



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 2008

HIGHLIGHTS	For the six months ended 30 June		change %
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	
Operations			
Revenue	426,809	343,967	+24.1
Earnings before interest, tax, depreciation and amortization ("EBITDA")	72,252	55,667	+29.8
EBITDA (excluding non-cash/non-recurring expenses*)	115,352	56,958	+102.5
Profit for the period	30,658	24,004	+27.7
Profit for the period (excluding non-cash/non-recurring expenses*)	73,758	25,295	+191.6
Earnings per share (basic) (cents)	1.67	1.88	-11.2
Earnings per share (basic) (cents) (excluding non-cash/non-recurring expenses*)	4.01	1.98	+102.5
	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000	change %
Financial position			
Total assets	2,205,398	1,879,938	+17.3
Shareholders' equity	1,959,411	1,499,089	+30.7
Net asset value per share	HK\$1.04	HK\$1.08	-3.7
* Non-cash/non-recurring expenses for the six months ended 30 June 2008 included fair value cost of share options granted of HK\$26,765,000 and net foreign exchange losses of HK\$16,335,000 (2007: fair value cost of share options granted of HK\$1,291,000).			

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 2008. 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 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$’000	HK\$’000
Revenue	3	426,809	343,967
Cost of sales		(368,466)	(296,739)
Gross profit		58,343	47,228
Investment income	4	6,125	2,074
Other income, gains and losses	5	39,453	1,133
Distribution and selling expenses		(6,433)	(3,563)
Administrative expenses		(50,358)	(21,857)
Finance costs	6	(1,940)	(6,666)
Share of profit of a jointly controlled entity		1,021	5,196
Share of profit of an associate		–	4,425
Profit before taxation		46,211	27,970
Income tax expenses	7	(15,553)	(3,966)
Profit for the period	8	<u>30,658</u>	<u>24,004</u>
Dividend paid	9	<u>18,849</u>	<u>12,761</u>
Earnings per share	10		
Basic (HK cents)		<u>1.67</u>	<u>1.88</u>
Diluted (HK cents)		<u>1.63</u>	<u>1.82</u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

		30 June 2008	31 December 2007
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Investment properties	11	16,340	16,340
Property, plant and equipment	11	633,703	507,637
Prepaid lease payments		20,707	8,616
Goodwill		41,672	41,672
Interests in a jointly controlled entity		29,119	39,467
Club memberships		720	675
Available-for-sale investments	12	147,940	357,657
		890,201	972,064
Current assets			
Inventories		119,955	110,701
Trade receivables	13	219,475	175,414
Bills receivable	13	242,130	203,661
Prepayments, deposits and other receivables		32,065	7,196
Prepaid lease payments		1,337	539
Amounts due from related companies	14	2,186	5,875
Tax recoverable		2,651	3,068
Derivative financial instruments		–	4
Pledged bank deposits		3,000	3,000
Bank balances and cash		678,438	393,624
Dividend receivable		13,960	4,792
		1,315,197	907,874
Current liabilities			
Trade payables	15	62,950	39,728
Other payables and accruals		22,581	25,102
Tax payable		15,225	7,816
Derivative financial instruments		200	–
Bank borrowings – due within one year	16	66,277	186,542
		167,233	259,188
Net current assets		1,147,964	648,686
Total assets less current liabilities		2,038,165	1,620,750

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Bank borrowings - due after one year	<i>16</i>	73,729	86,604
Other payable		1,650	1,830
Deferred tax liabilities		2,535	32,387
		<u>77,914</u>	<u>120,821</u>
		<u>1,960,251</u>	<u>1,499,929</u>
Capital and reserves			
Share capital	<i>17</i>	188,485	138,435
Share premium and reserves		1,770,926	1,360,654
		<u>1,959,411</u>	<u>1,499,089</u>
Equity attributable to equity holders of the Company		840	840
Share option reserve of a subsidiary		<u>1,960,251</u>	<u>1,499,929</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 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 Company and its subsidiaries (“the Group”) for the year ended 31 December 2007, except for the accounting policy adopted for certain share options granted during the current period with a vesting period. The accounting policy adopted in relation to the share-based payment transactions are as follow:

Share-based payment transactions

Share options granted to employees and other eligible participants after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share option reserve.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

In the current period, the Group has applied, for the first time, a number of new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2008. The adoption of these new interpretations 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009

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

⁴ Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the 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 2008

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Elimination (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue					
External sales	292,717	119,170	14,922	-	426,809
Inter-segment sales*	-	97	-	(97)	-
Total	292,717	119,267	14,922	(97)	426,809
Segment results	38,519	5,230	1,751		45,500
Unallocated income					6,147
Unallocated expenses					(57,715)
Gain on disposal of available-for-sale investments					53,198
Finance costs					(1,940)
Share of profit of a jointly controlled entity					1,021
Profit before taxation					46,211
Income tax expenses					(15,553)
Profit for the period					30,658

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

For the six months ended 30 June 2007

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue				
External sales	200,311	143,163	493	343,967
Segment results	25,266	8,804	272	34,342
Unallocated income				2,804
Unallocated expenses				(12,131)
Finance costs				(6,666)
Share of profit of a jointly controlled entity				5,196
Share of profit of an associate				4,425
Profit before taxation				27,970
Income tax expenses				(3,966)
Profit for the period				24,004

4. INVESTMENT INCOME

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income on bank deposits	4,284	2,074
Dividend income from available-for-sale investments	1,841	—
	<u>6,125</u>	<u>2,074</u>

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on disposal of available-for-sale investments	53,198	—
Foreign exchange (losses) gains, net	(16,335)	903
Recovery of bad and doubtful debts	2,398	139
Change in fair value of derivative financial instruments	(204)	442
Loss on disposal of property, plant and equipment	—	(514)
Others	396	163
	<u>39,453</u>	<u>1,133</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank borrowings wholly repayable within five years	3,635	6,988
Other finance costs	731	592
	<u>4,366</u>	<u>7,580</u>
Total borrowing costs	4,366	7,580
Less: amounts capitalised	(2,426)	(914)
	<u>1,940</u>	<u>6,666</u>

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	709	1,106
People's Republic of China ("PRC")		
Enterprise Income Tax	13,660	3,773
	14,369	4,879
Under provision in prior periods:		
PRC Enterprise Income Tax	–	5
Deferred taxation	1,184	(918)
Income tax expenses	15,553	3,966

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

The PRC Enterprise Income Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 18% (2007: 15%) for the six months ended 30 June 2008.

Prior to 1 January 2008, a subsidiary in Zhejiang had qualified for a tax concession in the form of reduced tax rate of 15%. Pursuant to the new PRC Enterprise Income Tax Law (the "New Law") which became effective on 1 January 2008, the subsidiary is 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.

In addition, according to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has been provided in the consolidated income statement in respect of the temporary differences attributable to such incomes based on the applicable tax rate of 5% as the subsidiary receiving the dividends is located in a region where Avoidance of Double Taxation Arrangement with the PRC exists.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period is arrived at after charging:		
Depreciation of property, plant and equipment	23,511	20,761
Amortisation of prepaid lease payments (included in "Cost of sales")	590	270
Share-based payment expenses	26,765	1,291
Share of tax of a jointly controlled entity (included in "Share of profit of a jointly controlled entity")	278	950
Share of tax of an associate (included in "Share of profit of an associate")	-	2
	<u> </u>	<u> </u>

9. DIVIDENDS

On 20 June 2008, a dividend of HK1 cent per share (2007: HK1 cent per share) was paid to shareholders as the final dividend for 2007.

The directors have resolved to declare an interim dividend of HK1 cent (2007: nil) per share for the six months ended 30 June 2008.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the period for the purpose of calculation of basic and diluted earnings per share	30,658	24,004
	<u> </u>	<u> </u>

	Six months ended 30 June	
	2008	2007
	Number of shares	
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	1,838,082,820	1,276,793,075
Effect of dilutive potential ordinary shares:		
Share options	37,826,575	40,238,603
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	1,875,909,395	1,317,031,678
	<u> </u>	<u> </u>

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

During the period, the Group spent approximately HK\$114,670,000 on the establishment of its new steel cord manufacturing plant in the PRC in order to expand its production capacity. In addition, the Group also acquired approximately HK\$978,000 of other property, plant and equipment during the period.

