SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code: 103

Endeavors Bring Successes

ANNUAL REPORT 2006

Contents

Corporate Information

Board of Directors
Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Leung Shun Sang, Tony
Tang Cornor Kwok Kau
(Deputy Managing Director)
Geert Johan Roelens
Yip Kin Man, Raymond
(Independent Non-executive Director)
Law, Yui Lun
(Independent Non-executive Director)
Chu, Kwok Tsu Gilbert
(Independent Non-executive Director)

Audit Committee
Yip Kin Man, Raymond *(Chairman)*
Law, Yui Lun
Chu, Kwok Tsu Gilbert

Remuneration Committee
Leung Shun Sang, Tony *(Chairman)*
Cao Zhong *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chu, Kwok Tsu Gilbert

Nomination Committee
Cao Zhong *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chu, Kwok Tsu Gilbert

Authorised Representatives
Tang Cornor Kwok Kau
Chan Lai Yee

Company Secretary
Chan Lai Yee

Qualified Accountant
Wu Siu Man *CPA, FCCA*

Principal Bankers
Bank of China
Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Industrial and Commercial Bank of
China (Asia) Limited
Shanghai Commercial Bank Ltd.
The Bank of East Asia, Limited
Wing Hang Bank, Limited

Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrars
Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Registered Office
5th Floor, Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

Website
http://www.shougangcentury.com.hk

HKEx Stock Code
103

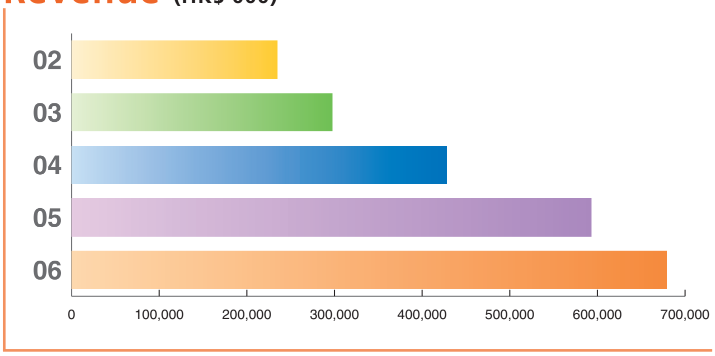
Listing Date
9 April 1992

Financial Highlights

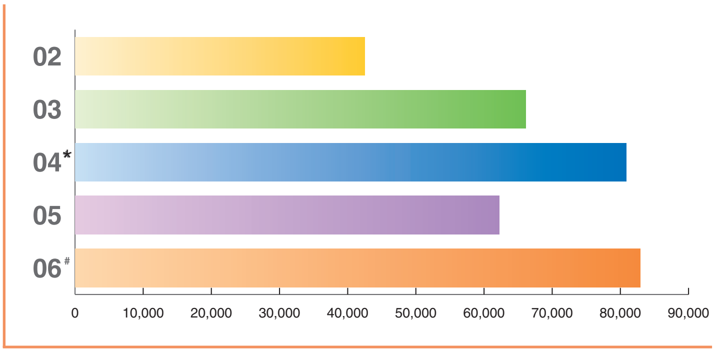
	For the year ended 31 December		
	2006	2005	**Change**
	HK$'000	HK$'000	**%**
Operations			
Revenue	**678,923**	592,889	**+14.5**
Net profit	**76,031**	62,228	**+22.2**
Net profit (excluding one-off dilution loss on share reform of an associate)	**82,889**	62,228	**+33.2**
Earnings per share, basic (cents)	**7.33**	6.06	**+21.0**
Financial Position			
Total assets	**1,385,083**	967,215	**+43.2**
Shareholders' funds	**957,354**	693,753	**+38.0**
Return on average equity* (%)	**10.2**	9.4	**+8.5**
Return on average equity* (excluding one-off dilution loss on share reform of an associate) (%)	**11.1**	9.4	**+18.1**
Net book value per share (HK$)	**0.75**	0.68	**+10.3**

* *Excluding net proceeds of HK$161,411,000 from issue of 250,000,000 ordinary shares to NV Bekaert SA in December 2006.*

Revenue (HK$'000)



Net Profit (HK$'000)



* Excluding non-recurring gain on disposal of subsidiaries and loss on disposal of interest in a jointly controlled entity
\# Excluding one-off dilution loss on share reform of an associate

Information for Shareholders

Share Information

Board lot size:	2,000 shares
Shares outstanding as at 31 December 2006:	1,276,066,556 shares
Market capitalization as at the last trading day of 2006:	HK$803,921,930
Closing stock price as at the last trading day of 2006:	HK$0.63

Earnings per share (basic) for 2006

Interim:	HK4.36 cents
Final:	HK7.33 cents

Key Date

Announcement of 2006 Final Results:	19 April 2007
2007 Annual General Meeting:	6 June 2007

Enquire Contact

Telephone:	(852) 2527 2218
Fax:	(852) 2861 3527
Email:	business_link@shougangcentury.com.hk
	ir@shougangcentury.com.hk
	scchl@shougangcentury.com.hk

Biographical Details of Directors

Mr. Cao Zhong, aged 47, graduated from Zhejiang University, The People's Republic of China (the "PRC") and Graduate School, The Chinese Academy of Social Sciences with a Bachelor Degree in Engineering and a Master Degree in Economics. Mr. Cao was appointed the Chairman of each of the Company and Shougang Concord Technology Holdings Limited ("Shougang Technology"), the Deputy Chairman and General Manager of Shougang Holding (Hong Kong) Limited ("Shougang HK"), the substantial shareholder of the Company, the Managing Director of Shougang Concord International Enterprises Company Limited ("Shougang International"), another substantial shareholder of the Company in November 2001. He was also appointed a Director of Shougang Concord Grand (Group) Limited ("Shougang Grand") in November 2001 and is currently the Vice Chairman and Managing Director of Shougang Grand. He was appointed a Non-executive Director and the Joint Chairman of Global Digital Creations Holdings Limited ("GDC"), a non-wholly owned subsidiary of Shougang Grand, in February 2005 and was re-designated as Chairman and Non-executive Director of GDC in February 2006. He also acts as the Assistant General Manager of Shougang Corporation, the holding company of Shougang HK, and the Chairman of China Shougang International Trade and Engineering Corporation. In addition to the above, he also serves as the Chairman of the Nomination Committee and the Vice-Chairman of the Remuneration Committee of the Company. Mr. Cao has extensive experience in corporate management and operation.

Mr. Li Shaofeng, aged 40. Mr. Li holds a Bachelor Degree in Automation from University of Science and Technology Beijing. He joined Shougang Corporation, the holding company of the Company's substantial shareholder, Shougang HK, in 1989. Mr. Li joined the Group in March 2000 and was appointed as Deputy Managing Director of the Company. He was appointed as the Managing Director of the Company in September 2003. Prior to joining the Group, Mr. Li had held the position of Deputy General Manager in Beijing Shougang Hotel Development Company. He has extensive experience in management of steel industry, sino-foreign joint ventures and property development.

Mr. Tong Yihui, aged 58, is a Senior Engineer. Mr. Tong graduated from Yan Shan University in the PRC. Mr. Tong joined the Group in 1998 and serves as the Deputy Managing Director of the Company. Prior to joining the Group, Mr. Tong had held the positions in Shougang Posheng Strip Steel Company Limited, Shenzhen Guan Shen Enterprise Company Limited, Jiaxing Eastern Steel Cord Co., Ltd. and Shougang Machinery Design & Research Institute. He has extensive experience in the management of steel cord manufacturing.

Mr. Leung Shun Sang, Tony, aged 64, was appointed a Director of the Company in 1995. He is also a Director of Shougang International, Shougang Technology and Shougang Grand and a Non-executive Director of GDC. He also serves as the Vice-Chairman of the Nomination Committee and the Chairman of the Remuneration Committee of the Company. Mr. Leung holds a Master Degree in Business Administration from New York State University and has over 30 years' experience in finance, investment and corporate management. He is the Managing Director of CEF Group.

Biographical Details of Directors

Mr. Tang Cornor Kwok Kau, aged 46. Mr. Tang joined the Group in 1998 and was appointed as the Deputy Managing Director of the Company in March 2000. He holds a Bachelor Degree and a Master Degree in Business Administration from York University in Canada. Prior to joining the Group, Mr. Tang had held senior positions with various international investment banks. He also has over 15 years of experience in corporate and investment banking.

Mr. Geert Johan Roelens, aged 51, graduated from the State University of Ghent, Belgium with a Bachelor of Civil Engineering Degree (Distinction) in Metallurgy and obtained his Master of Business Administration Degree from the National University of Singapore. He also attended the Management Development Program and the Asian International Executive Program organised by INSEAD, France. Mr. Roelens was appointed as an executive director of the Company with effect from 15 December 2006. He joined NV Bekaert SA Group in 1988 and held senior managerial position in various international group offices of NV Bekaert. Among others, Mr. Roelens served as President Director of PT Bekaert Indonesia and as Plant Manager/Director of Steelcord Europe in NV Bekaert AALTER (Belgium). At present, he is the General Manager of Steelcord China of Bekaert Management (Shanghai) Co., Ltd. in Shanghai, the PRC. In all, Mr. Roelens has over 20 years of experience in operations, general management, business development in the steel cord manufacturing industry.

