



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 2007**

HIGHLIGHTS	For the six months ended 30 June		Changes %
	2007 HK\$'000	2006 HK\$'000	
Operations			
Revenue	343,967	322,593	+6.6
Gross profit	47,228	69,299	-31.8
Profit for the period	24,004	44,707	-46.3
Earnings per share, basic (HK cents)	1.88	4.36	-56.9
	30/6/2007 HK\$'000	31/12/2006 HK\$'000	Changes %
Financial Position			
Total assets	1,253,749	1,385,083	-9.5
Total equity	1,002,685	957,354	+4.7

The board of directors (the “Board”) 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 2007. 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 2007

	<i>Notes</i>	Six months ended	
		30 June	
		2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Revenue	3	343,967	322,593
Cost of sales		(296,739)	(253,294)
Gross profit		47,228	69,299
Other income		3,140	2,962
Fair value changes on derivative financial instruments		442	942
Distribution and selling costs		(3,563)	(2,556)
Administrative expenses		(22,371)	(17,673)
Recovery of (allowance for) bad and doubtful debts		139	(1,956)
Share of profit of a jointly controlled entity		5,196	4,507
Share of profit of an associate		4,425	3,082
Finance costs	4	(6,666)	(9,021)
Profit before taxation		27,970	49,586
Income tax expenses	5	(3,966)	(4,879)
Profit for the period	6	24,004	44,707
Dividend paid	7	12,761	-
Earnings per share	8		
Basic (HK cents)		1.88	4.36
Diluted (HK cents)		1.82	4.14

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	458,783	447,294
Prepaid lease payments		16,622	7,489
Investment properties	9	12,220	12,220
Goodwill		41,672	41,672
Interests in a jointly controlled entity		51,978	54,452
Interests in an associate		51,157	49,148
Club memberships		675	675
		<u>633,107</u>	<u>612,950</u>
Current assets			
Inventories		96,504	87,831
Trade receivables	10	206,992	177,996
Bills receivable	10	166,281	186,272
Prepayments, deposits and other receivables		11,922	14,438
Prepaid lease payments		1,008	441
Amount due from a jointly controlled entity	11	9,422	-
Amount due from an associate	11	3,987	-
Amount due from a related company	11	6,029	4,295
Derivative financial instruments		736	294
Pledged bank deposits		3,000	3,000
Bank balances and cash		114,761	297,566
		<u>620,642</u>	<u>772,133</u>
Current liabilities			
Trade payables	12	18,844	9,920
Other payables and accruals		16,278	16,791
Tax payable		3,626	86
Amount due to a related company	11	-	34,837
Bank borrowings - due within one year	13	148,061	238,499
		<u>186,809</u>	<u>300,133</u>
Net current assets		<u>433,833</u>	<u>472,000</u>
Total assets less current liabilities		<u>1,066,940</u>	<u>1,084,950</u>
Non-current liabilities			
Bank borrowings - due after one year	13	61,979	124,476
Other payable		1,572	1,528
Deferred tax liabilities		704	1,592
		<u>64,255</u>	<u>127,596</u>
		<u>1,002,685</u>	<u>957,354</u>
Capital and reserves			
Share capital	14	128,357	127,607
Share premium and reserves		873,488	829,747
Equity attributable to equity holders of the Company		<u>1,001,845</u>	<u>957,354</u>
Share option reserve of a subsidiary		840	-
Total equity		<u>1,002,685</u>	<u>957,354</u>

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 (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “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, as appropriate.

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 2006.

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 effective for the Group’s financial year beginning 1 January 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) - INT 11	HKFRS 2 – Group and Treasury Share Transactions ²
HK(IFRIC) - INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Business segments

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

For the six months ended 30 June 2007

	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	200,311	143,163	493	343,967
Segment results	25,266	8,804	272	34,342
Unallocated income				2,804
Unallocated expenses				(12,131)
Share of profit of a jointly controlled entity				5,196
Share of profit of an associate				4,425
Finance costs				(6,666)
Profit before taxation				27,970
Income tax expenses				(3,966)
Profit for the period				24,004

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	198,259	123,628	706	322,593
Segment results	35,417	25,894	62	61,373
Unallocated income				1,658
Unallocated expenses				(12,013)
Share of profit of a jointly controlled entity				4,507
Share of profit of an associate				3,082
Finance costs				(9,021)
Profit before taxation				49,586
Income tax expenses				(4,879)
Profit for the period				44,707

4. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest expense on bank and other borrowings wholly repayable within five years	6,988	8,478
Other finance costs	592	543
Total borrowing costs	7,580	9,021
Less: amounts capitalised	(914)	-
	<u>6,666</u>	<u>9,021</u>

5. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	1,106	500
Other regions in the People's Republic of China (the "PRC")	3,773	4,486
	<u>4,879</u>	<u>4,986</u>
Under provision in prior periods:		
Hong Kong	-	2
Other regions in the PRC	5	29
	<u>5</u>	<u>31</u>
Deferred tax	(918)	(138)
Income tax expense	<u>3,966</u>	<u>4,879</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the period.