At 30 June 2008, 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 2008. Consequently, no gain or loss on changes in fair value has been recognised in the current period.

12. AVAILABLE-FOR-SALE INVESTMENTS

In 2007, Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), an associate of the Group with its shares listed on the Shanghai Stock Exchange, announced a plan (the "Plan") to acquire the assets and business of its major shareholder, Xinyu Iron & Steel Co., Ltd. (新余鋼鐵有限責任公司). All necessary approvals were obtained on 22 October 2007 and the Plan became unconditional. Further to the completion of the Plan, Xinhua Metal changed its name to Xinyu Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司) ("Xinyu Iron"). Since then, the representative of the Group could no longer participate in major financial and operating policy decisions of Xinyu Iron, and accordingly, the Group considered that its significant influence in Xinyu Iron was lost. The Group had since then reclassified the investment in Xinyu Iron as available-for-sale investments.

During the period, the Group disposed of 3,468,316 "A" shares of Xinyu Iron on the Shanghai Stock Exchange. The net sales proceeds from the disposal in aggregate were approximately HK\$59,360,000, resulting in a gain of approximately HK\$53,198,000.

As at 30 June 2008, available-for-sale investments represented the Group's investment in 20,449,645 "A" shares of Xinyu Iron, of which 18,339,660 shares are restricted for selling on the Shanghai Stock Exchange, 9,661,018 shares and 8,678,642 shares will become non-restricted on 24 October 2008 and 24 October 2009 respectively.

13. TRADE RECEIVABLES/BILLS RECEIVABLE

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

An aged analysis of trade and bills receivables net of allowance for bad and doubtful debts as at the balance sheet date based on sales invoice date and bills receipt date respectively, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 - 90 days	333,004	271,466
91 - 180 days	128,175	107,609
Over 180 days	426	—
	<u>461,605</u>	<u>379,075</u>

14. AMOUNTS DUE FROM RELATED COMPANIES

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Amounts due from subsidiaries of Shougang Concord Technology Holdings Limited ("Shougang TECH") (<i>Note</i>)	<u>2,186</u>	<u>5,875</u>

Note: The amounts are trading in nature, unsecured and non-interest bearing. The Group normally allows credit periods of 60 to 90 days to the subsidiaries of Shougang TECH (collectively the "Shougang TECH Group"). The aged analysis of the amounts due from Shougang TECH Group at the balance sheet date based on sales invoice date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 - 90 days	1,011	1,111
91 - 180 days	344	1,070
Over 180 days	831	3,694
	<u>2,186</u>	<u>5,875</u>

15. TRADE PAYABLES

An aged analysis of trade payables at the balance sheet date based on purchase invoice date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 - 90 days	62,178	37,529
91 - 180 days	142	2,060
Over 180 days	630	139
	<u>62,950</u>	<u>39,728</u>

16. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$95,892,000 and repaid bank borrowings of approximately HK\$229,665,000. These loans bear interest ranging from 2.90% to 6.75% per annum and are repayable over a period of three years.

17. SHARE CAPITAL

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2008	2,000,000	200,000
Increased on 10 January 2008	3,000,000	300,000
	<u>5,000,000</u>	<u>500,000</u>
At 30 June 2008	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
At 1 January 2008	1,384,347	138,435
Exercise of share options (500,000 ordinary shares of HK\$0.10 each)	500	50
Issue of shares on subscription (<i>Note</i>)	500,000	50,000
	<u>1,884,847</u>	<u>188,485</u>
At 30 June 2008	<u>1,884,847</u>	<u>188,485</u>

Note: In order to expedite the progress of the expansion plan of the Group's steel cord business, reduce finance cost and generate general working capital of the Group, the Company entered into subscription agreements on 29 November 2007, pursuant to which the Company would issue and allot 400,000,000 and 100,000,000 ordinary shares of HK\$0.10 each in the Company at a cash price of HK\$1.03 per share to Shougang Concord International Enterprises Company Limited, a substantial shareholder of the Company, and Li Ka Shing Foundation Limited, an independent third party, respectively. The new shares were issued on 18 January 2008 and ranked pari passu with existing shares in all aspects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The worldwide economy experienced a challenging period in the first half year of 2008, characterized by tightening credit supply and rising commodity and energy prices. The economic growth of the People's Republic of China (the "PRC") also turned slower, but it was still able to maintain a double-digit growth in gross domestic product in the first half year. The demand for materials, including steel cords, remained strong and hence, the Group achieved a satisfactory growth in its steel cord manufacturing business through organic growth during the period under review.