Mr. Yip Kin Man, Raymond, aged 60. Mr. Yip was appointed an Independent Non-executive Director of the Company in 1993, and was appointed the Independent Non-executive Director of Shougang Grand with effective from 19 January 2007. He also serves as the Chairman of the Audit Committee, a member of each of the Nomination Committee and the Remuneration Committee of the Company. Mr. Yip is a practising solicitor, notary public, Attesting Officer appointed by the Ministry of Justice of the PRC. He is also a Member of each of Personal Data (Privacy) Advisory Committee and Equal Opportunities Commission.

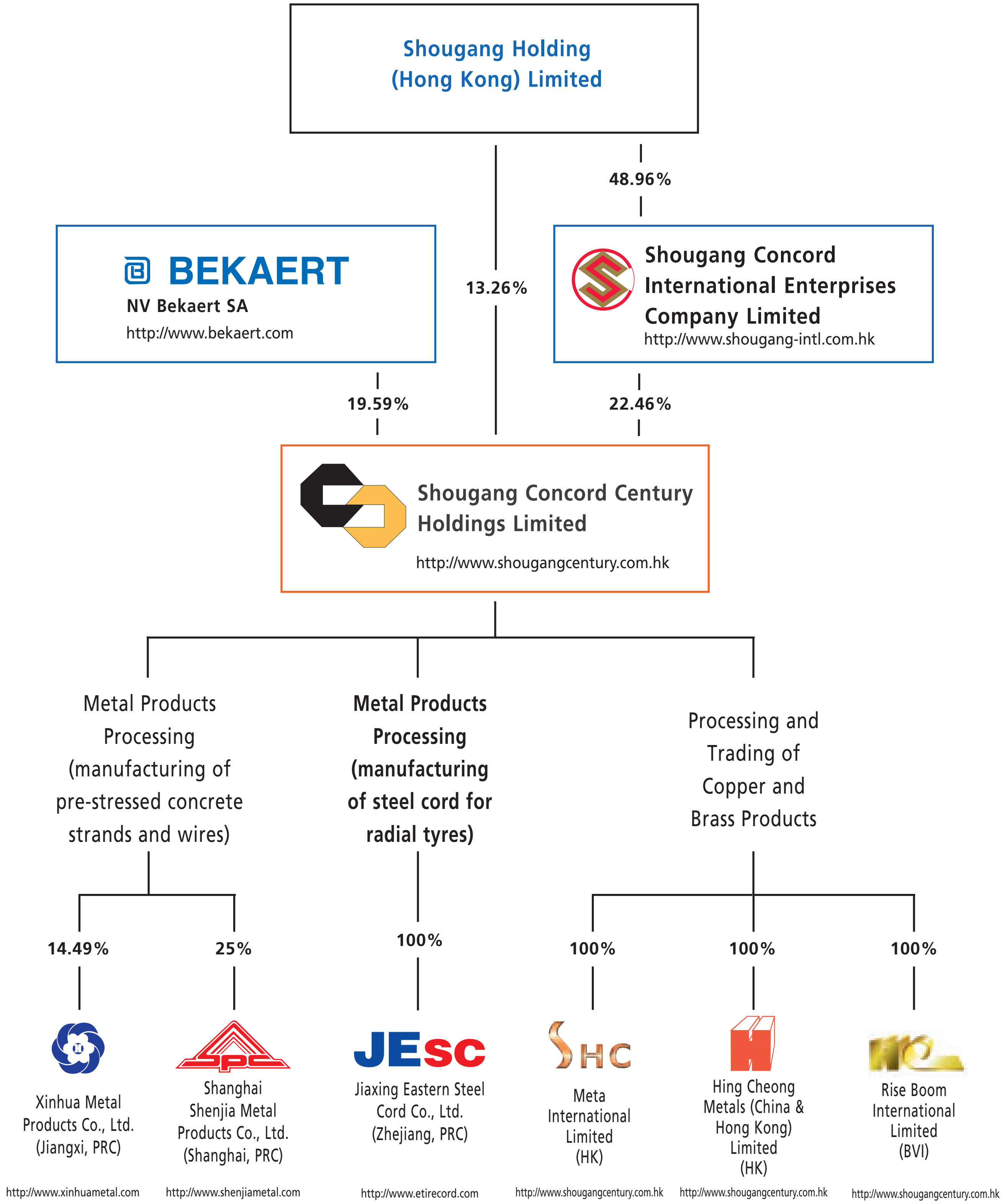
Mr. Law, Yui Lun, aged 45. Mr. Law is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom respectively. Mr. Law holds a Master Degree in Business Administration from Oklahoma City University (USA). He was appointed as the Independent Non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company in April 2005. At present, Mr. Law is the sole proprietor of a Certified Public Accountants firm in Hong Kong. In addition, he is the Managing Director of two Certified Public Accountants companies. Prior to setting up his own practice, Mr. Law had worked for the Audit Department of KPMG and the China Division of the Hong Kong office of Ernst & Young for a total of 8 years. He had also been a partner in a medium-sized local accounting firm in Hong Kong for over 3 years. In all, Mr. Law has over 20 years' professional experience in the fields of auditing, accounting, corporate taxation, company liquidation and insolvency, financial advisory and management.

Biographical Details of Directors

Mr. Chu, Kwok Tsu Gilbert, aged 50. Mr. Chu received his Master of Business Administration in Marketing and Bachelor of Science in Industrial Engineering from University of California, Berkeley in 1978 and 1977 respectively. He was appointed Independent Non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company on 30 September 2005. Mr. Chu has extensive experience in the finance and securities investment fields for over 20 years. He had been responsible for equity investments in various Pacific regions covering Hong Kong, Japan, South Korea, Philippines, Thailand, Malaysia, Singapore, Indonesia, Australia and New Zealand and had managed investment portfolios for institutional clients. Prior to joining the Company, Mr. Chu had held senior positions in various well-known fund management and securities firms. In addition to his extensive experience in equity investments, Mr. Chu had also been the general manager of a private bio-technology venture in Hong Kong.

Main Operational Structure

As at 19 April 2007



Chairman's Statement

Dear Shareholders,

I am pleased to report on a year of satisfactory progress in creating value and strengthening the Group's foundation for further growth. Particularly fruitful results for the year was the alliance between Shougang Century and NV Bekaert SA ("Bekaert"), one of the world largest steel cord manufacturers, who becomes our second largest substantial shareholder.

In addition, we restore to pay dividend of HK1 cent per share for the year ended 31 December 2006 to uphold our commitment to share our fruitful results with and create substantial value for our shareholders.

HIGHLIGHTS OF THE YEAR

Despite under severe market competition, the Group delivered a reasonable results for the year ended 31 December 2006. It produced a consolidated revenue of approximately HK$678,923,000, driven primarily by strong performance of copper and brass products segment, compared with HK$592,889,000 for 2005. Net profit for 2006 reached HK$76,031,000, compared with the previous year's figure of HK$62,228,000. When the one-off dilution loss on "A" share reform of an associate of the Group, Xinhua Metal Products Co., Ltd, of HK$6,858,000 was excluded, net profit for the year would have reached to HK$82,889,000, an increase of 33.2% over the previous year. Earnings per share for the year was HK7.33 cents, an increase of 21% when compared with the same for 2005.

LOOKING AHEAD

It is pleasing to report that prospects for the forthcoming years are encouraging. We expect the economy of China will maintain continuous growth, which will not only benefit the development of automobile industry but also the copper and brass products market as well and in turn will sustain strong demand for both steel cords and copper and brass products.

Furthermore, our alliance with Bekaert will expedite the progress of the implementation of the Company's strategy in our core business of steel cord manufacturing, particularly, strengthening our technical capability and production capacity in the metal products processing businesses and regularizing the Chinese steel cord industry. Furthermore, the Company and Bekaert will explore other areas in which we could make good use of our respective competitive advantages. With this collaboration, we are confident that we will able to increase our market shares, diversify our business risks and as a result create a sustainable and optional profit growth for our shareholders.

Chairman's Statement

In respect of copper and brass products segment, we will expand our domestic sales through the establishment of a new plant in Qingxi, Dongguan, the People's Republic of China in order to capture the burgeoning opportunities in the manufacturing sector of the Chinese economy with a view to maximize return to our shareholders, notwithstanding the exceptional performance of this business in 2006 is expected not to recur.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my heartfelt gratitude to (i) all of the staff of the Group for their dedication and hard work; (ii) my fellow Board members for their invaluable contribution during the year; and (iii) our shareholders, customers, suppliers and bankers for their continuous support.

During 2007, I will continue to work closely with the Board in laying solid foundations for the future growth and prosperity of our Group and endeavour to provide satisfactory return to our shareholders.

