14.4% for the period. The breakdown is as follows:

	For the six months ended 30 June				
	2011		2010		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
JESC	90,154	17.9	169,884	30.8	-46.9
TESC	2,921	1.8	(11,936)	-18.2	N/A
Others and elimination of intercompany sales	1,785	N/A	953	N/A	+87.3
Total	94,860	14.4	158,901	25.9	-40.3

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Steel cord (continued)

Gross profit (continued)

The decrease in gross profit was primarily attributable to the following factors:

1. The drop in average selling price of steel cords by 5.9% as mentioned above; and
2. The increase in production costs of steel cords, in particular, the cost of wire rods (the core material for manufacturing of steel cords) increased by approximately 10% over the same period last year.

We are encouraged to see that TESC recorded gross profit of HK\$2,921,000 for the period, as compared to gross loss of HK\$11,936,000 for the same period last year.

Investment and other income

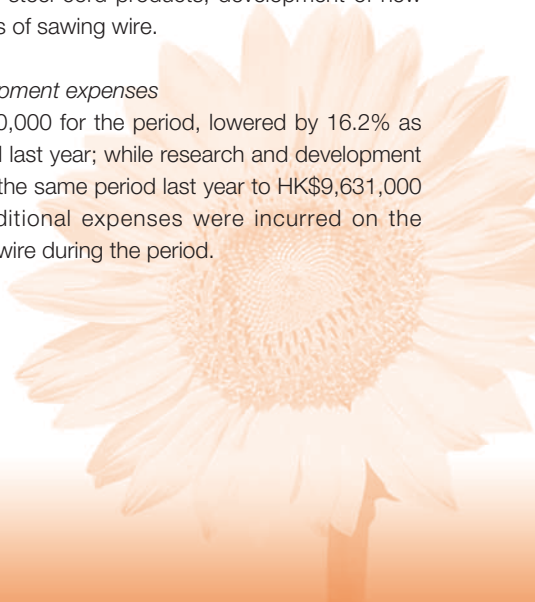
Investment and other income decreased by 23.2% as compared to the same period last year to HK\$4,433,000 (2010: HK\$5,773,000) for the period, as the amount of interest income reduced as compared to the same period last year.

Distribution and selling expenses

Distribution and selling expenses increased by 56.1% over the same period last year to HK\$20,285,000 (2010: HK\$12,993,000) for the period, as increased costs were incurred on the strengthening of marketing and sales of new steel cord products; development of new market for steel cords as well as the new products of sawing wire.

Administrative expenses and research and development expenses

Administrative expenses amounted to HK\$19,940,000 for the period, lowered by 16.2% as compared to HK\$23,797,000 for the same period last year; while research and development expenses significantly increased by 117.2% over the same period last year to HK\$9,631,000 (2010: HK\$4,435,000) for the period, as additional expenses were incurred on the development of high-end steel cords and sawing wire during the period.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Copper and brass products

Overall performance

The operating performance of this segment improved discernibly as compared to the same period last year. Despite it had a lower sales volume, this segment achieved a better gross profit margin for the period, and as such, generated a significant increase in operating profit of 74.7% over the same period last year to HK\$8,103,000 (2010: HK\$4,638,000) for the period.

Revenue

The sales volume of this segment was 3,526 tonnes for the period, dropped by 15.0% as compared to 4,148 tonnes for the same period last year. The breakdown of sales volume by geographical location is as follows:

	For the six months ended 30 June				
	2011		2010		% change
	Sales volume (Tonne)	% of total sales volume	Sales volume (Tonne)	% of total sales volume	
Mainland China	1,722	48.8	1,863	44.9	-7.6
Other regions	1,804	51.2	2,285	55.1	-21.1
Total	3,526	100.0	4,148	100.0	-15.0

Contributed by the increase in copper price, average selling price climbed from HK\$53,458 per tonne in the same period last year to HK\$63,193 per tonne for the period, representing an increase of 18.2% on a year-on-year basis. The increase in average selling price counteracted the drop in sales volume and therefore this segment achieved a slight increase in revenue of 0.5% over the same period last year to HK\$222,791,000 (2010: HK\$221,741,000) for the period.

