



SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 103)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

HIGHLIGHTS	For the six months ended 30 June		
	2006	2005	Changes
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
Operations			
Revenue	322,593	269,531	+19.7
Gross profit	69,299	52,879	+31.1
Profit for the period	44,707	36,116	+23.8
Earnings per share, basic (cents)	4.36	3.52	+23.8
	30/6/2006	31/12/2005	
Financial Position			
Total assets	1,100,805	967,215	+13.8
Shareholders' funds	745,106	693,753	+7.4

The board of directors of Shougang Concord Century Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006. The interim results have been reviewed by the Company's Audit Committee and its Auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT*For the six months ended 30 June 2006*

	<i>Notes</i>	Six months ended 30 June	
		2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Revenue	4	322,593	269,531
Cost of sales		(253,294)	(216,652)
Gross profit		69,299	52,879
Other income		2,962	259
Fair value changes on derivative instrument		942	–
Distribution costs		(2,556)	(1,746)
Administrative expenses		(17,673)	(14,920)
Other expenses		–	(356)
(Allowance for) recovery of bad and doubtful debts		(1,956)	1,089
Share of profit of a jointly controlled entity		4,507	5,989
Share of profit of an associate		3,082	2,156
Finance costs	5	(9,021)	(6,034)
Profit before taxation		49,586	39,316
Income tax expenses	6	(4,879)	(3,200)
Profit for the period	7	44,707	36,116
Dividends paid	8	–	15,391
Earnings per share	9		
Basic		HK4.36 cents	HK3.52 cents
Diluted		HK4.14 cents	HK3.31 cents

CONDENSED CONSOLIDATED BALANCE SHEET*At 30 June 2006*

	<i>Notes</i>	30 June	31 December
		2006 (Unaudited) <i>HK\$'000</i>	2005 (Audited) <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	10	444,662	458,085
Investment properties	10	9,410	10,340
Goodwill		41,672	41,672
Interest in a jointly controlled entity		54,069	49,025
Interest in an associate		48,124	48,234
Prepaid lease payments		7,524	7,658
Club memberships		675	675
		606,136	615,689

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
Current assets			
Inventories		82,442	84,160
Trade receivables	<i>11</i>	165,836	140,172
Bills receivable		165,765	71,448
Prepayments, deposits and other receivables		13,332	10,808
Prepaid lease payments		430	426
Amount due from a related company	<i>12</i>	3,884	1,497
Derivative financial instruments		896	–
Pledged bank deposits		3,000	3,000
Bank balances and cash		59,084	37,378
		494,669	348,889
Asset classified as held for sale		–	2,637
		494,669	351,526
Current liabilities			
Trade payables	<i>13</i>	7,812	9,284
Bills payable		2,660	–
Other payables and accruals		12,433	17,924
Tax payable		2,749	668
Amount due to a related company	<i>12</i>	43,714	–
Bank borrowings – due within one year	<i>14</i>	240,544	200,415
		309,912	228,291
Net current assets		184,757	123,235
Total assets less current liabilities		790,893	738,924
Non-current liabilities			
Bank borrowings – due after one year	<i>14</i>	13,385	42,598
Other payable		1,667	1,638
Loan from a related company	<i>12</i>	30,000	–
Deferred tax liabilities		735	935
		45,787	45,171
		745,106	693,753
Capital and reserves			
Share capital	<i>15</i>	102,607	102,607
Share premium and reserves		642,499	591,146
		745,106	693,753

Notes:

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 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following area that have an effect on how the results for the current or prior accounting periods have been prepared and presented:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) “Financial Guarantee Contracts” which is effective for annual periods beginning on or after 1 January 2006.

A financial guarantee contract is defined by HKAS 39 “Financial Instruments: Recognition and Measurement” (“HKAS 39”) as “a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument”.

The Group acts as the issuer of the financial guarantee contracts

Prior to 1 January 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for a financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount can be estimated reliably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 “Revenue”.