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.

5. INCOME TAX EXPENSES (Continued)

On 16 March 2007, the PRC Government promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC, which will change the tax rate from 15% to 25% for certain subsidiaries from 1 January 2008. Under the New Law, entities that are currently entitled preferential tax rates may continue to enjoy the tax benefits. As detailed measures concerning the tax incentives have not issued by the State Council, the management of the Group is not yet in a position to assess the impact, if any. The Group will continue to evaluate the impact when more detailed regulations are announced.

6. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	20,761	19,887
Amortisation of prepaid lease payments (included in “Cost of sales”)	270	214
Share of tax of a jointly controlled entity (included in “Share of profit of a jointly controlled entity”)	950	834
Share of tax of an associate (included in “Share of profit of an associate”)	2	1,598
Loss on disposal of property, plant and equipment	514	-
and after crediting:		
Net foreign exchange gains	903	2,029
Interest income from bank deposits	2,074	463
Gain on disposal of property, plant and equipment	-	254

7. DIVIDEND

On 29 June 2007, a dividend of HK1 cent (2006: Nil) per share was paid to shareholders of the Company as the final dividend for the year ended 31 December 2006.

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Earnings		
Profit for the period for the purposes of calculation of basic and diluted earnings per share	<u>24,004</u>	<u>44,707</u>
	For the six months ended 30 June	
	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	1,276,793,075	1,026,066,556
Effect of dilutive potential ordinary shares:		
Share options	<u>40,238,603</u>	<u>54,287,289</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>1,317,031,678</u>	<u>1,080,353,845</u>

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

During the period, the Group spent approximately HK\$18,508,000 on the construction of its new manufacturing plant in the PRC in order to expand its production capacities. In addition, the Group also acquired approximately HK\$1,147,000 of other property, plant and equipment during the period.

At 30 June 2007, the directors considered the carrying amounts of the Group's leasehold land and buildings and investment properties, which are carried at revalued amounts and fair value respectively, and estimated that the carrying amounts of these assets did not differ significantly from that which would be determined based on professional valuations at 30 June 2007. Consequently, no gain or loss on changes in fair value has been recognised in the current period.

10. TRADE RECEIVABLES / BILLS RECEIVABLE

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 and bills receivables at the balance sheet date:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 - 90 days	279,939	249,344
91 - 180 days	90,188	106,378
Over 180 days	3,146	8,546
	<u>373,273</u>	<u>364,268</u>

11. AMOUNT DUE FROM (TO) RELATED COMPANIES

	<i>Notes</i>	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Amount due from:			
A jointly controlled entity	<i>(a)</i>	9,422	-
An associate	<i>(a)</i>	3,987	-
Subsidiaries of Shougang Concord Technology Holdings Limited ("Shougang TECH")	<i>(b)</i>	<u>6,029</u>	<u>4,295</u>
Amount due to:			
A subsidiary of Shougang Holding (Hong Kong) Limited	<i>(c)</i>	<u>-</u>	<u>34,837</u>

Notes:

- (a) The amounts represent dividends receivable from a jointly controlled entity and an associate, which have been settled subsequent to the balance sheet date. The amounts are unsecured, non-interest bearing and repayable within one year.

11. AMOUNT DUE FROM (TO) RELATED COMPANIES (Continued)

- (b) The amounts are of a trade nature, and are unsecured, non-interest bearing and repayable on demand. The aged analysis of the amounts due from the subsidiaries of Shougang TECH at the balance sheet date is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 - 90 days	1,731	1,551
91 - 180 days	3,812	2,744
Over 180 days	486	-
	<u>6,029</u>	<u>4,295</u>

- (c) The amount is unsecured, non-interest bearing and was fully repaid during the period.

12. TRADE PAYABLES

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 - 90 days	17,540	8,861
91 - 180 days	622	555
Over 180 days	682	504
	<u>18,844</u>	<u>9,920</u>

13. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$151,182,000 and repaid bank borrowings of approximately HK\$306,888,000. The loans bear interest ranging from 5.69% to 6.97% per annum and are repayable over a period of one to two years.

14. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2007 and 30 June 2007	<u>2,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2007	1,276,067	127,607
Exercise of share options (7,500,000 ordinary shares of HK\$0.10 each)	<u>7,500</u>	<u>750</u>
At 30 June 2007	<u>1,283,567</u>	<u>128,357</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half year of 2007, the steel cord market competition in the PRC remained very severe which affected the profitability of our steel cord business; while the profit of our copper and brass products business was less than the same period last year as there was an exceptional holding gain on inventory from sharp rise in copper price for the corresponding period last year. As such, the Group's profit for the period dropped by 46.3% over the same period last year to HK\$24,004,000.

Manufacturing of steel cord for radial tyres ("Steel cord")

Revenue of our steel cord segment for the first half of 2007 was HK\$200,311,000, a slight increase of 1% over HK\$198,259,000 for the same period last year. Approximately 15,380 tonnes were sold during the period, representing an increase of 2.3% over the same period last year. Although we had implemented cost control measures to reduce production costs and improved operating efficiency through the increased usage of domestic raw materials, whose prices were relatively lower than their import counterparts, the profitability of this segment still affected by the declined average selling price of steel cords. Hence, gross profit of this segment dropped by 14.7% to HK\$34,349,000 for the period. Gross profit margin for the period was 17.1%, as compared to 20.3% for the same period last year.

In addition to the decrease in gross profit, other operating and administrative costs increased during the period for its business expansion development. Consequently, operating profit of this segment dropped by 28.7% over the same period last year to HK\$25,266,000.

Despite our temporary retreat in the financial performance in the first half, we were pleased to see that the cooperation with our strategic partner, NV Bekaert SA ("Bekaert"), had advanced considerably in the areas of exchanging market intelligence, product research and development, technical personnel training and production process stability. Indeed these facets would not translate to immediate improvement on our bottom line, and as a matter of fact, these advances had led us to incur additional costs in the short run. However, we believed that these intangible benefits would eventually give us the niceties of product quality, brand identification and lower costs which would translate positively to our profitability in the longer run.

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

Our copper and brass products segment achieved a growth in revenue of 15.8% over the same period last year to HK\$143,163,000 (2006: HK\$123,628,000). However, its gross profit significantly decreased by 56.5% to HK\$12,442,000 as compared to HK\$28,580,000 for the same period last year. Gross profit decreased for the period because the market did not exhibit similar sharp rise in copper price which rendered an exceptional holding gain on inventory during the first half of 2006.

The 3-month copper price traded in the London Metals Exchange was US\$7,510 per tonne at 30 June 2007, an increase of 18.6% over US\$6,330 per tonne at the beginning of 2007, while there was 68.9% increase of the copper price for the same period last year. Hence the inventory holding gain generated from rise in copper price dropped significantly, and gross profit margin decreased from an exceptional 23.1% in the same period last year to a normal 8.7% for the period.

Because of the drop in gross profit, the operating profit of this segment decreased by 66.0% to HK\$8,804,000 (2006: HK\$25,894,000) for the period.

FINANCIAL REVIEW

The Group recorded profit for the period of HK\$24,004,000, a decrease of 46.3% as compared to HK\$44,707,000 for the same period last year.

Revenue

Revenue of the Group amounted to HK\$343,967,000 for the period, representing an increase of 6.6% over the same period last year. The breakdown of revenue by business segments is as follows:

	For the six months ended 30 June				
	2007 HK\$'000	% of total revenue	2006 HK\$'000	% of total revenue	% change
Steel cord	200,311	58.2	198,259	61.5	+1.0
Copper and brass products	143,163	41.6	123,628	38.3	+15.8
Others	493	0.2	706	0.2	-30.2
Total	<u>343,967</u>	<u>100.0</u>	<u>322,593</u>	<u>100.0</u>	<u>+6.6</u>

Gross profit

Gross profit of the Group dropped by 31.8% to HK\$47,228,000 for the period, as the gross profit of both steel cord segment and copper and brass products segment were lower than the same period last year respectively. Gross profit margin decreased from 21.5% in the same period last year to 13.7% for the period under review. The breakdown is as follows:

	For the six months ended 30 June				
	2007 HK\$'000	Gross profit margin %	2006 HK\$'000	Gross profit margin %	% change
Steel cord	34,349	17.1	40,282	20.3	-14.7
Copper and brass products	12,442	8.7	28,580	23.1	-56.5
Others	437	88.6	437	61.9	-
Total	<u>47,228</u>	<u>13.7</u>	<u>69,299</u>	<u>21.5</u>	<u>-31.8</u>

Administrative expenses

Administrative expenses of the Group amounted to HK\$22,371,000 for the period, an increase of 26.6% over the same period last year. Administrative expenses for the period included the fair value of certain share options granted to certain directors and an employee of the Group in the amount of HK\$1,291,000 during the period. In addition to this specific expense, further expenses were incurred for future business expansion of the Group, which caused a larger increase in administrative expenses for the period.