Gross profit

Although revenue of this segment only moderately increased by 0.5% over the same period last year, gross profit increased by 30.3% over the same period last year to HK\$11,692,000 (2010: HK\$8,973,000) for the period, as gross profit margin improved from 4.0% in the same period last year to 5.2% for the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS REVIEW (continued)

Listed available-for-sale investments

The Group completed the disposal of the entire interests in 'A' shares of Xinyu Iron in 2010 and therefore it did not record any gain on disposal of listed available-for-sale investments in the period. In the same period last year, the Group disposed of 2,291,283 'A' shares of Xinyu Iron and recorded a gain of approximately HK\$12,275,000 on those disposals.

FINANCIAL REVIEW

The Group recorded net profit of HK\$26,750,000 for the period, significantly decreased by 70.7% as compared to HK\$91,205,000 for the same period last year. When the non-recurring gain on disposal of listed available-for-sale investments of HK\$12,275,000 for the same period last year was excluded, net profit of the Group would decrease by 66.1% as compared to that of the same period last year. In addition to the drop in gross profit of Steel cord segment as discussed in 'Gross profit' section on 'Steel cord' above, the lower profit was also attributable to the increase in distribution and selling expenses; research and development expenses and interest expenses of Steel cord segment. The increase in such expenses was to expedite the business development of Steel cord segment, including the sales and marketing development for new products and markets of steel cords and for establishment of new business for sawing wire. We believe the expenses incurred would enable the Steel cord segment to establish a solid foundation for its future business growth and translate into higher profitability in the future. The comparison of net profit for the period and with the same period last year, taken into consideration of the above factors, is as follows:

	For the six months ended 30 June		
	2011 HK\$'000	2010 HK\$'000	% change
Profit for the period	26,750	91,205	-70.7
Adjustment for non-recurring gain on disposal of listed available-for-sale investment	–	(12,275)	-100.0
Profit adjusted for non-recurring gain	26,750	78,930	-66.1
Increase in costs for the period:			
Distribution and selling expenses	7,303	–	N/A
Research and development expenses	5,196	–	N/A
Finance costs	7,124	–	N/A
Total	46,373	78,930	-41.2

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**Revenue**

Revenue of the Group increased by 4.9% over the same period last year to HK\$870,027,000 (2010: HK\$829,102,000) for the period. The breakdown of revenue by business segments is as follows:

	2011		2010		% change
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	659,981	75.9	613,395	74.0	+7.6
Copper and brass products	222,791	25.6	221,741	26.8	+0.5
Sub-total	882,772	101.5	835,136	100.8	
Elimination of inter-segment sales	(13,061)	(1.5)	(7,969)	(1.0)	+63.9
Other operations (Note)	316	-	1,935	0.2	-83.7
Total	870,027	100.0	829,102	100.0	+4.9

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

MANAGEMENT DISCUSSION AND ANALYSIS (continued)**FINANCIAL REVIEW** (continued)**Gross profit**

Gross profit of the Group decreased by 36.5% over the same period last year to HK\$106,765,000 (2010: HK\$168,143,000). Gross profit margin was 12.3%, significantly declined by 8 percentage points as compared to 20.3% for the same period last year, primarily attributable to the drop in gross profit margin of Steel cord segment. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				
	2011		2010		% change
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord	94,860	14.4	158,901	25.9	-40.3
Copper and brass products	11,692	5.2	8,973	4.0	+30.3
Unrealized profit on inter-segment sales	(11)	N/A	(25)	N/A	-56.0
Other operations	224	70.9	294	15.2	-23.8
Total	106,765	12.3	168,143	20.3	-36.5

Investment and other income

Investment and other income decreased by 6.9% as compared to the same period last year to HK\$5,459,000 (2010: HK\$5,861,000) for the period, primarily because of the decrease in interest income received during the period.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Other gains and losses

The Group recorded net gain of HK\$18,250,000 for the period, increased by 7.5% as compared to HK\$16,972,000 for the same period last year. The Group recorded exchange gain of HK\$14,918,000 for the period, significantly increased by 300.9% over the same period last year, which was primarily due to the effect of appreciation of RMB exchange rate by approximately 2.3% against HKD over the first half year on the Group's HKD and USD denominated bank borrowings. The breakdown of other gains and losses is as follows:

	For the six months ended 30 June		
	2011 HK\$'000	2010 HK\$'000	% change
Foreign exchange gains, net	14,918	3,721	+300.9
Increase in fair value of investment properties	2,608	–	N/A
Reversal of allowance for bad and doubtful debts	520	1,030	-49.5
Reversal of revaluation deficit of properties	212	–	N/A
Gain on disposal of listed available-for-sale investments	–	12,275	-100.0
Others	(8)	(54)	-85.2
Total	18,250	16,972	+7.5

Distribution and selling expenses

Distribution and selling expenses increased by 55.0% over the same period last year to HK\$20,573,000 (2010: HK\$13,270,000) for the period, as additional expenses were incurred by Steel cord segment during the period.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

FINANCIAL REVIEW (continued)

Administrative expenses and research and development expenses

Administrative expenses of the Group amounted to HK\$41,382,000 (2010: HK\$45,568,000) for the period, decreased by 9.2% as compared to the same period last year. As revenue of the Group increased by 4.9% over the same period last year, the ratio of administrative expenses to revenue lowered from 5.5% in the same period last year to 4.8% for the period.