In relation to a financial guarantee granted to a bank over the repayment of a loan by a jointly controlled entity, the Group has applied the transitional provisions in HKAS 39. This change in accounting policy has had no material effect on the Group’s results for the current and prior accounting periods.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies” ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

4. SEGMENT INFORMATION

Business segments

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

For the six months ended 30 June 2006

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>198,259</u>	<u>123,628</u>	<u>706</u>	<u>322,593</u>
Segment results	<u>35,417</u>	<u>25,894</u>	<u>62</u>	61,373
Unallocated corporate income				1,658
Unallocated corporate expenses				(12,013)
Share of profit of a jointly controlled entity	-	-	4,507	4,507
Share of profit of an associate	-	-	3,082	3,082
Finance costs				<u>(9,021)</u>
Profit before taxation				49,586
Income tax expenses				<u>(4,879)</u>
Profit for the period				<u>44,707</u>

For the six months ended 30 June 2005 (restated)

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue	<u>194,353</u>	<u>74,452</u>	<u>726</u>	<u>269,531</u>
Segment results	<u>42,818</u>	<u>3,315</u>	<u>(130)</u>	46,003
Unallocated corporate income				111
Unallocated corporate expenses				(8,909)
Share of profit of a jointly controlled entity	-	-	5,989	5,989
Share of profit of an associate	-	-	2,156	2,156
Finance costs				<u>(6,034)</u>
Profit before taxation				39,316
Income tax expenses				<u>(3,200)</u>
Profit for the period				<u>36,116</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2006 (Unaudited) <i>HK\$'000</i>	2005 (Unaudited) <i>HK\$'000</i>
Interest expenses on bank and other borrowings wholly repayable within five years	8,478	5,880
Other finance costs	543	154
	<u>9,021</u>	<u>6,034</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	500	–
Other regions in the People's Republic of China (the "PRC")	4,486	2,897
	<u>4,986</u>	<u>2,897</u>
Under provision in prior years:		
Hong Kong	2	–
Other regions in the PRC	29	–
	<u>31</u>	<u>–</u>
Deferred taxation	<u>(138)</u>	<u>303</u>
Taxation attributable to the Company and its subsidiaries	<u><u>4,879</u></u>	<u><u>3,200</u></u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2006.

No tax is payable on the profit for the six months ended 30 June 2005 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

PRC Enterprise Income Tax is calculated at the applicable tax rates on the estimated assessable income for the period based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Group's subsidiaries in the PRC are eligible for certain tax exemptions and concessions.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	19,887	19,180
Amortisation of prepaid lease payments (included in "Cost of sales")	214	196
Net foreign exchange losses	–	356
Share of tax of a jointly controlled entity (included in "Share of profit of a jointly controlled entity")	834	1,107
Share of tax of an associate (included in "Share of profit of an associate")	1,598	1,118
and after crediting:		
Net foreign exchange gains	2,029	–
Interest income from bank deposits	463	101
Gain on disposal of property, plant and equipment	<u>254</u>	<u>–</u>

8. DIVIDENDS

No dividend was paid during the six months ended 30 June 2006. For the six months ended 30 June 2005, a dividend of HK1.5 cents per share in cash was paid to shareholders as the final dividend for the year ended 31 December 2004.

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2006.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Earnings		
Profit for the period for the purpose of basic and diluted earnings per share	<u>44,707</u>	<u>36,116</u>
	Six months ended 30 June	
	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,026,066,556	1,026,066,556
Effect of dilutive potential ordinary shares: Share options	<u>54,287,289</u>	<u>65,600,977</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,080,353,845</u>	<u>1,091,667,533</u>

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

During the period, the Group acquired property, plant and equipment amounting to approximately HK\$981,000.

During the period, the Group has reclassified an investment property with a carrying amount of HK\$930,000 to property, plant and equipment.

At 30 June 2006, the directors considered the carrying amount of the Group's investment properties carried at fair value and leasehold land and buildings carried at revalued amounts respectively, and estimated that the carrying amounts do not differ significantly from that which would be determined using fair value and revalued amounts at 30 June 2006. Consequently, no change in fair value or revaluation surplus or deficit has been recognised in the current period.