Segment results

Profit from the Group's business segments amounted to HK\$34,342,000 for the period, a drop of 44.0% over the same period last year. The breakdown is as follows:

	For the six months ended		
	30 June		
	2007	2006	
	HK\$'000	HK\$'000	% change
Steel cord	25,266	35,417	-28.7
Copper and brass products	8,804	25,894	-66.0
Others	272	62	+338.7
Total	34,342	61,373	-44.0

Finance costs

Finance costs dropped by 26.1% over the same period last year to HK\$6,666,000, as the bank borrowings of the Group reduced significantly during the period from HK\$362,975,000 at 31 December 2006 to HK\$210,040,000 at 30 June 2007.

Income tax expenses

Income tax expenses of the Group decreased by 18.7% to HK\$3,966,000 for the period as the profit of the Group's businesses dropped as compared to the same period last year.

Share of profits of a jointly controlled entity and an associate

Attributable to the increase in sales of products with higher prices, the revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") increased by 24.3% over the same period last year to HK\$242,694,000. Affected by rising material costs, gross profit margin lowered from 25.4% for the same period last year to 22.3%. Gross profit amounted to HK\$54,117,000 for the period, an increase of 9.3% over the same period last year. As such, profit for the period of Shanghai Shenjia increased by 15.3% over the same period last year to HK\$20,785,000, and the Group's share of its profit also increased proportionately to HK\$5,196,000 for the period.

Regarding the Group's associate, Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), its revenue increased by 16.8% over the same period last year to HK\$518,391,000, while its gross profit increased by 21.9% to HK\$74,749,000 for the period. Gross profit margin moderately improved from 13.8% for the same period last year to 14.4% for the period. Contributed by the increase in gross profit, its profit for the period increased by 66.0% to HK\$30,537,000. The Group's share of its profit for the period increased by 43.6% over the same period last year to HK\$4,425,000.

INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2007 (For the six months ended 30 June 2006: Nil).

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

During the period, certain employees of the Group exercised share options under the share option scheme of the Company (the "Share Option Scheme"), pursuant to which 7,500,000 new shares were issued at exercise price of HK\$0.74 per share. Hence, the total issued share capital of the Company increased from 1,276,066,556 shares to 1,283,566,556 shares.

The Group had bank balances and cash (including pledged bank deposits) of HK\$117,761,000 at 30 June 2007, decreased by 60.8% as compared to HK\$300,566,000 at 31 December 2006. During the period, the Group repaid net bank borrowings of HK\$155,706,000, represented a substantial portion of its net cash outflow from financing activities of HK\$197,759,000 for the period. Furthermore, the Group generated net cash inflow of HK\$37,733,000 from its operating activities but incurred net cash outflow of HK\$29,372,000 for its investing activities, which primarily represented capital expenditure incurred for the Group's business expansion.

As at 30 June 2007, the Group's bank borrowings amounted to HK\$210,040,000, decreased by HK\$152,935,000 as compared to HK\$362,975,000 at 31 December 2006. All the bank borrowings of the Group at 30 June 2007 were floating-rate borrowings, their nature and maturity profile were as follows:

	30 June 2007 HK\$'000
Due within one year or on demand	
- Trust receipt loans	60,811
- Current portion of medium term loan	87,250
Subtotal	148,061
Due in the second year	
- Medium term loan	61,979
Total	210,040

As both the bank balances and cash and bank borrowings of the Group abated, the gearing ratio (total bank borrowings less cash and bank balances/total equity) of the Group increased from 6.5% at 31 December 2006 to 9.2% at 30 June 2007. The Group's current ratio increased from 2.6 times at 31 December 2006 to 3.3 times at 30 June 2007.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in Renminbi ("RMB") and Hong Kong dollars ("HKD"), while purchases and payments are in RMB, HKD and United States dollars ("USD"). On the other hand, the currency mix of bank borrowings of the Group at 30 June 2007 was as follows:

	30 June 2007	31 December 2006
	%	%
HKD	97.5	61.2
USD	2.5	7.4
RMB	-	31.4
Total	100.0	100.0

The Group fully repaid its RMB short term bank borrowings during the period; hence the majority of the bank borrowings at 30 June 2007 were in HKD.