Research and development expenses of the Group amounted to HK\$9,631,000 for the period, significantly increased by 117.2% as compared to HK\$4,435,000 for the same period last year, as additional expenses were incurred by the Steel cord segment during the period.

Segment results

Profit from the Group's business segments amounted to HK\$59,697,000 for the period, declined by 54.3% as compared to HK\$130,699,000 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		
	2011 HK\$'000	2010 HK\$'000	% change
Steel cord	51,594	126,061	-59.1
Copper and brass products	8,103	4,638	+74.7
Total	59,697	130,699	-54.3

Finance costs

Finance costs amounted to HK\$20,670,000 for the period, increased by 52.6% as compared to HK\$13,546,000 for the same period last year. Such increase in finance costs arose primarily due to the raising of additional bank borrowings to finance the capacity expansion plan of the Steel cord segment, in particular the expansion of the production capacity of TESC to 100,000 tonnes per annum since the second half year of 2009.

Income tax expenses

Income tax expenses of the Group decreased by 50.0% as compared to the same period last year to HK\$11,468,000 (2010: HK\$22,952,000) for the period, primarily as the profit of the Steel cord segment dropped as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

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.

During the period, 600,000 share options were exercised and therefore the same number of new Shares was issued accordingly. The issued share capital of the Company then increased from 1,922,300,556 Shares at 31 December 2010 to 1,922,900,556 Shares at 30 June 2011. The net asset value of the Group was HK\$2,303,061,000 at 30 June 2011, increased by 2.2% as compared to HK\$2,252,808,000 at 31 December 2010; and net asset value per Share increased by 2.6% over the end of 2010 to HK\$1.20 per Share at 30 June 2011.

The Group's bank balances and cash (including restricted bank deposits) amounted to HK\$170,675,000 at 30 June 2011, lowered by 38.3% as compared to HK\$276,448,000 at 31 December 2010. Total bank borrowings of the Group were HK\$1,316,238,000 at 30 June 2011, increased by 8.3% as compared to HK\$1,215,255,000 at 31 December 2010.

At 30 June 2011, HK\$1,102,774,000 of bank borrowings were floating-rate borrowings, while HK\$213,464,000 of bank borrowings were collared at rate ranging from 1.28% to 7.80% per annum. The nature and maturing profile of the Group's bank borrowings at 30 June 2011 based on contracted repayment schedules were as follows:

	HK\$'000	% of total bank borrowings
Due within one year or on demand:		
– Trust receipt loans	77,534	5.9
– Bank advances for discounted bills	11,905	0.9
– Working capital loans	149,805	11.4
– Current portion of medium term loans	391,243	29.7
	630,487	47.9
Medium term loan:		
– Due in the second year	482,995	36.7
– Due in the third year	171,859	13.1
– Due in the fourth year	33,247	2.5
	1,318,588	100.2
Unamortized loan arrangement fees	(2,350)	(0.2)
Total	1,316,238	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES (continued)

As a result of the increased bank borrowings during the period to finance the capacity expansion plan of the Steel cord segment and working capital requirements, the gearing ratio (bank borrowings less bank balances and cash (including restricted bank deposits)/shareholders' equity) of the Group increased from 41.7% at 31 December 2010 to 49.8% at 30 June 2011.