By order of the Board

Cao Zhong
Chairman

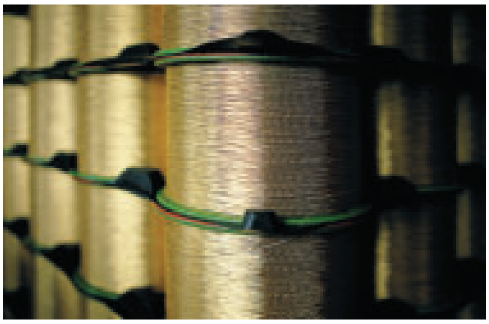
Hong Kong
19 April 2007

Management Discussion and Analysis

BUSINESS REVIEW

In 2006, the Group's business of manufacturing of steel cord for radial tyres recorded a lower profit as compared to the previous year, as it was negatively affected by market competition in the industry. While our processing and trading of copper and brass products business and the Group's jointly controlled entity and associate performed strongly during the year under review, which led the Group to generate an increase in profit for the year by 22.2% to approximately HK$76,031,000.

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



For the year under review, Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern") recorded a growth in sales volume of 3.4% over the previous year to 29,818 tonnes, equivalent to 99.4% of its production capacity of 30,000 tonnes per annum. Revenue lowered by 4.4% over the previous year to HK$393,726,000 (2005: HK$411,865,000) as market competition remained intense and the selling prices of steel cords are still under pressure. Such drop in revenue caused the gross profit to decrease to HK$79,669,000, 2.5% lower than the previous year. However, gross profit margin slightly improved by 0.4% to 20.2% (2005: 19.8%) for the year under review, as we endeavored to increase our usage of domestic raw materials and improve operating efficiency to combat against the pressure on selling price.

As a result of the reduced gross profit and the increase in other operating costs, operating profit of this segment dropped by 15.5% to HK$65,668,000 (2005: HK$77,743,000 (restated)) for the year under review.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Processing and trading of copper and brass products ("Copper & brass products")

Our copper & brass products segment had a very exceptional performance for the year under review. International copper price soared during the year, 3-month copper price traded in the London Metals Exchange climbed from US$4,400 per tonne level at the end of 2005 to the peak of US$8,590 per tonne in May 2006, and gradually returned to US$6,330 per tonne at the end of 2006, still rose by 43.9% over the year. As such, the revenue of this segment increased significantly by 72.3% over the previous year to HK$283,695,000 (2005: HK$164,620,000).

Having anticipated and taken the advantage of the soaring copper price, especially during the first half of the year, this segment achieved significant increase in gross profit during the year. Gross profit sharply increased by 261.7% over the previous year to HK$45,113,000 (2005: HK$12,471,000), while gross profit margin rose from 7.6% in the previous year to 15.9% for the year under review. Therefore, operating profit of this segment increased tremendously by 419.5% to HK$39,823,000 (2005: HK$7,665,000 (restated)).

Management Discussion and Analysis

FINANCIAL REVIEW

For the year under review, the Group's profit for the year amounted to HK$76,031,000, represented an increase of 22.2% over the previous year. When the one-off dilution loss on share reform of an associate of HK$6,858,000 was excluded, profit for the year would have reached to HK$82,889,000, that was higher by 33.2% over the previous year.

Revenue

Revenue of the Group increased by 14.5% over the previous year to HK$678,923,000. The breakdown of revenue by business segments is as follows:

	2006 HK$'000	**% of total revenue**	2005 HK$'000	% of total revenue	**% change**
Steel cord	**393,726**	**58.0**	411,865	69.4	**-4.4**
Copper & brass products	**283,695**	**41.8**	164,620	27.8	**+72.3**
Others	**1,502**	**0.2**	16,404	2.8	**-90.8**
Total	**678,923**	**100.0**	592,889	100.0	**+14.5**

Gross profit

The Group's gross profit reached to HK$125,654,000, an increase of 31.1% over the previous year. The higher gross profit was contributed by the 14.5% growth in revenue and the improvement in gross profit margin from 16.2% to 18.5%. The breakdown of gross profit by business segments is as follows:

	2006 HK$'000	**Gross profit margin**	2005 HK$'000	Gross profit margin	**% change**
Steel cord	**79,669**	**20.2%**	81,746	19.8%	**-2.5**
Copper & brass products	**45,113**	**15.9%**	12,471	7.6%	**+261.7**
Others	**872**	**58.1%**	1,638	10.0%	**-46.8**
Total	**125,654**	**18.5%**	95,855	16.2%	**+31.1**

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Other operating income

Other operating income increased by 10.3% over the previous year to HK$9,185,000. Net foreign exchange gain, which was principally coming from the appreciation of Renminbi ("RMB"), was lowered by 18.9% over the previous year, as the Group had reduced bank borrowings denominated in United States dollar ("USD") during the year, in view of its higher interest rate than those of Hong Kong dollar ("HKD") and RMB after a sustained period of interest rate uplift by the Federal Reserve of the United States. However, the drop in net foreign exchange gain was remedied by the increase in bank interest income, that amounted to HK$2,018,000 for the year under review, and up by 633.8% over the previous year.

Administrative expenses

Administrative expenses of the Group amounted to HK$38,374,000, increased by 14.4% over the previous year. The increase was commensurate with the growth in revenue. Hence, administrative expenses as a percentage of revenue remained the same as the previous year at 5.7%.

Dilution loss on share reform of an associate

During the year, the Group's associate, Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), with its shares listed on the Shanghai Stock Exchange, proposed a share reform plan under the requirements of the relevant Government authorities of the People's Republic of China (the "PRC"), in which the non-freely transferable shareholders of Xinhua Metal would transfer 3 shares for every 10 freely transferable shares held by such holders (the "Share Reform Plan"), and subsequently revised upward to every 3.3 shares for every 10 freely transferable shares held by such holders (the "Amended Share Reform Plan") after the Share Reform Plan was rejected by the "A" shareholders of Xinhua Metal.

The Amended Share Reform Plan had been approved by the "A" shareholders of Xinhua Metal and the relevant Government authorities in late 2006 respectively. As a result of the implementation of the Amended Share Reform Plan, the Group's interest in Xinhua Metal was diluted from approximately 16.75% to 14.49%, and the dilution resulted to a loss of HK$6,858,000 to the Group for the year under review.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Segment results

Profit from the Group's business segments amounted to HK$108,797,000 for the year, an increase of 22.9% over the previous year. The breakdown is as follows:

	2006 HK$'000	2005 HK$'000 (restated)	**% change**
Steel cord	**65,668**	77,743	**-15.5**
Copper & brass products	**39,823**	7,665	**+419.5**
Others	**3,306**	3,146	**+5.1**
	108,797	88,554	**+22.9**

Finance costs

The Group's finance costs amounted to HK$18,904,000 for the year, representing an increase of 30.7% over the previous year. The increase in finance costs was due to (i) total bank borrowings of the Group increased by HK$119,962,000 over the end of previous year; and (ii) the continued interest rate hike since 2005 which pushed HKD and USD interbank rates from circa 1% level to over 4% during 2006.

Share of results of a jointly controlled entity and an associate

The revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") lowered by 3% over the previous year to HK$451,609,000, as the selling price of its core product of pre-stressed concrete strands dropped in line with steel prices. Despite the decrease in revenue, its gross profit increased by 14.2% to HK$112,780,000 as (i) its sales volume increased by 6.7%; and (ii) sales of products with higher gross profit margin increased during the year that pushed its gross profit margin from 21.2% in the previous year to 25%. As such, its profit for the year increased by 12.2% to HK$40,979,000. The Group's share of the profit of Shanghai Shenjia for the year also increased proportionally to HK$10,245,000.

With regard to Xinhua Metal, its revenue increased by 24.8% over the previous year to HK$980,112,000, while its gross profit increased by 19.7% to HK$133,217,000. Gross profit margin slightly dropped from 14.2% in the previous year to 13.6% for the year. Furthermore, as a result of reduced provisions and investment loss; reduction in income tax liabilities from certain tax concessions and reversal of staff welfare fund following the changes in related regulations, its profit for the year increased by 123.9% to HK$63,905,000. The Group's share of the profit of Xinhua Metal for the year increased by 108.2% to HK$9,952,000.

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Income tax expenses

The Group's income tax expenses increased by 21.1% over the previous year to HK$7,252,000, as tax provisions were required for the Group's copper & brass products segment as its profit for the year fully offset available tax losses brought forward from previous years.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

On 22 and 27 September 2006, the Company entered into a subscription agreement and a supplemental agreement with NV Bekaert SA ("Bekaert") respectively for the subscription of 250,000,000 new shares of the Company at a price of HK$0.65 each (the "Bekaert Subscription"). The Bekaert Subscription was completed on 15 December 2006 and raised net proceeds of approximately HK$161,411,000 for the Group. After the completion of the Bekaert Subscription, the total issued share capital of the Company increased from 1,026,066,556 shares to 1,276,066,556 shares. The net asset value of the Group increased from HK$693,753,000 at 31 December 2005 to HK$957,354,000 at 31 December 2006, while net asset value per share increased from HK$0.68 at 31 December 2005 to HK$0.75 at 31 December 2006.