11. TRADE RECEIVABLES

The Group normally allows an average credit period of 30 to 120 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	141,102	118,322
91 – 180 days	21,821	21,850
Over 180 days	<u>2,913</u>	<u>–</u>
	<u>165,836</u>	<u>140,172</u>

12. AMOUNT DUE FROM (TO) A RELATED COMPANY / LOAN FROM A RELATED COMPANY

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	<i>Notes</i>		
Amount due from a related company – due within one year:			
A subsidiary of Shougang Concord Technology Holdings Limited	(a)	<u>3,884</u>	<u>1,497</u>
Amount due to a related company – due within one year:			
A subsidiary of Shougang Holding (Hong Kong) Limited (“Shougang HK”)	(a)	<u>43,714</u>	<u>–</u>
Loan from a related company – due after one year:			
A subsidiary of Shougang HK	(b)	<u>30,000</u>	<u>–</u>

Notes:

- (a) The amounts are unsecured, non-interest bearing and are repayable on demand.
(b) The amount is unsecured, interest bearing at 5.825% per annum and is repayable on 30 March 2008.

13. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0 – 90 days	7,559	9,172
91 – 180 days	108	87
Over 180 days	145	25
	<u>7,812</u>	<u>9,284</u>

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$263,981,000 and repaid bank borrowings of approximately HK\$254,516,000. The loans bear interest ranging from 2.64% to 7.45% per annum and are repayable over a period of one to two years.

15. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2006 and 30 June 2006	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2006 and 30 June 2006	<u>1,026,067</u>	<u>102,607</u>

MANAGEMENT DISCUSSION & ANALYSIS
BUSINESS REVIEW

In the first half year of 2006, the Group achieved a satisfactory growth in revenue and profit over the same period last year. Despite stiff market competition had affected the profitability of our steel cord segment, our copper and brass products segment performed strongly during the period, supported by solid economic growth in Hong Kong and Mainland China, and skyrocketing copper price.

Manufacturing of steel cord for radial tyres (“Steel cord”)

Our steel cord segment recorded a moderate growth in revenue of 2% over the same period last year to HK\$198,259,000 (2005: HK\$194,353,000), and accounted for 61.5% (2005: 72.1%) of the Group’s revenue for the period. Faced with pricing pressure on increasing competition in the steel cord industry, the profitability of this segment abated as compared to the same period last year. However, its operating performance was better than the preceding six months, as we had implemented cost control measures to reduce production costs and improved operating efficiency, principally through the increased usage of domestic raw materials, whose prices were relatively lower than their import counterparts.

As affected by the declined selling price, gross profit margin dropped from 24.1% in the same period last year to 20.3% for the period under review. Consequently, operating profit of this segment dropped by 17.3% to HK\$35,417,000 (2005: HK\$42,818,000 (restated)) for the period.

Processing and trading of copper and brass products (“Copper & brass products”)

Our copper & brass products segment achieved a significant growth of 66.1% in revenue to HK\$123,628,000 (2005: HK\$74,452,000) and accounted for 38.3% of the Group’s revenue for the period. Whilst sales volume increased moderately by 6.3% over the same period last year, the increase in revenue was primarily boosted by the significant rise in copper price during the period. In the first half year of 2006, 3-month copper price traded in the London Metals Exchange climbed from the level of US\$4,400 per tonne at the end of 2005 to approximately US\$7,431 per tonne at 30 June 2006, representing an increase of approximately 69% over the period.

Taking advantage of the rising copper price, especially during the second quarter of 2006, this segment accomplished substantial increase in gross profit during the period. Gross profit amounted to HK\$28,580,000, a significant increase of 394% as compared to the same period last year, while gross profit margin was 23.1%, as compared to 7.8% for the same period last year. In addition, our timely inventory management and sales strategy further enhanced the operating profit of this segment which sharply increased by 681.1% to HK\$25,894,000 (2005: HK\$3,315,000 (restated)) for the period under review.

FINANCIAL REVIEW

Contributed by the increase in revenue and the improvement in gross profit margin, the Group’s profit for the period reached to HK\$44,707,000, representing an increase of 23.8% over the same period last year.

Revenue

Revenue amounted to HK\$322,593,000 for the period, representing an increase of 19.7% over the same period last year. The breakdown of revenue by business segments is as follows:

	Six months ended 30 June				
	2006	% of total	2005	% of total	% change
	HK\$’000	revenue	HK\$’000	revenue	
Steel cord	198,259	61.5	194,353	72.1	+2.0
Copper & brass products	123,628	38.3	74,452	27.6	+66.1
Others	706	0.2	726	0.3	-2.8
Total	<u>322,593</u>	<u>100.0</u>	<u>269,531</u>	<u>100.0</u>	<u>+19.7</u>