In respect of the Group's copper and brass products business, its sales and profitability were affected negatively by high copper price and flagging economy in developed countries in the first half year.

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

Jiaying Eastern Steel Cord Co., Ltd. ("Jiaying Eastern") achieved an increase in sales volume of 26.5% over the same period last year to 19,448 tonnes (2007: 15,380 tonnes) for the period. The analysis of sales volume during the period is as follows:

	For the six months ended 30 June				
	2008		2007		% change
	Sales volume (tonne)	% of total sales volume	Sales volume (tonne)	% of total sales volume	
Steel cord for:					
– truck tyres	14,082	72.4	11,206	72.9	+25.7
– passenger car tyres	5,115	26.3	3,745	24.3	+36.6
Others and steel wires	251	1.3	429	2.8	-41.5
Total	<u>19,448</u>	<u>100.0</u>	<u>15,380</u>	<u>100.0</u>	<u>+26.5</u>

Revenue of this segment amounted to HK\$292,717,000 (2007: HK\$200,311,000) for the period, an increase of 46.1% over the same period last year.

Gross profit (before deducting share-based payment expenses of HK\$3,480,000 in relation to the granting of share options during the period (“share-based payment expenses”)) was HK\$51,350,000 (2007: HK\$34,349,000) for the period, representing an increase of 49.5% over the same period last year. Attributable to the increase in prices of both raw materials and energy, the production costs of Jiaxing Eastern was higher than the same period last year. However, Jiaxing Eastern was able to mitigate the impact of rising costs through enhancing efficiency in production and improving inventory management, its gross profit margin (before deducting share-based payment expenses) slightly improved from 17.1% in the same period last year to 17.5% for the period.

Other operating costs, including distribution and selling expenses and administrative expenses also increased. Distribution and selling expenses increased as more transportation costs were incurred as a result of a higher volume of sales during the period; for administrative expenses, it increased as additional expenditures were incurred for the expansion of production capacity of Jiaxing Eastern in the first half of 2008.

Attributable to the increased sales and improved gross profit margin, this segment achieved a growth of 41.9% in EBITDA (before deducting share-based payment expenses) over the same period last year to HK\$65,447,000 (2007: HK\$46,128,000). Its operating profit (before deducting share-based payment expenses) increased by 66.2% over the same period last year to HK\$41,999,000 (2007: HK\$25,266,000).

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

Our copper and brass products segment recorded a decline in sales volume of 21.3% over the same period last year to 1,893 tonnes (2007: 2,405 tonnes). During the first half year, downstream customers of this segment were affected by factors including flagging economy in the developed countries; tightening credit supply; appreciation of the exchange rate of Renminbi (“RMB”) and surging operating costs, that placed a heavy burden on their operation and financial position. In view of this, the management had adopted a more conservative and prudent sales strategy to mitigate any risk from non-recoverability of receivables and minimise any loss incurred in this respect. As such, sales volume dropped and revenue of this segment also decreased by 16.7% over the same period last year to HK\$119,267,000 (2007: HK\$143,163,000).

The average 3-month copper price as quoted on the London Metals Exchange (“LME”) was US\$7,648 per tonne for the period, an increase of 10.5% as compared to US\$6,920 per tonne for the same period last year, however, average selling price increased by 5.8% only over the same period last year to HK\$63,002 per tonne (2007: HK\$59,535 per tonne). In addition to seasonal factors and volatility of copper price movements, the level of the increase in average selling price against the 3-month LME copper price was much lower because this segment could not fully shift the burden to its customers under sustained high copper price and difficult economic environment. As a result, gross profit margin of this segment dropped from 8.7% in the same period last year to 7.3%, gross profit was HK\$8,662,000 (2007: HK\$12,442,000) for the period, decreased by 30.4% as compared to the same period last year.