The Group's bank balances and cash (including pledged bank deposits) at 31 December 2006 amounted to HK$300,566,000, increased markedly by 6.4 times over the end of 2005. In addition to the net proceeds from the Bekaert Subscription, a bank loan of HK$140,000,000 was drawn during the year, both would principally be used for the expansion plan of Jiaxing Eastern, also caused to the increase in bank balances and cash.

The above bank loan drawdown and net proceeds from the Bekaert Subscription contributed to the HK$311,311,000 of net cash inflow from financing activities of the Group during the year, while the Group utilized HK$55,364,000 of cash in its operating activities and generated HK$3,769,000 of net cash from its investing activities.

Management Discussion and Analysis

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES (continued)

As at 31 December 2006, the Group's total bank borrowings amounted to HK$362,975,000, increased by HK$119,962,000 as compared to HK$243,013,000 as at 31 December 2005. All the bank loans of the Group are floating-rate borrowings except HK$113,946,000 which were collared at a rate ranging from 2.64% to 5.58% per annum. The nature and maturity profile of the Group's bank borrowings at 31 December 2006 were as follows:

	HK$'000
Due within one year or on demand	
– Trust receipt loans	55,382
– Short term bank loan and current portion of medium term loan	138,845
– Discounted bills with recourse	44,272
Subtotal	238,499
Due in the second year	
– Medium term loan	124,476
Total	362,975

Because of the strengthening of capital base from the Bekaert Subscription, the gearing ratio (total interest bearing borrowings less cash and bank balances / shareholders' equity) of the Group reduced from 29.2% at 31 December 2005 to 6.5% at 31 December 2006. While the strong bank balances and cash at 31 December 2006 improved the Group's current ratio from 1.54 times at 31 December 2005 to 2.6 times at 31 December 2006.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue were principally denominated in RMB and HKD, while purchases and payments were in RMB, HKD and USD. On the other hand, the currency mix of bank borrowings of the Group at 31 December 2006 were as follows:

	2006	2005
	%	%
HKD	**61.2**	38.2
USD	**7.4**	61.8
RMB	**31.4**	–
Total	**100.0**	100.0

Management Discussion and Analysis

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES (continued)

The Group shifted a majority portion of its USD borrowings to RMB and HKD borrowings during the year as USD borrowing rate became higher than RMB and HKD borrowing rates after a sustained period of interest rate hike by the Federal Reserve of the United States. We believed these adjustments could reduce our interest costs and minimize our exposure to currency risks as our major sources of income were in RMB and HKD.

Regarding interest rate risks, out of the HK$249,029,000 variable-rate bank borrowings at 31 December 2006, HK$100,000,000 had been hedged by two structured interest rate swap contracts, covering 40.2% of variable-rate bank borrowings at 31 December 2006.

During the year under review, we engaged an external consultancy firm (the "External Consultancy Firm") to conduct a review and give suggestions for improvement on the internal control of the Group's hedging activities in respect of foreign currencies, interest rates and raw materials. The recommendations by the External Consultancy Firm had been put in place as part of the Group's internal control policies. Details in this regard are set out under the Corporate Governance Report on pages 21 to 34.

We would keep monitoring the currency composition of our bank borrowings under the guidance of our policy 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

With the successful introduction of Bekaert as the strategic shareholder of the Company, we have accelerated our plan to expand the production capacity of Jiaxing Eastern from an original of 45,000 tonnes to 60,000 tonnes per annum, which is expected to be completed by the fourth quarter of 2007. As the half products (including brass coated wires) for the additional production capacities will be supplied by Bekaert under the supply contract entered into in September 2006, the capital expenditure for the purchase of upstream production facilities can be saved, and the total costs of the expansion are adjusted to approximately HK$400,000,000 (excluding working capital requirement). The capital expenditure would be financed by the Group's internal resources, the net proceeds from the issue of shares to Bekaert and external financing.

Processing and trading of copper and brass products

The additional production plant in Qingxi, Dongguan, the PRC for domestic sales of copper and brass products in the PRC has been under construction and is expected to start operation in the second quarter of 2007. Total capital expenditure for the development is approximately HK$4,000,000 and would be financed by internal resources of the Group.

Management Discussion and Analysis

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2006, the Group had a total of 738 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 year amounted to HK$1,941,000. 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 Company'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, 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 year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 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$47,504,000;

2. Prepaid lease payments amounted to HK$7,280,000;

3. Bills receivable amounted to HK$44,272,000;

4. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaxing Eastern; and

5. Bank deposits amounted to HK$3,000,000.

Management Discussion and Analysis

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES (continued)

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 were 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 31 December 2006 amounted to approximately HK$7,465,000.

BUSINESS OUTLOOK

We believe the prospect of radial tyre industry in the PRC will be continuously optimistic in the foreseeable future, as the economy of PRC maintains its high growth momentum and more and more international tyres companies establishing their plants in the PRC to be their major manufacturing base serving customers worldwide. In view of this, demand for steel cord is expected to keep strong, but pricing pressure will remain for at least in the short term as supply production capacity continues to increase.

Since the completion of the issue of 250,000,000 shares to Bekaert in December 2006, Bekaert and the Group have built a collage of co-operation, in which it will share with us its expert knowledge and experience to assist Jiaxing Eastern to expand its production capacity, improve its technical and product development strength, and opening up of new markets in both domestic and overseas, with a view to strengthening our competitiveness and maintain our position in the industry. We expect our co-operation with Bekaert will eventually be broadened to other areas where each party could utilize its competitive advantages and believe that such co-operation will bring fruitful results to the Group in the longer term.

Regarding our copper & brass products business, we do not expect the exceptional profit in 2006 to recur in the next year, as we do not anticipate the soaring of copper prices in 2006 to repeat. On the other hand, global economic growth has shown signs of slowdown that may hinder the growth in demand for copper. Notwithstanding, we strive to maintain a reasonable level of profit, while more efforts will be given to develop the domestic market in the PRC.

In conclusion, the operating environment of the Group's core businesses is still challenging in the short term, but we will endeavor to expand our businesses and generate satisfactory return to our shareholders.

Corporate Governance Report

The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") 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. In order to maintain a sound and effective internal control system, the Board periodically reviews the daily governance practices and procedures of the Company. As such, the Company has strictly complied with the relevant laws and regulations, and the rules and guidelines of regulatory bodies such as The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Company has made detailed disclosures in relation to the accounting period covered in this annual report in compliance with the requirements of Corporate Governance Report set out in Appendix 23 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Also, the Company has applied and complied with all the principles and code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006 except for the deviations from Code Provisions A.1.1, A.4.1 and C.2.1 of the Code with detailed explanation as below.

1. **Code Provision A.1.1 – *The Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals.***

   During the accounting period covered in 2006, regular board meetings were held twice to consider, among other things, for reviewing and approving the interim and annual results of the Group, because certain executive directors had frequent business trips to explore further business development of the Group, including but not limited to subscription of new shares by NV Bekaert SA (the "Bekaert Subscription"), hence, no further regular board meeting was held during the financial year of 2006. However, the other Board members must be kept informed of any progress of any further business development and performance from time to time.

   In order to comply with the above code provision, the Board will endeavour to hold at least four regular board meetings annually, at approximately quarterly intervals, in persons or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles").

2. **Code Provision A.4.1 – *Non-executive directors should be appointed for a specific term and subject to re-election.***

   All non-executive directors of the Company are not appointed for a specific term.

   The considered reason for this deviation is stated hereunder the heading "NON-EXECUTIVE DIRECTORS".

Corporate Governance Report

3. **Code Provision C.2.1 – *Directors should at least annually conduct a review of the effectiveness of the system of internal control of the issuer and its subsidiaries.***

   The Company has implemented our internal management and control system since 1999 and also has reviewed and approved the system from time to time, if necessary. The approval and adoption of the Company's internal management and control manual (the "Internal Control Manual") has been passed by a written resolution of all directors during the financial year of 2006. In addition, the Board has endeavoured to improve the internal control system, in particular, on the greatest risk areas and therefore has engaged an external consultancy firm (the "External Consultancy Firm") rendering the internal audit services for hedging activities of metal prices, foreign exchange and interest rate in August 2006. Notwithstanding, the Board has not convened a regular meeting to review the effectiveness of the internal control system during the financial year of 2006.

   In order to comply with the above code provision, the External Consultancy Firm has been engaged again to render internal audit services for the purpose of the advance improvement in good corporate governance, establishment of a good internal control environment, nurture of an ethical corporate culture, and development of mechanisms to help the Company to manage its business, risks and fulfill its obligations to its shareholders and stakeholders of the Group in 2007. The External Consultancy Firm will evaluate the internal control environment of the Company and focus attention on those areas that have greatest risks to the Company and need for strong internal controls to manage these risks. In addition, the Board plans to convene a relevant meeting once a year for conducting a review of the effectiveness of the internal control system.