Despite the increased gearing level, the liquidity position of the Group remained healthy, current ratio of the Group at 30 June 2011 was 1.6 times, as compared to 1.5 times at 31 December 2010. When the classification of bank borrowings in the condensed consolidated statement of financial position was based on contracted repayment schedules, current ratio of the Group at 30 June 2011 would be 2 times, though lower than 2.2 times at 31 December 2010, that we considered still a healthy and manageable level.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are concentrated on RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavored to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 30 June 2011, the currency breakdown of the Group's bank borrowings was as follows:

	30 June 2011	31 December 2010
	%	%
HKD	48.0	55.5
RMB	36.4	27.9
USD	14.6	16.6
Others	1.0	–
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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

The plant and machineries for the remaining 30,000 tonnes of annual production capacity of TESC were in the process of installation and commissioning during the period under review, and is expected to complete in the early part of the second half year of 2011. With the continual effort in research and development in 2010 coupled with stabilization of quality of half products in the first half year, we are confident that the Steel cord segment has possessed the technology and technique for the manufacture of sawing wire. This segment planned to gradually expand the production capacity of sawing wire with the initial phase to add the annual production capacity of sawing wire to approximately 1,600 tonnes per annum by the end of 2011.

Capital expenditures incurred by the Steel cord segment during the period amounted to HK\$43,112,000. The capital expenditures to be incurred in the second half year of 2011, including the capital expenditure on expansion of sawing wire production capacity, are estimated to be approximately HK\$236,143,000, which will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2011, the Group had a total of 2,419 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to condensed consolidated income statement for the period amounted to approximately HK\$5,955,000. 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.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP (continued)

In addition, the Company had adopted a share option scheme (the “Scheme”). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the period, 600,000 share options to subscribe for Shares and 1,000,000 share options were exercised and cancelled respectively.


PLEDGE OF ASSETS

At 30 June 2011, the following assets had been pledged to the Group’s bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK\$7,450,000;
2. Prepaid lease payments amounted to HK\$91,273,000;
3. Bank deposit of HK\$3,686,000; and
4. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

We are facing tumultuous time. When this report was being written, the seemingly sacrosanct credit rating of the United States Government had just been downgraded, which amongst other reasons, triggered quite a massive sell off in the global equity markets. Will that translate to a hike in interest rates? Will that trigger an exodus of funds to gold or other risk adverse financial instruments is beyond the scope of this report. In our sectors, steel cord, sawing wire and copper trading, we are unavoidably linked to the global financial market. Will our business model be affected by a weakened in consumers’ and investors’ confidence? We would agree that it would in the short run but we are not fazed in the longer run. Our mettle is to continue investing in the “Neo” era, namely:

- New products in sawing wire and other metal products;
 - New steel cord construction types; and
 - New markets
- 

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

BUSINESS OUTLOOK (continued)

We have been investing and perfecting the technology and stability in the manufacture of sawing wire. We have also looked into the possibility of diamond wire recently and will continue to monitor the viability and commerciality of such product in the solar energy sector. In the front of steel cord, we have successfully introduced construction types in “truck and bus radial” to fend off similar products made by a leading participant in the trade. In the front of new markets, we are engaging a partner to penetrate into the South Asian market and simultaneously strengthening our sales and marketing effort in various multinational tyre manufacturers who are existing customers of JESC for the certification of TESC’s products. We are confident to achieve increasing sales in overseas markets and multinational tyre manufacturers in the second half year, and are pleased to advise that such effort could soon transpire into actual sales within 2011.

2011 is going to be the most challenging year in our history of steel cord making. The uncertainties in the developed world, particularly the United States and Euro Zone, and the policies of the Chinese Government on the automobile and solar energy sectors will have a significant impact on the rate of success of our “Neo” initiatives. However, we will continue to invest in these areas with due consideration on our financial wherewithal. We will rise to the challenge and we see it as a motivation to fulfill our mission to forge the “Eastern” brand as one of the top three steel cord makers in the PRC. We will leverage on the goodwill of “Eastern” together with the know-how and human capital that we have amassed to become one of the leading sawing wire makers in the PRC.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: HK1 cent per Share).

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 2011.

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

As at 30 June 2011, 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.



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

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 interest are held
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Yang Kaiyu ("Mr. Yang")	3,596,000	0.18	Family interest Note (a)
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner Note (b)

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 (continued)

Long position in Shares (continued)

(b) Share options

As at 30 June 2011, 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 grant	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of 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	Date of exercise	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		
	Note (b)									
	13,800,000	-	-	-	13,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	44,414,000	-	-		44,414,000				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		
						Note (c)				
	7,200,000	-	-	-	7,200,000	13/7/2009	1/1/2011 to 12/7/2019	0.680		
						Note (c)				
	18,000,000	-	-		18,000,000				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		
	16,592,000	-	-		16,592,000				Beneficial owner	0.86
Mr. Tang	10,000,000	-	-	-	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.52
Zhang Zhong	2,000,000	-	-	-	2,000,000	14/12/2010	14/12/2010 to 13/12/2020	0.940	Beneficial owner	0.10

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

Long position in Shares (continued)

(b) Share options (continued)

Name of Director	Options to subscribe for Shares				Date of exercise	Date of grant	Exercise period	Exercise price per Share HK\$	Capacity in which interests are held	Approximate % of the issued share capital
	Number of share options held at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Number of share options 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>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>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>98,438,000</u>					

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES (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 meetings 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 "Scheme"). Upon exercise of the share options in accordance with the 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 2011.