In addition to the decreased gross profit, further costs were incurred on the development of domestic sales in the PRC, following the commencement of operations of the new production plant for domestic sales in the first half year. As such, the EBITDA of this segment declined by 40.4% over the same period last year to HK\$5,667,000 (2007: HK\$9,506,000), while its operating profit dropped by 40.6% over the same period last year to HK\$5,230,000 (2007: HK\$8,804,000).

Investment gain

During the period, the Group disposed of certain “A” shares in Xinyu Iron & Steel Co., Ltd. (“Xinyu Iron”) on the Shanghai Stock Exchange and recorded a gain of HK\$53,198,000. After deducting the related income tax of HK\$5,968,000, the net gain after tax on the disposal of shares in Xinyu Iron for the period amounted to HK\$47,230,000 (2007: Nil).

FINANCIAL REVIEW

The Group achieved a net profit from business operations and other investments of HK\$73,758,000 for the period, an increase of 191.6% as compared to HK\$25,295,000 for the same period last year. However, the Group had the following non-cash/non-recurring expenses during the period, therefore net profit of the Group amounted to HK\$30,658,000 for the period, an increase of 27.7% over the same period last year:

1. 100,300,000 share options to subscribe for the ordinary shares of the Company were granted to directors and employees of the Group during the period. The fair value of these share options amounted to HK\$26,765,000 (2007 : HK\$1,291,000) was expensed in the consolidated income statement; and
2. The Company issued totalling 600,000,000 new shares to one of its substantial shareholders and other independent third parties at a price of HK\$1.03 each in December 2007 and January 2008 respectively, and raised net proceeds of approximately HK\$610,000,000. The majority of these funds were still placed in bank deposits in Hong Kong at the end of June 2008. The functional currency of the Company and the majority of its subsidiaries is in RMB as the business activities of the Group are primarily carried out in the PRC. Due to the appreciation of the exchange rate of RMB against Hong Kong dollars (“HKD”) of approximately 6% during the period, exchange loss was incurred on the translation of these deposits into RMB at the period end, which caused the Group to record net foreign exchange losses of HK\$16,335,000 for the period (2007: net foreign exchange gains of HK\$903,000).

Revenue

Revenue of the Group amounted to HK\$426,809,000 for the period, an increase of 24.1% as compared to the same period last year. The breakdown of revenue (excluding inter-segment sales) by business segments is as follows:

	For the six months ended 30 June				% change
	2008		2007		
	HK\$'000	% of total revenue	HK\$'000	% of total revenue	
Steel cord	292,717	68.6	200,311	58.2	+46.1
Copper and brass products	119,170	27.9	143,163	41.6	-16.8
Others (Note)	14,922	3.5	493	0.2	+2926.8
Total	426,809	100.0	343,967	100.0	+24.1

Note: Including HK\$14,627,000 from trading of metal products for the current period.

Gross profit

Gross profit of the Group increased by 23.5% as compared to the same period last year to HK\$58,343,000. When excluding share-based payment expenses, the amount would be HK\$61,823,000 for the period, an increase of 30.9% as compared to the same period last year. Gross profit margin slightly improved from 13.7% in the same period last year to 14.5% (before deducting share-based payment expenses), primarily because steel cord segment achieved a better gross profit margin during the period, and its contribution to the Group's revenue increased from 58.2% in the same period last year to 68.6%. The breakdown of gross profit by business segments is as follows:

	For the six months ended 30 June				% change
	2008		2007		
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)	
Steel cord	51,350	17.5	34,349	17.1	+49.5
Copper and brass products	8,662	7.3	12,442	8.7	-30.4
Others	1,811	12.1	437	88.6	+314.4
	61,823	14.5	47,228	13.7	+30.9
Steel cord – share-based payment expenses	(3,480)	N/A	–	N/A	N/A
Total	58,343	13.7	47,228	13.7	+23.5

Investment income

The Group received a dividend of HK\$1,841,000 (2007: Nil) from investment in Xinyu Iron during the period, while its interest income from bank deposits increased significantly by 106.6% over the same period last year to HK\$4,284,000 (2007: HK\$2,074,000) as more deposits were placed in banks from proceeds on the issue of 600,000,000 new shares as mentioned above.