DIRECTORS' SECURITIES TRANSACTION

On 6 April 2004, the Board has adopted a Model Code for Securities Transactions by Directors of Shougang Concord Century Holdings Limited (the "SCCHL Code") on terms no less exacting than the required standard of the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealing by all directors in the securities of the Company. In order to bring the SCCHL Code in line with the changes brought upon by the relevant amendments to law, rules and regulations, the Board has also adopted the revised SCCHL Code on 4 April 2005. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the SCCHL Code for the year ended 31 December 2006.

Corporate Governance Report

THE BOARD

The Board is currently consists of nine members, including five executive directors (namely Messrs. Cao Zhong, Li Shaofeng, Tong Yihui, Tang Cornor Kwok Kau and Geert Johan Roelens), a non-executive director (namely Mr. Leung Shun Sang, Tony) and three independent non-executive directors (namely Messrs. Yip Kin Man, Raymond, Law, Yui Lun and Chu, Kwok Tsu Gilbert). The directors' biographical details are set out on pages 5 to 7 under the heading "Biographical Details of Directors".

The major duties of the Board are set out below:

- Formulating the strategies, planning and development of the Company;
- Setting up objectives of management;
- Monitoring the performance of management;
- Ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed;
- Reviewing and approving the Company's results and operations to be disclosed on a regular basis to the public; and
- Approving the Group's operating strategies, budget and strategies in collaboration with various jurisdictions enterprises, as well as other major investments, application of funds and other substantial exercises with other enterprises.

Each director owes a fiduciary duty towards the Company. He should act in good faith and in the best interests of both the Company and its shareholders as a whole. Also, the Board has three independent non-executive directors which represents one-third of the Board so that there is a strong element of independence in the Board. The independent non-executive directors are of sufficient caliber and number for their views to carry weight. Moreover, one of them has appropriate professional qualifications or accounting or related financial management expertise which has fully complied with Rules 3.10(1) and (2) of the Listing Rules.

The Company has received from each of independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Also, the Company considers all of independent non-executive directors are independent throughout the year under review. Furthermore, all independent non-executive directors should be re-elected at least every three years at annual general meeting and the reasons the Board believes that the individual to be independent are contained in the relevant circulars. In addition to the above, to the best knowledge of the directors, there is no financial, business, family or other material/relevant relationship among members of the Board and in particular, between the Chairman and the Managing Director.

Corporate Governance Report

During the year under review, the Company held two board meetings and the details of directors' attendance at both formal meetings (including the board meetings, audit committee meetings, annual general meeting, extraordinary general meeting, the independent board committee meeting and remuneration committee meeting) and informal meeting are set out in the following table:

	Number of Meetings Attended and Held						
	Formal Meeting						Informal Meeting
	Board Meetings	Audit Committee Meetings	Annual General Meeting	Extraordinary General Meeting	Independent Board Committee Meeting	Remuneration Committee Meeting	Budget Meeting
Cao Zhong	2/2		1/1	1/1		1/1	
Li Shaofeng	2/2		1/1	1/1			1/1
Tong Yihui	2/2		1/1	1/1			1/1
Leung Shun Sang, Tony	2/2		1/1	0/1		1/1	
Tang Cornor Kwok Kau	2/2	2/2	1/1	1/1			1/1
Yip Kin Man, Raymond	2/2	5/5	1/1	1/1	1/1	1/1	
Law, Yui Lun	2/2	5/5	1/1	1/1	1/1	1/1	
Chu, Kwok Tsu Gilbert	1/2	5/5	1/1	1/1	1/1	1/1*[1]	

Notes:

*1. Mr. Chu, Kwok Tsu Gilbert attended the meeting by way of telephone conference.

2. Mr. Geert Johan Roelens was appointed as director of the Company on 15 December 2006 and had not attended any formal meeting or informal meeting during the year of 2006.

Corporate Governance Report

CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and Managing Director are segregated and performed by Mr. Cao Zhong and Mr. Li Shaofeng respectively. The Chairman, Mr. Cao Zhong, is responsible for formulating the overall strategies and policies of the Company, while the Managing Director, Mr. Li Shaofeng is authorized by the Board to manage the day-to-day business operations of the Company in accordance with the goals set by the Board and the internal control policies and procedures of the Company. He is also supported by the Board members and senior management.

NON-EXECUTIVE DIRECTORS

All directors of the Company (including non-executive directors and executive directors) are not appointed for a specific term as required under Code Provision A.4.1, but are subject to retirement by rotation at least every three years at annual general meeting in accordance with the Articles. Therefore, we believe that the requirement of retirement by rotation and re-election of non-executive directors have given the Company's shareholders the right to approve continuation of their offices. However, the Company shall take relevant measures towards compliance with this code provision.

BOARD COMMITTEES

The Board has established the Board Committees, namely Remuneration Committee, Nomination Committee and Audit Committee to manage particular aspects of the Company's affairs and to aid in sharing the responsibilities of the Board. Moreover, all the Board Committees have been formulated their specific written terms of reference in accordance with the requirements of the Code and need to report their decisions and recommendations to the Board, if necessary.

Remuneration Committee

The Remuneration Committee has been established on 4 April 2005 and it consists of five members with a majority of independent non-executive directors. They are:–

Mr. Leung Shun Sang, Tony *(Chairman)*
Mr. Cao Zhong *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chu, Kwok Tsu Gilbert *(Independent Non-executive Director)*

Corporate Governance Report

and its terms of reference are summarized as follows:–

i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

ii) to have the delegated responsibility to determine the specific remuneration packages of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;

iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

iv) to review and approve the compensation payable to executive directors in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

vi) to ensure that no director or any of his associates is involved in deciding his own remuneration;

vii) to exercise such other powers, authorities and discretion, and perform such other duties, of the directors in relation to the remuneration as the Board may from time to time delegate to it, having regard to the Stock Exchange Code; and

viii) to advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under Rule 13.68 of the Listing Rules amended from time to time.

During the year under review, a Remuneration Committee Meeting was held and the attendance record of the committee members is set out in the table on page 24 of this report.

Corporate Governance Report

The information in respect of emolument policy of the Group is set out in the Report of the Directors.

Nomination Committee

The Nomination Committee has been established on 4 April 2005 and it consists of five members with a majority of independent non-executive directors. They are:–

Mr. Cao Zhong *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chu, Kwok Tsu Gilbert *(Independent Non-executive Director)*

and its terms of reference are summarized as follows:–

i) to review and monitor the structure, size and composition of the Board and make recommendations to the Board with particular regard to ensuring a substantial majority of the directors on the Board being independent of management;

ii) to identify and/or nominate and then select qualified individuals for appointment as additional directors other than the Chairman and Managing Director or Chief Executive Officer or to fill Board vacancies as and when they arise. Such appointment is subject to the approval of the Board; and

iii) the Committee shall make a statement or report to the Board after each meeting about its activities, the process used for appointments and explain if external advice has been used and disclose and publish in the annual report or other report as required subject to the Listing Rules amended from time to time.

During the year under review, in the opinion of the Nomination Committee, the existing composition and structure of the Nomination Committee are in place. As such, no physical Nomination Committee Meeting was held, but nomination of a new director was approved by a written resolution of all the committee members of the Nomination Committee. However, the Company shall endeavour to hold at least a meeting for each financial year, if necessary.

Corporate Governance Report

Audit Committee

The Audit Committee has been established on 30 September 1998. At present, it consists of three members and all of them are independent non-executive directors. They are:–

Mr. Yip Kin Man, Raymond *(Chairman)*
Mr. Law, Yui Lun
Mr. Chu, Kwok Tsu Gilbert

and its terms of reference are summarized as follows:–

Relationship with the Company's External Auditors

i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors;

Note: Rule 13.51(4) of the Listing Rules requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the Issuer.

ii) to review and monitor the external auditors' independence and objectivity;

iii) to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

iv) to develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, external auditors shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;

v) to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Corporate Governance Report

Review of financial information of the Company

vi) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports (if applicable), and to review any significant financial reporting judgements contained in them. In this regard, in reviewing the Company's annual report and accounts, half-year report and quarterly reports (if applicable) before submission to the Board and the Audit Committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting.

vii) In regard to (vi) above:–

(a) members of the Audit Committee must liaise with the Company's Board of Directors, senior management and the person appointed as the Company's qualified accountant;

(b) the Audit Committee must meet, at least once a year, with the Company's external auditors; and

(c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer (if any) (or person occupying the same position), or external auditors.

Corporate Governance Report

Oversight of the Company's financial reporting system and internal control procedures

viii) to review the Company's financial controls, internal control and risk management systems;

ix) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

x) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

xi) to ensure co-ordination between the internal auditors (if any) and external auditors and to ensure that the internal audit function (if any) is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

xii) to review the Group's financial and accounting policies and practices;

xiii) to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and the management's response;

xiv) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

xv) to report on all of the above matters to the Board; and

xvi) to consider any other matters specifically referred to the Audit Committee by the Board.