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

As at 30 June 2011, 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	887,145,179	46.13	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) By virtue of the SFO, Shougang HK is deemed to be interested in the 126,984,000 Shares and the 59,636,000 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 13,870,000 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 the 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.



SHARE OPTION SCHEME

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

Category of participant	Options to subscribe for Shares									
	Number of outstanding share options held at the beginning of the period	Number of share options granted during the period	Reclassification of categories of participant	Number of share options exercised during the period	Date of exercise	Number of share options cancelled during the period	Number of outstanding share options held at the end of the period	Date of grant Note (a)	Exercise period	Exercise price per Share HK\$
Employees other than the Directors	11,720,000	-	-	(600,000)	14/1/2011	-	11,120,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
	26,700,000	-	-	-	-	(1,000,000) Note (b)	25,700,000	28/1/2008	28/1/2008 to 27/1/2018	0.864
	200,000	-	-	-	-	-	200,000	28/1/2008	28/1/2011 to 27/1/2018 Note (c)	0.864
	1,950,000	-	-	-	-	-	1,950,000	13/7/2009	13/7/2009 to 12/7/2019	0.680
	1,950,000	-	-	-	-	-	1,950,000	13/7/2009	1/1/2010 to 12/7/2019 Note (d)	0.680
	2,600,000	-	-	-	-	-	2,600,000	13/7/2009	1/1/2011 to 12/7/2019 Note (d)	0.680
	45,120,000	-	-	(600,000)	-	(1,000,000)	43,520,000	-	-	-
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
	-	-	38,268,000 Note (e)	-	-	-	38,268,000	25/6/2003	25/6/2003 to 24/6/2013 Note (g)	0.365
	1,500,000	-	-	-	-	-	1,500,000	25/8/2003	25/8/2003 to 30/4/2012 Note (f)	0.740
	57,350,000	-	-	-	-	-	57,350,000	2/10/2003	2/10/2003 to 1/10/2013 Note (g)	0.780
	3,000,000	-	-	-	-	-	3,000,000	28/1/2008	28/1/2008 to 31/12/2011 Note (h)	0.864
	17,000,000	-	10,000,000 Note (e)	-	-	-	27,000,000	28/1/2008	28/1/2008 to 27/1/2018 Note (e)	0.864
	2,000,000	-	-	-	-	-	2,000,000	28/1/2008	28/1/2008 to 14/12/2012 Note (h)	0.864
	88,502,000	-	48,268,000	-	-	-	136,770,000	-	-	-
Total	133,622,000	-	48,268,000	(600,000)	-	(1,000,000)	180,290,000	-	-	-

SHARE OPTION SCHEME (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 notes (c) and (d) below.
- (b) 1,000,000 share options were cancelled during the six months ended 30 June 2011 due to resignation of an employee of the Group.
- (c) 200,000 share options have a vesting period of three years from the date of grant.
- (d) 1,950,000 share options have a vesting period from the date of grant to 31 December 2009 and 2,600,000 share options have a vesting period from the date of grant to 31 December 2010.
- (e) The respective 38,268,000 and 10,000,000 outstanding share options were held by Mr. Tong Yihui ("Mr. Tong") who retired as Director with effect from 19 May 2011, the annual general meeting of the Company, his options shall lapse immediately upon his retirement. However, in view of the great contribution of Mr. Tong during his tenure of directorship of the Company, the date of cessation to exercise the options was changed to 24 June 2013 and 27 January 2018 respectively by the approval of the Board on 29 March 2011. Mr. Tong is reclassified under the category of "All other eligible participants".
- (f) The date of cessation to exercise the 1,500,000 outstanding share options held by an eligible participant was further extended to 30 April 2012 by the approval of the Board on 16 May 2011.
- (g) The 38,268,000 and 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 25 June 2003 and 2 October 2003 respectively.
- (h) The date of cessation to exercise the 3,000,000 and 2,000,000 outstanding share options held by the relevant eligible participants was changed to 31 December 2011 and 14 December 2012 by the approval of the Board on 31 December 2009 and 14 December 2010 respectively.