Other income, gains and losses

The net amount of other income, gains and losses of the Group was HK\$39,453,000 for the period, as compared to HK\$1,133,000 for the same period last year. The breakdown is as follows:

	For the six months ended 30 June		% change
	2008 HK\$'000	2007 HK\$'000	
Gain on disposal of available-for-sale investments, as mentioned in "Investment gain" section above	53,198	–	N/A
Foreign exchange (losses) gains, net, as mentioned in "FINANCIAL REVIEW" section above	(16,335)	903	N/A
Recovery of bad and doubtful debts	2,398	139	+1625.2
Others	192	91	+111.0
Total	<u>39,453</u>	<u>1,133</u>	+3382.2

Distribution and selling expenses

These expenses increased by 80.6% over the same period last year to HK\$6,433,000 (2007: HK\$3,563,000) given the substantial growth in sales volume of Jiaying Eastern and the rise in transportation costs. Furthermore, more commission expenses were incurred to pay the Group's substantial shareholder, NV Bekaert SA, and other independent agent for developing Jiaying Eastern's export sales activities since the second half year of 2007.

Administrative expenses

Administrative expenses of the Group amounted to HK\$50,358,000 for the period, an increase of 130.4% as compared to HK\$21,857,000 for the same period last year. When the share-based payment expenses in relation to the grant of share options of HK\$23,285,000 (2007: HK\$1,291,000) was excluded, administrative expenses would be HK\$27,073,000 for the period, an increase of 31.6% as compared to HK\$20,566,000 for the same period last year, as additional costs were incurred on the ongoing business development plans of the Group, including, in particular for, the ongoing second phase expansion plan of Jiaxing Eastern; the development of domestic sales activities of the Group's Copper and brass products segment, which had commenced operation during the first half year; and the construction of a new steel cord production plant in Tengzhou City, Shandong in the PRC.

Segment results

Profit from the Group's business segments (before deducting share-based payment expenses) amounted to HK\$48,980,000 for the period, representing an increase of 42.6% as compared to HK\$34,342,000 for the same period last year. The breakdown of the results by business segments is as follows:

	For the six months ended 30 June		% change
	2008	2007	
	HK\$'000	HK\$'000	
Steel cord	41,999	25,266	+66.2
Copper and brass products	5,230	8,804	-40.6
Others	1,751	272	+543.8
	<u>48,980</u>	<u>34,342</u>	<u>+42.6</u>
Steel cord – share-based payment expenses	(3,480)	–	N/A
Total	<u><u>45,500</u></u>	<u><u>34,342</u></u>	<u><u>+32.5</u></u>

Finance costs

The Group's finance costs dropped by 70.9% as compared to the same period last year to HK\$1,940,000 (2007: HK\$6,666,000). The Group repaid a portion of its bank borrowings from net proceeds received on the issue of totalling 600,000,000 new shares in December 2007 and January 2008 respectively, therefore the Group's interest expenses reduced significantly during the period.

Share of profit of a jointly controlled entity and an associate

The revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") amounted to HK\$310,704,000 for the period, an increase of 28% as compared to HK\$242,694,000 for the same period last year. However, its gross profit margin dropped

significantly from 22.3% in the same period last year to 16.7%, as Shanghai Shenjia suffered from the increase in prices of raw materials and other operating costs during the period. Attributable to the decline in gross profit margin, its gross profit dropped by 4.2% as compared to the same period last year to HK\$51,820,000. Besides, other operating costs, including distribution and selling expenses; administrative expenses and finance costs, also increased significantly during the period. These caused the net profit of Shanghai Shenjia significantly decreased by 80.4% to HK\$4,084,000 (2007: HK\$20,785,000). As such, the Group's share of the profit of Shanghai Shenjia also dropped proportionately to HK\$1,021,000 (2007: HK\$5,196,000).

As mentioned in the Group's 2007 Annual Report, Xinyu Iron (previously Xinhua Metal Products Co., Ltd.) ceased to be an associate of the Group and reclassified as an available-for-sale investment with effect from 22 October 2007. Therefore, there was no share of profit of an associate for the period (2007: share of profit of HK\$4,425,000), whereas the Group received a dividend of HK\$1,841,000 from Xinyu Iron during the period.