Gross profit

Gross profit rose by 31.1% to HK\$69,299,000 for the period. Further to the growth of 19.7% in revenue, the higher gross profit also contributed by the improvement in gross profit margin from 19.6% in the same period last year to 21.5% for the period, the breakdown is as follows:

	Six months ended 30 June				
	2006 HK\$'000	Gross profit %	2005 HK\$'000	Gross profit %	% change
Steel cord	40,282	20.3	46,772	24.1	-13.9
Copper & brass products	28,580	23.1	5,786	7.8	+394.0
Others	437	61.9	321	44.2	+36.1
Total	<u>69,299</u>	21.5	<u>52,879</u>	19.6	+31.1

Other income

The Group's other income for the period amounted to HK\$2,962,000, an increase of 1043.6% over the same period last year. Other income for the period mainly comprised net exchange gain of HK\$2,029,000, as a result of the stronger Renminbi ("RMB") and Hong Kong dollar ("HKD") against United States dollar ("USD") in the period.

Administrative expenses

The Group's administrative expenses for the period amounted to HK\$17,673,000, an increase of 18.5% over the same period last year, which was commensurate with the increase in revenue. Administrative expenses as a percentage of revenue remained similar to the same period last year at approximately 5.5%.

Segment results

Profit from the Group's business segments amounted to HK\$61,373,000 for the period, an increase of 33.4% over the same period last year. The breakdown is as follows:

	Six months ended 30 June		
	2006 HK\$'000	2005 HK\$'000 (restated)	% change
Steel cord	35,417	42,818	-17.3
Copper & brass products	25,894	3,315	+681.1
Others	62	(130)	N/A
Total	<u>61,373</u>	<u>46,003</u>	+33.4

Share of profits of a jointly controlled entity and an associate

The selling price of pre-stressed concrete strands declined in line with steel price since the late 2005. Despite an increase in sales volume of 11.1% over the same period last year, revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") dropped by 15.5% to HK\$195,195,000 for the period. As such, its profit for the period lowered by 24.7% to HK\$18,028,000. The Group's share of the profit for the period of Shanghai Shenjia also dropped proportionally to HK\$4,507,000.

Similar to Shanghai Shenjia, Xinhua Metal Products Co., Ltd. ("Xinhua Metal") was also affected by the drop in selling price of its pre-stressed concrete strands products during the period. However, through continued expansion in production capacity, its sales volume increased by 46.5% that helped generating a growth in revenue of 21.1% over the same period last year to HK\$443,873,000 for the period. As such, its profit for the period increased by 43% to HK\$18,400,000. The Group's share of the profit for the period of Xinhua Metal also increased proportionally to HK\$3,082,000.

Finance costs

Finance costs increased by 49.5% over the same period last year to HK\$9,021,000. The increase was primarily attributable to the continued interest rate hikes since the first half year of 2005 which had pushed HKD and USD interbank rates from circa 1% level to over 4% at the end of June 2006, which increased the overall interest cost of the Group.

Income tax expenses

The Group's income tax expenses amounted to HK\$4,879,000 for the period, representing an increase of 52.5% over the same period last year, primarily because Jiaxing Eastern Steel Cord Co., Limited ("Jiaxing Eastern"), the company engaged in the manufacturing of steel cord, had completed its 50% income tax concession period in 2005 and was subject to full income tax rate starting 2006.

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2006 (Six months ended 30 June 2005: Nil).