During the year ended 31 December 2010, 2,000,000 share options granted on 14 December 2010 were vested immediately ("Option A"). During the year ended 31 December 2009, 25,000,000 share options were granted on 13 July 2009 in which 7,500,000 share options vested immediately ("Option B") and 7,500,000 share options were vested during the period from 13 July 2009 to 31 December 2009 ("Option C"), and 10,000,000 share options were vested during the period of 13 July 2009 to 31 December 2010 ("Option D"). The fair value of the share options granted in 2010 determined at the date of grant using the Binomial Option Pricing Model (the "Binomial Model") was approximately HK\$780,000 (2009: HK\$6,749,000).

SHARE OPTION SCHEME (continued)

The following assumptions were used to calculate the fair value of the above Options A, B, C and D using the Binomial Model:

	14 December 2010 Option A	13 July 2009 Option B	13 July 2009 Option C	13 July 2009 Option D
Closing price of the Company's shares at the grant date	HK\$0.94	HK\$0.68	HK\$0.68	HK\$0.68
Exercise price	HK\$0.94	HK\$0.68	HK\$0.68	HK\$0.68
Option life	10 years	10 years	10 years	10 years
Expected volatility	58.87%	66.37%	66.37%	66.37%
Dividend yield	2.66%	1.47%	1.47%	1.47%
Risk-free interest rate	3.313%	2.372%	2.372%	2.372%
Sub-optimal factor	1.91	1.52	1.52	1.52

Expected volatility of the Company was determined by using the historical volatility of the Company's share price and the share price of other companies in the similar industry, respectively.

The Binomial Model has been used to estimate the fair value of the Company's share options. The variables and assumptions used in computing its fair values are based on the best estimate of the Directors. The value of an option varies with different variables of certain subjective assumption.

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 and Managing Director, was re-designated as the Executive Director and Chairman and ceased to be the Managing Director with effect from 1 April 2011.

Mr. Yang Kaiyu, the Executive Director and Deputy Managing Director, was re-designated as the Executive Director and Managing Director with effect from 1 April 2011. His basic monthly salary was adjusted to HK\$220,000.

Mr. Tong Yihui, the Executive Director and Deputy Managing Director, retired from office by rotation at the annual general meeting of the Company held on 19 May 2011 and not offered himself for re-election.



CODE ON CORPORATE GOVERNANCE PRACTICES

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

In addition, the Company has also adopted the Continuous Disclosure Obligation Policy on 28 March 2011 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 the opinion of the Board, the Company has complied with the principles and code provisions of the Code and the SCCHL Corporate Governance Code throughout the six months ended 30 June 2011, except for a deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period from January to March 2011, the posts of chairman and managing director of the Company are not separate. However, the roles of the chairman and managing director are segregated and performed by Mr. Li Shaofeng and Mr. Yang Kaiyu respectively with effect from 1 April 2011.

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.

CODE ON CORPORATE GOVERNANCE PRACTICES (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 2011. During the meeting 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 2011.

APPRECIATION

On behalf of the Board, I would like to express my sincere thanks to all Shareholders for their continuous support and loyal staff for their dedication and contribution during this difficult period.

By order of the Board

Li Shaofeng

Chairman

Hong Kong, 26 August 2011

This interim report can also be accessed through the internet at the Stock Exchange's website at <http://www.hkexnews.hk> and the Company's website at <http://www.shougangcentury.com.hk> under the "Investor Relations" or "Corporate News" sections.



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 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
“Copper and brass products”	processing and trading of copper and brass products
“Director(s)”	the director(s) of the Company
“Fair Union”	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
“Group”	the Company and its subsidiaries
“HKD/HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS (continued)

“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 Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
“Richson”	Richson Limited, a subsidiary of Shougang International
“RMB”	Renminbi, the lawful currency of the PRC
“SCCHL Code”	Model Code for Securities Transactions by Directors of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
“SCCHL Corporate Governance Code”	Shougang Concord Century Holdings Limited Code on Corporate Governance
“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



DEFINITIONS (continued)

“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 cord for radial tyres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESC”	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
“USD/US\$”	United States dollars, the lawful currency of the United States of America
“Xinyu Iron”	Xinyu Iron & Steel Co., Ltd. 新余鋼鐵股份有限公司, a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange
“%”	per cent