Income tax expenses

Income tax expenses of the Group amounted to HK\$15,553,000 for the period, significantly increased by 292.2% as compared to HK\$3,966,000 for the same period last year. The increase was mainly because (i) Jiaxing Eastern incurred a high income tax expenses for the period as its profit increased, the implementation of the new enterprise income tax law and its detailed regulations in the PRC with effect from 2008 changed the income tax rate of Jiaxing Eastern from 15% to 18%; and (ii) the gain on disposal of shares in Xinyu Iron during the period was subject to PRC Enterprise Income Tax at a rate of 10%, and income tax expenses of HK\$5,968,000 was incurred for this disposal as a result.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

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

On 29 November 2007, the Company entered into subscription agreements with Shougang Concord International Enterprises Company Limited ("Shougang International"), a substantial shareholder of the Company and Li Ka Shing Foundation Limited ("LKSFL") respectively, pursuant to which, Shougang International and LKSFL would subscribe for 400,000,000 and 100,000,000 new shares of the Company at a price of HK\$1.03 each (the "Subscription"). The Subscription was completed on 18 January 2008 and raised net proceeds of approximately HK\$515,000,000 for the Group, which was used for expediting the progress of expansion of production capacity of the steel cord business including but not limited to the establishment of a new steel cord production plant in Tengzhou City, Shandong, and reducing finance costs.

Furthermore, a director of the Company exercised 500,000 share options and therefore 500,000 new shares of the Company were issued during the period. Following such issuance of new shares, the total issued share capital of the Company increased from 1,384,346,556 shares at 31 December 2007 to 1,884,846,556 shares at 30 June 2008. The net assets of the Group increased from HK\$1,499,929,000 at 31 December 2007 to HK\$1,960,251,000 at 30 June 2008. Net asset value was HK\$1.04 per share at 30 June 2008, as compared to HK\$1.08 per share at 31 December 2007.

As at 30 June 2008, the Group's bank balances and cash (including pledged bank deposits) amounted to HK\$681,438,000, representing an increase of 71.8% as compared to HK\$396,624,000 at the end of 2007. The Group's total bank borrowings amounted to HK\$140,006,000, decreased by HK\$133,140,000 as compared to HK\$273,146,000 as at 31 December 2007. Such strong net cash position was mainly generated from the proceeds on the Subscription which was not yet fully utilized as at 30 June 2008.

As at 30 June 2008, all the bank loans of the Group were variable-rate borrowings and their nature and maturity profile were as follows:

	<i>HK\$'000</i>
Due within one year or on demand	
– Trust receipt loans	40,527
– Current portion of medium term loan	25,750
	<hr/>
Subtotal	66,277
Portion of medium term loan that is due in the second year	43,750
Portion of medium term loan that is due in the third year	29,979
	<hr/>
Total	<u>140,006</u>

Because of the strengthening of capital base from issue of new shares, the Group maintained net cash position at 31 December 2007 and 30 June 2008 respectively. The current ratio of the Group was 7.9 times at 30 June 2008, as compared to 3.5 times at 31 December 2007.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are in RMB, HKD and United States Dollars ("USD"). The currency mix of bank borrowings of the Group at 30 June 2008 was as follows:

	30 June 2008 (%)	31 December 2007 (%)
HKD	95.0	97.2
USD	5.0	2.8
Total	<u>100.0</u>	<u>100.0</u>

The major source of the Group's revenue is in RMB. However, the majority of the Group's bank borrowings at 30 June 2008 were denominated in HKD as its borrowing rate was relatively lower than its RMB counterpart. We believe this financing arrangement could reduce our interest costs and minimize our exposure to currency risks.

Regarding interest rate risks, out of the HK\$140,006,000 variable-rate bank borrowings at 30 June 2008, HK\$40,000,000 had been hedged by a structured interest rate swap contract, covering 28.6% of variable-rate bank borrowings at 30 June 2008.

We would keep monitoring the currency composition of our bank borrowings under the guidance of the Group's internal management and control manual (the "Internal Control Manual") and take appropriate action to minimize our exchange and interest rate risks when needed.