POST BALANCE SHEET EVENT – XINHUA METAL SHARE REFORM PLAN

In March 2006, the non-freely transferable shareholders (the "Non-freely Transferable Shareholders") of Xinhua Metal, with its shares listed on the Shanghai Stock Exchange, proposed a share reform plan (the "Xinhua Metal Share Reform Plan") under the requirements of the relevant Government authorities of the People's Republic of China (the "PRC"). The Non-freely Transferable Shareholders, including an indirect wholly owned subsidiary of the Company, had proposed to transfer 3 non-freely transferable shares of Xinhua Metal to each holder of freely transferable shares of Xinhua Metal for every 10 freely transferable shares held by such holders, for conversion of the non-freely transferable shares of Xinhua Metal into shares freely transferable on the Shanghai Stock Exchange. However, the Xinhua Metal Share Reform Plan had not obtained the approval from the relevant shareholders of Xinhua Metal on 11 April 2006. On 28 August 2006, all the Non-freely Transferable Shareholders have to be in line with the share segregation reforms of the other "A" share companies listed in the PRC by revising to propose to transfer an aggregate of 18,532,800 non-freely transferable shares of Xinhua Metal to the holders of the freely transferable shares of Xinhua Metal on the basis of 3.3 shares (the "Amended Share Reform Plan") rather than 3 shares for every 10 freely transferable shares held by such holders. The Amended Share Reform Plan had been approved by the relevant shareholders of Xinhua Metal by casting on the internet during the three trading days from 8 to 12 September 2006 and at a physical general meeting held on 12 September 2006. The application for the trading on the Shanghai Stock Exchange of those freely transferable shares of Xinhua Metal converted from non-freely transferable shares will be applied subject to the relevant law and regulations of the PRC accordingly.

Since the Amended Share Reform Plan was approved, the Company's interest in Xinhua Metal would be diluted from approximately 16.76% to 14.49%. Based on the carrying value of interest in Xinhua Metal as at 30 June 2006, the dilution will result in a deemed loss of approximately HK\$6,500,000. Details of the Amended Share Reform Plan were stated in the announcement dated 30 August 2006 and the circular dated 20 September 2006 to the Company's shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has bank balances and cash (including pledged bank deposits) of HK\$62,084,000 at 30 June 2006, an increase of 53.8% as compared to HK\$40,378,000 at 31 December 2005. During the period, the Group utilized HK\$67,392,000 of net cash in its operating activities and generated HK\$5,777,000 of net cash from its investing activities.

As at 30 June 2006, the Group's total bank borrowings amounted to HK\$253,929,000, increased by HK\$10,916,000 as compared to HK\$243,013,000 as at 31 December 2005. Other than HK\$58,489,000 fixed-rate borrowings that carry interest ranging from 2.64% to 5.4% per annum, the remaining bank borrowings are floating-rate borrowings. The nature and maturity profile of the Group's bank borrowings at 30 June 2006 were as follows:

	30 June 2006 <i>HK\$'000</i>
Due within one year or on demand	
– Trust receipt loans	79,332
– Bank advances for discounted bills	19,632
– Short term bank loans and current portion of medium term loan	141,580
	<hr/>
Subtotal	240,544
Due in the second year	
– Medium term loans	13,385
	<hr/>
Total	<u>253,929</u>

Furthermore, the Group received a loan of HK\$30,000,000 from a wholly owned subsidiary (which is engaged in financial services) of Shougang Holding (Hong Kong) Limited (“Shougang HK”), the substantial shareholder of the Company during the period. The loan is for a period of two years and bears interest at a fixed rate of 5.825% per annum (which is similar to the rate offered by the bankers of the Company), and is partly used to finance the Group’s business expansion projects.

Taking into consideration the loan from Shougang HK, gearing ratio (total interest bearing borrowings less cash and bank balances / shareholders’ equity) of the Group at 30 June 2006 was 29.8% (31 December 2005: 29.2%). While the Group’s current ratio was 1.60 times at 30 June 2006, as compared to 1.54 times at 31 December 2005.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group’s sources of revenue are principally denominated in RMB and HKD, while purchases and payments are primarily in RMB, HKD and USD. On the other hand, the currency mix of bank borrowings of the Group at 30 June 2006 were as follows:

	30 June 2006	31 December 2005
	%	%
HKD	42.8	38.2
USD	34.2	61.8
RMB	23.0	–
Total	<u>100.0</u>	<u>100.0</u>

The Group shifted a certain part of its USD borrowings to RMB and HKD borrowings during the period as USD borrowing rate became higher than RMB and HKD borrowing rates after a sustained period of interest rate hikes by the Federal Reserve of the United States of America. We believe these adjustments could reduce our interest costs and further minimize our exposure to currency risks as our major sources of income are in RMB and HKD.

Regarding interest rate risks, out of the HK\$195,440,000 variable rate bank borrowings at 30 June 2006, HK\$100,000,000 had been hedged by two structured interest rate swap contracts, covering 51.2% of variable rate bank borrowings at 30 June 2006.