Regarding interest rate risks, out of the HK\$210,040,000 floating-rate bank borrowings at 30 June 2007, HK\$100,000,000 had been hedged by two structured interest rate swap contracts, covering 47.6% of floating-rate bank borrowings at 30 June 2007.

It is anticipated that the bank borrowings of the Group will increase in the second half of 2007, as more capital expenditure will be incurred on the business expansion plan. We would keep monitoring the currency composition of our bank borrowings under the guidance of our internal control policy and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The new plant for the expansion of production capacity of Jiaxing Eastern Steel Cord Co., Ltd. (“Jiaxing Eastern”) from existing 30,000 tonnes to 60,000 tonnes per annum is under construction, and it is expected to start operation in the first quarter of 2008. Total capital expenditure (excluding working capital requirements) is estimated to be approximately HK\$400,000,000. Approximately HK\$31,000,000 has been incurred up to 30 June 2007, and the whole capital expenditure would be financed by the Group’s internal resources and bank loans.

Copper and brass products

Regarding the copper and brass products segment, the construction of the new plant for domestic sales in the PRC has been completed and is ready for operation in the third quarter of 2007. Total capital expenditure 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

As at 30 June 2007, the Group had a total of 837 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 scheme, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund scheme 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\$1,221,000. The Group has 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 Company’s performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Board shall, subject to and in accordance with the provisions of the Share Option Scheme and the 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 Share Option Scheme will remain in force for a period of ten years from the date of its adoption. During the period under review, 1,268,000 and 7,500,000 share options were granted to certain directors of the Company and exercised by certain employees of the Group respectively to subscribe for shares in the capital of the Company.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2007, 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\$47,223,000;
2. Prepaid lease payments amounting to HK\$7,264,000;
3. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaying Eastern; and
4. 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. The amount of guarantees granted as at 30 June 2007 amounted to approximately HK\$7,697,000.

BUSINESS OUTLOOK

The economy of the PRC was replete with momentum during the first half year of 2007, as it persisted to achieve a double-digit growth in gross domestic product over last year. Business activities are increasing and personal wealth are building, these will continue to push the demand for automobiles and hence, its components including radial tyres and steel cords. We are optimistic that the demand for steel cords will keep robust and our steel cord business will continue to operate at full capacity in the second half year of 2007. However, pressure on downward selling price of steel cords will persist. In the second half year, we will keep on our measures to reduce production costs to improve our gross profit margin on one hand, and on the other hand with assistance of Bekaert, we will dedicate full effort to expand our production capacity, improve technical and product development strength, open up of new markets in both domestic and overseas in order to enhance our position in the industry.

In relation to our copper and brass products business, its operating environment for the second half year will be more challenging, as the impact of the recent sub-prime lending incident on the economy of the United States is still not clear, also the high copper price has deterred to the demand for copper products. However, we will take a cautious approach in the second half year and expedite our progress in development of the domestic sales in the PRC.

Furthermore, by the end of October 2007, the Group will be in a position to dispose of 5 per cent of its shareholding of the issued share capital of Xinhua Metal (equivalent to 9,661,019 shares) on "A" share market of the Shanghai Stock Exchange. As at the date hereof, the closing price of "A" share of Xinhua Metal is RMB21.71 per share compared to our book cost as at 30 June 2007 of approximately RMB1.78 per share. We will continue to monitor the movement of the shares in Xinhua Metal and the sentiments in the Shanghai stock market as a whole to formulate a plan with a view to maximize the return of our investment in Xinhua Metal.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 shall review 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 and control manual (the “Internal Control Manual”) since 1999, and subsequently amended and revised the Internal Control Manual in order to be in line with the relevant amendments to the law, rules and regulations. During the period under review, an external consultancy firm has been engaged to render the internal audit services for reviewing the effectiveness of the internal control system of our core business segments, steel cord and copper and brass products for the purpose of improving our internal control system. This review mainly focused on controls covering (1) cash and credit management; (2) sales; (3) purchasing; and (4) inventory.

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 2007 save for the following deviation from Code Provision A.4.1 of the Code in respect of the service term of non-executive directors of the Company.

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 directors of the Company (including executive directors and non-executive directors) are subject to retirement by rotation at least every three years at annual general meetings under the articles of association of the Company. Therefore, 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.

APPRECIATION

The Board would like to thank all of the staff of the Group for their hard work and dedication, and shareholders, customers, suppliers and bankers for their continuous support.

By Order of the Board
Shougang Concord Century Holdings Limited
Cao Zhong
Chairman

Hong Kong, 21 September 2007

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. Geert Johan Roelens, 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).