In respect of the currency risk exposure arisen on the substantial HKD cash balance on our balance sheet, the Group had considered various measures to allay the impact vis-à-vis the strength of the RMB. Given the prevailing relevant regulations in the PRC, hedging against the RMB is of limited means. The Group will endeavor to convert its HKD holding into RMB by ways of continued investment in the PRC similar to that of the steel cord plant in Tengzhou City, Shandong in order to curb the potential loss due to the unremitting strengthen of the RMB.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Manufacturing of steel cord for radial tyres

The expansion of Jiaxing Eastern's production capacity from 30,000 tonnes to 60,000 tonnes per annum was substantially completed in June and had already operated step-by-step in July 2008. In order to ensure operational proficiency can be stably achieved, Jiaxing Eastern would make further investment for the procurement of related equipment this year. In this respect, total capital expenditure is increased to approximately HK\$600,000,000. Capital expenditure of RMB181,444,000 (equivalent to HK\$206,382,000) had been incurred up to 30 June 2008, and the whole capital expenditure will be financed by the Group's internal resources and bank borrowings.

In addition to the above, the Group announced on 18 June 2008 that it had entered a letter of intent with the Municipal Government of Tengzhou City, Shandong, for the construction of a steel cord production plant with annual production capacity of 100,000 tonnes. This development project will be implemented by phases, and the whole project is scheduled to complete in 2012. Capital expenditure (excluding working capital requirements) of this development project is estimated to be approximately HK\$1,300,000,000, 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 2008, the Group had a total of 1,131 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 contribution to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the period amounted to approximately HK\$2,210,000. The Group had also provided training programmes or courses 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 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 of the Company (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 (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 Scheme will remain in force for a period of ten years from the date of its adoption. During the period under review, a total of 100,300,000 share options were granted to all directors and employees of the Group to subscribe for shares in the capital of the Company and also 500,000 share options were exercised by a director of the Company.

PLEDGE OF ASSETS

As at 30 June 2008, 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\$15,987,000; and
2. Bank deposits amounting to HK\$3,000,000.

BUSINESS OUTLOOK

The recent significant drop in oil and commodity prices from their peak levels appeared to ease the inflation concern over the worldwide economy to a minor extent; however, it would still be clouded by the impact of the financial crisis as originated from the subprime incidence in the United States in the second half year of 2008. In the PRC, the Central Government has recently made an adjustment to its austerity measures with the view to enable its domestic economy to maintain a strong growth in a healthy manner while control inflation to a manageable level. Under these circumstances, we are still optimistic on the domestic economic growth while pensive on the inflationary environment of the PRC in the second half year.

We are glad that the second phase expansion plan of Jiaxing Eastern was completed in July 2008 and the production of steel cords will gradually increase. With a target output for 2008 in the range of 45,000 to 50,000 tonnes, we ensure that the new production plant will operate effectively and efficiently and generate a comfortable return to the Group.

To grasp the opportunities ahead, on one hand, we are undergoing the approval process for the establishment of the new steel cord manufacturing plant in Tengzhou City, Shandong, and construction of the new plant is expected to start in the fourth quarter of 2008. On the other hand, we will develop and explore our strength and potential capabilities in other metallic products processing businesses.

Notwithstanding our copper and brass products business will continue to face a very challenging environment in the second half year, we shall endeavor to develop the domestic sales in the PRC and maintain very cautious measures on our contract processing business with an objective to capture the salient domestic demand.

All in all, the operating environment in the second half year is still full of challenges; however, we will go on expanding our core businesses and also identify new businesses simultaneously, while manage our businesses in a cautious manner for the objective of creating shareholder value and return.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK1 cent per share for the six months ended 30 June 2008 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on 22 September 2008. The interim dividend will be paid on or about 10 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 23 September 2008 to 24 September 2008, both days inclusive, during which period no share transfer will be registered. In order to qualify for the interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 22 September 2008.

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 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is committed to practicing and achieving a high standard of corporate governance. The Board 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 Internal Control Manual, which will be amended and revised in order to enhance the effectiveness of the internal control system, and also to be in line with the relevant amendments to the law, rules and regulations.

In the opinion of the Board, the Company has complied with the principles and code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2008.

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, 1 September 2008

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 (Non-executive Director), Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Geert Johan Roelens (Executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chan Chung Chun (Independent Non-executive Director).