During the year under review, five Audit Committee Meetings were held and the attendance record of the committee members is set out in the table on page 24 of this report.

The Audit Committee members had met with the external auditors to discuss the half year and annual financial statements for the financial year of 2006. The external auditors also had met the Audit Committee members without executive director present save for the Financial Controller and the Company Secretary, who may attend to answer any query regarding the financial results.

Corporate Governance Report

The Audit Committee also discussed matters falling within its terms of reference with the external auditors in the presence of the Financial Controller and the Company Secretary from time to time as they requested. When there are uncertainties or ambiguities in interpretation of accounting standards in preparing the half year and annual accounts that might be likely to materially impact the financial position of the Group, the Company would prepare certain analysis explaining the scenario in relation thereto for the Audit Committee consideration and understanding. The Audit Committee has full access to, and the co-operation of, the Company's management in ensuring that it is satisfied with the Company's internal controls.

During the financial year of 2006, the Audit Committee has given many positive contributions, and independent and informed comments for the development of the Company's strategy and policies, including but not limited to their efforts on the corporate exercises of the Share Reform Plan, the Amended Share Reform Plan, the Bekaert Subscription and the Proposed Continuing Connected Transactions. In addition, the External Consultancy Firm was instructed by the Audit Committee to undertake a review for the hedging activities of metal prices, foreign exchange and interest rate of the Group. All of above are in the interests of the shareholders of the Company.

Auditors' Remuneration

During the year ended 31 December 2006, the fee paid/payable to the external auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

The fees charged by the external auditors of the Company, Deloitte Touche Tohmatsu for the year ended 31 December 2006 amounted to HK$630,000 for audit services and HK$245,000 for non-audit services comprising fees for review of interim financial statements.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The Board recognizes its responsibility to ensure the interests of the shareholders, to communicate with shareholders and to enhance their value. In order to maintain ongoing dialogue with shareholders, the Company has particular opportunities of direct communication with shareholders at various annual general meetings and other general meetings where the shareholders are encouraged to actively participate in and vote for. Besides, at the 2006 annual general meeting, the Chairman of the Board and the Chairman of each of Remuneration Committee, Nomination Committee and Audit Committee were present to answer any shareholder's questions.

The procedures of annual general meeting are in line with the standard of the Code. Notice of annual general meeting and related papers (including circular together with proxy form) are despatched to all shareholders at least 21 days prior to the meeting. For any other general meeting, the related papers are sent to shareholders at least 14 days prior to the meeting unless the business to be conducted at the meeting requires special notice. Moreover, circular regarding granting of general mandates for the issuance and repurchases of shares and notice of the annual general meeting is set out the details of each proposed resolutions, voting procedures (including the procedures for demanding and conducting a poll) and other relevant information. The Chairman will explain the procedures for demanding and conducting a poll at the commencement of the meeting and there will be sufficient time for shareholders to raise their questions and opinions.

INVESTOR RELATIONS

The Company puts a high regard for the aspect of investor relations and it recognizes that investor relations can enhance its transparency, maximize its value and increase investors' understanding of and trust in the Company. Therefore, the management regularly meets with shareholders, potential and institutional investors and research analysts. The management also provides them with the information of the latest business development of the Group and answers their queries. The corresponding presentation material is available upon request.

In order to further promote a sound communication, the Company fully utilizes its website (http://www.shougangcentury.com.hk) as a mean to provide the latest and updated information in a timely manner and to strengthen the communication with both the shareholders and public. Also, the Company Secretarial Department will respond to the telephone enquiries and email correspondences from shareholders or investors in respect of various issues. Any opinions, view and suggestions of shareholders will be solicited and brought upon the Board and senior management for their attention, if necessary.

Corporate Governance Report

For the year ended 31 December 2006, the following general meeting was held by the Company:–

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
26 May 2006	JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong	Annual General Meeting	1. To receive the report of the directors of the Company and the audited financial statements of the Company for the year ended 31 December 2005. 2. To re-elect the retiring directors. 3. To re-appoint Deloitte Touche Tohmatsu as auditors of the Company to hold office until the conclusion of the next annual general meeting and to authorize the board of directors to fix their remuneration. 4. To approve the general mandate to issue and dispose of additional shares not exceeding 20% of the issued share capital of the Company. 5. To approve the general mandate to repurchase shares not exceeding 10% of the issued shares of the Company and allot additional shares.	By show of hands
6 November 2006	Concord Rooms 2 & 3, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong	Extraordinary General Meeting	To approve, confirm and ratify the Bekaert Subscription Agreement, the allotment and the issue of the Bekaert Subscription Shares to Bekaert and the Service Contract and the Supply Contract subject to the Service Fee Cap and the Sales Cap respectively in relation to the Continuing Connected Transactions	By way of poll

Corporate Governance Report

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Company and also for reviewing and monitoring the internal operation of the Company. The Company has adopted the Internal Control Manual and implemented the internal control system since 1999. The internal control system covers all material functions, including financial, operational and compliance controls and risk management. In order to align with the changes of relevant laws, rules and regulations as well as the advance improvement of the internal control system, the Board will review and refine the system periodically, if necessary.

During the year under review, the adoption of the revised Internal Control Manual has been approved the Board. Moreover, the Board has endeavoured to improve the internal control system, in particular, on the greatest risk areas and therefore has engaged the External Consultancy Firm rendering the internal audit services for hedging activities of metal prices, foreign exchange and interest rate in August 2006. Notwithstanding, the Board has not convened a regular meeting to review the effectiveness of the internal control system during the financial year of 2006, hence it constituted a deviation from Code Provision C.2.1 of the Code. In order to comply with this code provision, the Company has taken a remedial step that it has engaged the External Consultancy Firm again to render internal audit services for reviewing the effectiveness of the internal control system in January 2007.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Further details of the principal activities of the principal subsidiaries are set out in note 43 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's profit for the year ended 31 December 2006 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 52 to 117.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	2006	2005	2004	2003	2002
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**76,031**	62,228	148,524	66,324	42,481
TOTAL ASSETS	**1,385,083**	967,215	939,780	717,245	599,209
TOTAL LIABILITIES	**(427,729)**	(273,462)	(305,538)	(131,028)	(69,218)
MINORITY INTERESTS	**–**	–	–	–	(86,502)
	957,354	693,753	634,242	586,217	443,489

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and property, plant and equipment of the Company and the Group during the year are set out in notes 14 and 15, respectively to the financial statements.

Particulars of the Group's investment properties as at 31 December 2006 are summarised on page 118 of this annual report.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 35 to the financial statements. The Company introduced a share option scheme in 2002. Details of share options are set out under the headings "SHARE OPTION SCHEME", "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES" hereunder and in note 41 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 56 and 57 of this annual report and in note 36 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2006, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$17,124,000, of which approximately HK$12,761,000 has been proposed as final dividend for the year.

FINAL DIVIDEND

The directors are pleased to recommend to shareholders the payment of a final dividend of HK1 cent per share for the year ended 31 December 2006 and the balance of the profit will be retained. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 29 June 2007 to the shareholders whose names appear at the Register of Members of the Company as at the close of business on 6 June 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 1 June 2007 to 6 June 2007, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 31 May 2007.

Report of the Directors

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were:

Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Leung Shun Sang, Tony
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Geert Johan Roelens (appointed on 15 December 2006)
Yip Kin Man, Raymond *(Independent Non-executive Director)*
Law, Yui Lun *(Independent Non-executive Director)*
Chu, Kwok Tsu Gilbert *(Independent Non-executive Director)*

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 91 and 92 of the Company's articles of association. Messrs. Cao Zhong, Tang Cornor Kwok Kau and Law, Yui Lun will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In addition, Mr. Geert Johan Roelens will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting pursuant to the articles 95 and 96 of the Company's articles of association.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the heading "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES" and in note 41 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Report of the Directors

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the Independent Non-executive Directors are independent.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the Company's share options during the year are set out under the heading "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES" hereunder and in note 41 to the financial statements.

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

As at 31 December 2006, save for the interest of the Directors in the shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long position in shares

(a) Ordinary shares of HK$0.10 each of the Company

Name of Director	Number of shares held	Approximate % of the issued share capital as at 31 December 2006	Capacity in which interest is held
Tang Cornor Kwok Kau ("Mr. Tang")	2,496,000	0.19	beneficial owner *(Note)*

Note: Those shares were beneficially owned by Mr. Tang and in which of 200,000 shares were also jointly owned by his wife.