Notwithstanding, we would keep monitoring the currency composition of our bank borrowings and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Manufacturing of steel cord for radial tyres

The plan to expand the production capacity of Jiaying Eastern from existing 30,000 tonnes to 45,000 tonnes per annum by the second half of 2007 is under way. Total costs of the expansion was adjusted to be approximately HK\$250,000,000 to HK\$300,000,000 (excluding working capital requirement) and would be financed by the Group’s internal resources and external financing.

Processing and trading of copper and brass products

The additional production plant in the PRC principally for domestic sales of copper and brass products in the Mainland is under construction and is expected to start operation in the fourth quarter of 2006. Total capital expenditure for the development was approximately HK\$4,000,000 and would be financed by internal resources of the Group.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 30 June 2006, the Group had a total of 697 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. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the period amounted to HK\$1,102,000. 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. On the other hand, the emoluments of the directors of the Company are decided by the Remuneration Committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the board of directors (the "Board") shall, subject to and in accordance with the provisions of the Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), grant share options to any eligible participant to subscribe for shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. No share options were granted or exercised during the period.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2006, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK\$36,469,000;
2. Prepaid lease payments amounting to HK\$7,268,000;
3. Plant and machinery with net book value of HK\$130,281,000;
4. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaying Eastern; and
5. Bank deposits amounting to HK\$3,000,000.

Further, the Group had also executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees are provided in proportion to the Group's interest in the jointly controlled entity and are renewable on an annual basis. The amount of guarantees granted as at 30 June 2006 amounted to approximately HK\$11,050,000.

BUSINESS OUTLOOK

Looking forward in the second half year of 2006, it is expected that the environment of steel cord industry in the PRC will remain competitive, but we will endeavor to strengthen the profitability of Jiaying Eastern through relentless cost control measures and the improvement of operational efficiency, the strengthening of strategic cooperations with market participants and the development of new products and overseas markets.

For our copper & brass products segment, as opposed to an upward trend in the first half year of 2006, international copper price has been moving within the range between US\$6,000 to US\$8,000 since it reached its peak of approximately US\$8,800 in May 2006. We expect that copper price will continue to fluctuate in a smaller range in the second half year and as such, we will not anticipate the first half year's exceptional performance to recur in the second half year of 2006, but we are confident to maintain at a reasonable and satisfactory profit level.

Overall speaking, the operating environment of the Group's businesses will be more challenging in the second half of year 2006, but we will strive to generate acceptable growth in profit to our shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

The Company is committed to maintaining a good standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. Hence, the Board from time to time reviews the effectiveness of the system of internal control, such as financial, operational and compliance controls and risk management functions. The Company has adopted an internal management control since 1999 and subsequently amended and revised in order to be in line with the relevant amendments to the law, rules and regulation and the improvement of the control system.

As a result, in the opinion of the Board, the Company has complied with the principles and code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2006 save for the deviation from Code Provision A.4.1 of the Code in respect of the service term of non-executive directors of the Company as follows:–

Code Provision A.4.1

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from Code Provision A.4.1. However, all the directors of the Company (executive and non-executive) are subject to retirement by rotation at least every three years at annual general meetings under the articles of association of the Company. We believe that the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of their offices.

Furthermore, the Company has three independent non-executive directors (including one with appropriate professional qualifications, or accounting or related financial management expertise), which representing more than one-third of the Board. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices with respect to the service terms of non-executive directors are no less exacting than those in the Code and we have of sufficient caliber and number for views to carry weight.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has approved and adopted a "Shougang Concord Century Holdings Limited Code" on "Corporate Governance" (the "SCCH Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

The Company had also made specific enquiry of all directors whether the directors have complied with the required standard set out in the SCCH Code. As such, during the period under review, save as disclosed above, none of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the SCCH Code.

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. Chu, Kwok Tsu Gilbert. 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 monitoring the relationship with external auditors. The audit committee had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2006. The audit committee 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 2006.

APPRECIATION

The Board would like to thank all employees for their hard work and dedication and our shareholders, bankers, customers, suppliers and business partners for their continued support.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 21 September 2006

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

Mr. Cao Zhong (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Tong Yihui (Deputy Managing Director), Mr. Leung Shun Sang, Tony, Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chu, Kwok Tsu Gilbert (Independent Non-executive Director).

This announcement can also be accessed through the internet at the Company's website <http://www.shougangcentury.com.hk> or <http://www.irasia.com/listco/hk/sccentury/index.htm>.