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

(b) Share options

As at 31 December 2006, there were a total of 163,196,000 outstanding share options of the Company granted to directors of the Company, details of which are summarized in the following table:

Name of director	Options to subscribe for shares of the Company: Number of share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Date of exercise	Number of outstanding share options at the end of the year	Date of grant *(Note b)*	Exercise period	Exercise price per share HK$	Capacity in which interests are held	Approximate % of the issued share capital as at 31 December 2006
Cao Zhong	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	57,350,000 *(Note a)*	–	–	–	57,350,000	2/10/2003	2/10/2003 to 1/10/2013	0.780		
	65,002,000	–	–		65,002,000				Beneficial owner	5.09
Li Shaofeng	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	30,614,000 *(Note a)*	–	–	–	30,614,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	38,266,000	–	–		38,266,000				Beneficial owner	2.99
Tong Yihui	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	38,268,000 *(Note a)*	–	–	–	38,268,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	45,920,000	–	–		45,920,000				Beneficial owner	3.60
Leung Shun Sang, Tony	4,592,000	–	–	–	4,592,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	3,060,000	–	–	–	3,060,000	12/3/2003	12/3/2003 to 11/3/2013	0.325		
	4,592,000	–	–	–	4,592,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	12,244,000	–	–		12,244,000				Beneficial owner	0.96
Mr. Tang	1,000,000	–	–	–	1,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740	Beneficial owner	0.08
Yip Kin Man, Raymond	382,000	–	–	–	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	382,000	–	–	–	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	764,000	–	–		764,000				Beneficial owner	0.06
	163,196,000	–	–		163,196,000					

Report of the Directors

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

(b) Share options (continued)

Other than the holdings and option holdings disclosed above, none of the directors, chief executives and their associates had any interests or short positions in any shares, debentures or underlying shares of the Company or any of its associated corporations at 31 December 2006.

Note:

(a) Share options granted were in excess of the individual limit and the approval from shareholders of the Company was obtained in general meetings held on 25 June 2003 and 2 October 2003.

(b) The vesting period of the share option is from the date of grant to the end of the exercise period.

The above share options are unlisted cash settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective directors.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, save as disclosed below, none of the directors is considered to have interest in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of director	Name of entity which businesses which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete with the businesses of the Group	Nature of director's interest in the entity
Geert Johan Roelens	Bekaert Management (Shanghai) Co., Ltd.	Manufacturing of steel cord	General Manager
	Bekaert Hlohovec, a.s.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Binjiang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert-Shenyang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert (Shandong) Tire Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Shenyang Advanced Products Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Japan Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	China Bekaert Steel Cord Company Limited	Manufacturing and sale of steel wire and/or cord products	Director

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Pursuant to a subscription agreement and a supplemental agreement (the "Bekaert Subscription") entered into by the Company and NV Bekaert SA ("Bekaert") in September 2006 and after the completion of the Bekaert Subscription on 15 December 2006, a nominee of Bekaert should be appointed as an executive director of the Company to represent the interest of Bekaert. Notwithstanding, the whole board of directors owes fiduciary duties towards the Company as a whole and as such it will act in the best interest of the Company and its shareholders in carrying on its businesses.

INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE SHAREHOLDERS OF THE COMPANY UNDER THE SFO

As at 31 December 2006, so far as was known to the Directors, the following parties had an interest or long position or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Long position in shares or underlying shares

Name of shareholder	Total number of shares/ underlying shares held	Approximate % of the issued share capital as at 31 December 2006	Capacity in which interests are held
Richson Limited ("Richson")	148,537,939	11.64	Beneficial owner
Fair Union Holdings Limited ("Fair Union")	286,655,179	22.46	Beneficial owner and interests of controlled corporations (1)
Shougang Concord International Enterprises Company Limited ("Shougang International")	286,655,179	22.46	Interests of controlled corporations (2)
Able Legend Investments Limited ("Able Legend")	126,984,000	9.95	Beneficial owner (3)
Shougang Holding (Hong Kong) Limited ("Shougang HK")	455,883,179	35.73	Interests of controlled corporations (4)

INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE SHAREHOLDERS OF THE COMPANY UNDER THE SFO (continued)

Long position in shares or underlying shares (continued)

Name of shareholder	Total number of shares/ underlying shares held	Approximate % of the issued share capital as at 31 December 2006	Capacity in which interests are held
Bekaert Holding B.V. ("Bekaert Holding")	250,000,000	19.59	Beneficial owner (5)
NV Bekaert SA ("Bekaert")	250,000,000	19.59	Interests of controlled corporations (6)
Cao Zhong	65,002,000	5.09	Beneficial owner (7)

Notes:

(1) Fair Union is beneficially interested in 135,721,936 shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula Investments Limited ("Casula") as Richson and Casula are its wholly owned subsidiaries.

(2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 shares held by Fair Union, the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.

(3) Able Legend is beneficially interested in 126,984,000 shares.

(4) By virtue of the SFO, Shougang HK is deemed to be interested in the 126,984,000 shares and the 28,374,000 shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 13,870,000 shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Concord Grand (Group) Limited ("Shougang Grand") and Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 shares held by Fair Union, the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula as it is the controlling shareholder of Shougang International.

(5) Bekaert Holding is beneficially interested in the 250,000,000 shares.

(6) By virtue of the SFO, Bekaert is deemed to be interested in the 250,000,000 shares held by Bekaert Holding, which is a wholly owned subsidiary of Bekaert.

(7) By virtue of the SFO, Mr. Cao Zhong is deemed to be interested in 65,002,000 shares as he holds 65,002,000 underlying shares of the Company as attached share options granted to him by the Company. The details of his share options are set out under the heading "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES" hereabove.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contracts of significance between the Group, Shougang HK and its subsidiaries, Shougang International and its subsidiaries, and Bekaert and its subsidiaries, respectively are set out under the heading "CONNECTED TRANSACTIONS" and in note 42 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to practicing and achieving a high standard of corporate governance and the Board has approved and adopted a Shougang Concord Century Holdings Limited Code on Corporate Governance (the "SCCH Code") on terms no less exacting than those set out in the Code Provisions of the Code on Corporate Governance Practices – Appendix 14 of the Listing Rules save for certain deviations of Code Provisions. Further information on the Company's Corporate Governance Practices is set out in the Corporate Governance Report on pages 21 to 34 of this annual report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting standard. These mainly relate to contracts entered into by the Group in the ordinary course of business which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 42 to the financial statements.

Some of these transactions also constituted "Connected Transaction" under the Listing Rules, as identified below.

CONNECTED TRANSACTIONS

The Group has the following connected transactions required to be disclosed under the Listing Rules:

(a) Continuing Connected Transactions exempt from the Independent Shareholders' Approval Requirements

Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") and Meta International Limited ("Meta International"), both are engaged in processing and trading of copper and brass products, the wholly owned subsidiaries of the Company entered into between Santai Manufacturing Limited ("Santai"), a wholly owned subsidiary of Shougang Concord Technology Holdings Limited ("Shougang Technology") which is defined as connected person pursuant to the Listing Rules (prior to conducting certain corporate exercise by Shougang Technology as stated below) whereby Santai purchased, and Hing Cheong and Meta International sold, copper sheets and brass sheets (the "Transactions"). The Transactions constituted connected transactions of the Company and would extend over a period of time and would take place on continuing basis. The transactions were entered into under the ordinary course of business basis. The aggregate amount of the Transactions during the year was approximately HK$1,915,000 which was fell within the proposed annual cap as disclosed in the published announcement of the Company dated 4 May 2004.

Following the allotment and issue of shares by Shougang Technology to other parties on 29 March 2006, Shougang Technology is not an associate of our substantial shareholder, Shougang HK under the Listing Rules and as a result, the Transactions will not constitute connected transactions of the Company under the Listing Rules thereafter.

(b) Tenancy Agreement

i) A tenancy agreement dated 3 January 2006 whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 51-57 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,000 square feet was leased by Billioncorp Development Limited, an indirect wholly owned subsidiary of Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of one year commencing from 1 January 2006 to 31 December 2006 at a monthly rental of HK$108,000 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

Report of the Directors

CONNECTED TRANSACTIONS (continued)

(b) Tenancy Agreement (continued)

ii) A tenancy agreement dated 3 January 2006 whereby a premises known as Flat 1612, Block Q, Kornhill, Hong On Street, Quarry Bay, Hong Kong with gross floor area of approximately 756 square feet was leased by Linksky Limited, an indirect wholly owned subsidiary of Shougang Grand which is an associate of Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of one year commencing from 1 January 2006 to 31 December 2006 at a monthly rental of HK$10,800 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

iii) A tenancy agreement dated 3 January 2006 whereby a premises known as Flat 1906A, Hongway Garden, 8 New Market Street, Sheung Wan, Hong Kong with gross floor area of approximately 508 square feet was leased by Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of one year commencing from 1 January 2006 to 31 December 2006 at a monthly rental of HK$8,000 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

The details of the above transactions are set out in the Company's announcement dated 3 January 2006.

CONNECTED TRANSACTIONS (continued)

(c) Co-operation Agreements

Bekaert and Jiaxing Eastern Steel Cord Co., Ltd. ("JESC"), both are engaged in the manufacturing or sale of steel cord in the PRC, and JESC is a wholly owned subsidiary of the Company. On 22 September 2006, Bekaert and JESC entered into two conditional contracts, including service contract and supply contract (the "Co-operation Agreements") pursuant to which Bekaert will provide certain planning and design services and supply certain materials for the manufacture of steel cord for a period of three years from the date of the completion of the Bekaert Subscription. After completion of the Bekaert Subscription on 15 December 2006, Bekaert becomes a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules. Accordingly, the services under the service contract provided and certain materials under the supply contract supplied by Bekaert to JESC, will constitute continuing connected transactions (the "Continuing Connected Transactions"). The Continuing Connected Transactions, which took place during the year, have been reviewed by the independent non-executive directors of the Company who have confirmed that the Continuing Connected Transactions have been entered into:

i) in the ordinary and usual course of business of the Group;

ii) on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties;

iii) in accordance with the Co-operation Agreements and relevant agreements governing them on terms that are fair and reasonable and in the best interest of the Company and its shareholders as a whole; and

iv) the aggregate amount of the Continuing Connected Transactions was approximately HK$835,101, of which zero service fee and sales fees of HK$835,101. The said respective fee did not exceed the limit of annual service fee cap of HK$295,000 and annual sales cap of HK$998,165. Those caps were approved by the shareholders of the Company at the extraordinary general meeting on 6 November 2006.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The independent non-executive directors have reviewed the Continuing Connected Transactions and the report of the auditors and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

CONNECTED TRANSACTIONS (continued)

(d) Subsequent to the balance sheet date, the following transactions also constituted continuing connected transactions of the Group:

i) A tenancy agreement dated 3 January 2007 whereby a premises known as Flat 1906A, Hongway Garden, 8 New Market Street, Sheung Wan, Hong Kong with gross floor area of approximately 508 square feet was leased by Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$8,000 (exclusive of rates, management fees and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

ii) A tenancy agreement dated 3 January 2007 whereby a premises known as Flat 1612, Block Q, Kornhill, Hong On Street, Quarry Bay, Hong Kong with gross floor area of approximately 756 square feet was leased by Linksky Limited, an indirect wholly owned subsidiary of Shougang Grand which is an associate of Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$11,800 (exclusive of rates, management fees and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

iii) A tenancy agreement dated 3 January 2007 whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,000 square feet was leased by Billioncorp Development Limited, an indirect wholly owned subsidiary of Shougang HK, a substantial shareholder of the Company, to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$126,000 (exclusive of rates, management fees and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

The respective maximum aggregate annual values of the said continuing connected transactions for the year ended 31 December 2007 to 2009 is HK$1,749,600, the details of the above transactions are set out in the Company's announcement dated 4 January 2007.

EMOLUMENT POLICY

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

In addition, the Company has adopted a share option scheme as an incentive to directors and eligible participants, details of the scheme are set out in note 41 to the financial statements and the heading "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES" hereabove.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float as required under the Listing Rules during the year and as at the latest practicable date, 16 April 2007 prior to the issue of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 47% (2005: 60%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 14% (2005: 23%).

Purchases from the Group's five largest suppliers accounted for approximately 40% (2005: 40%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 12% (2005: 17%).

As far as the directors are aware, neither the directors, their associates, nor those shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Cao Zhong
Chairman

Hong Kong, 19 April 2007

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 117, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
19 April 2007

Consolidated Income Statement

For the Year Ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	5	**678,923**	592,889
Cost of sales		**(553,269)**	(497,034)
Gross profit		**125,654**	95,855
Other operating income		**9,185**	8,328
Distribution and selling costs		**(6,133)**	(3,748)
Administrative expenses		**(38,374)**	(33,556)
Fair value changes on derivative financial instruments		**340**	(46)
(Allowance for) recovery of bad and doubtful debts		**(1,824)**	1,939
Dilution loss on share reform of an associate	7	**(6,858)**	–
Finance costs	8	**(18,904)**	(14,468)
Share of result of a jointly controlled entity		**10,245**	9,133
Share of result of an associate		**9,952**	4,781
Profit before taxation	9	**83,283**	68,218
Income tax expenses	10	**(7,252)**	(5,990)
Profit for the year		**76,031**	62,228
Dividends	12	**–**	15,391
Earnings per share	13		
Basic		**HK7.33 cents**	HK6.06 cents
Diluted		**HK6.93 cents**	HK5.84 cents

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment properties	14	**12,220**	10,340
Property, plant and equipment	15	**447,294**	458,085
Prepaid lease payments	16	**7,489**	7,658
Interests in a jointly controlled entity	18	**54,452**	49,025
Interests in an associate	19	**49,148**	48,234
Goodwill	20	**41,672**	41,672
Club memberships	22	**675**	675
Available-for-sale investment	23	**–**	–
		612,950	615,689
Current assets			
Inventories	24	**87,831**	84,160
Trade receivables	25	**177,996**	140,172
Bills receivable	25	**186,272**	71,448
Prepayments, deposits and other receivables		**14,438**	10,808
Prepaid lease payments	16	**441**	426
Amount due from a related company	26	**4,295**	1,497
Derivative financial instruments	34	**294**	–
Pledged bank deposits	28	**3,000**	3,000
Bank balances and cash	28	**297,566**	37,378
		772,133	348,889
Asset classified as held for sale	29	**–**	2,637
		772,133	351,526
Current liabilities			
Trade payables	30	**9,920**	9,284
Other payables and accruals		**16,791**	17,878
Derivative financial instruments	34	**–**	46
Tax payable		**86**	668
Amount due to a related company	26	**34,837**	–
Bank borrowings – due within one year	32	**238,499**	200,415
		300,133	228,291
Net current assets		**472,000**	123,235
Total assets less current liabilities		**1,084,950**	738,924

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current liabilities			
Bank borrowings – due after one year	32	**124,476**	42,598
Other payable		**1,528**	1,638
Deferred tax liabilities	33	**1,592**	935
		127,596	45,171
		957,354	693,753
Capital and reserves			
Share capital	35	**127,607**	102,607
Reserves		**829,747**	591,146
		957,354	693,753

The financial statements on pages 52 to 117 were approved and authorised for issue by the Board of Directors on 19 April 2007 and are signed on its behalf by:

Cao Zhong	**Li Shaofeng**
Director	*Director*

Balance Sheet

At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries	17	365,649	191,267
Advances to subsidiaries	17	415,593	330,918
Club memberships	22	315	315
		781,557	522,500
Current assets			
Other receivables		1,250	211
Amounts due from subsidiaries	31	22,000	10,000
Derivative financial instruments	34	294	–
Pledged bank deposits	28	3,000	3,000
Bank balances and cash	28	38,990	1,151
		65,534	14,362
Current liabilities			
Other payables and accruals		1,390	229
Derivative financial instruments	34	–	46
Amounts due to a subsidiary	31	31,728	24,780
Bank borrowings – due within one year	32	49,429	31,750
		82,547	56,805
Net current liabilities		(17,013)	(42,443)
Total assets less current liabilities		764,544	480,057
Non-current liability			
Bank borrowings – due after one year	32	124,476	33,905
		640,068	446,152
Capital and reserves			
Share capital	35	127,607	102,607
Reserves	36	512,461	343,545
		640,068	446,152

Cao Zhong
Director

Li Shaofeng
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2006

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note 1)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	PRC reserve funds HK$'000 (Note 2)	Retained profits HK$'000	Total HK$'000
At 1 January 2005	102,607	287,024	32,659	1,013	304	5,128	26,174	179,333	634,242
Surplus on revaluation	–	–	–	–	628	–	–	–	628
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(75)	–	–	–	(75)
Translation adjustments:									
– subsidiaries	–	–	–	–	–	10,220	–	–	10,220
– jointly controlled entity	–	–	–	–	–	1,021	–	–	1,021
– associate	–	–	–	–	–	880	–	–	880
Net gain recognised directly in equity	–	–	–	–	553	12,121	–	–	12,674
Profit for the year	–	–	–	–	–	–	–	62,228	62,228
Total recognised income for the year	–	–	–	–	553	12,121	–	62,228	74,902
Dividend paid	–	–	–	–	–	–	–	(15,391)	(15,391)
Transfer	–	–	–	–	–	–	1,524	(1,524)	–
At 31 December 2005	102,607	287,024	32,659	1,013	857	17,249	27,698	224,646	693,753
At 1 January 2006	102,607	287,024	32,659	1,013	857	17,249	27,698	224,646	693,753
Surplus on revaluation	–	–	–	–	3,628	–	–	–	3,628
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(472)	–	–	–	(472)
Translation adjustments:									
– subsidiaries	–	–	–	–	–	19,499	–	–	19,499
– jointly controlled entity	–	–	–	–	–	1,838	–	–	1,838
– associate	–	–	–	–	–	1,602	–	–	1,602
Net gain recognised directly in equity	–	–	–	–	3,156	22,939	–	–	26,095
Profit for the year	–	–	–	–	–	–	–	76,031	76,031
Release of deferred tax liability upon disposal of a property	–	–	–	–	64	–	–	–	64
Release of property revaluation reserve upon disposal of a property	–	–	–	–	(367)	–	–	367	–
Reversal in relation to share reform of an associate	–	–	–	–	–	–	(521)	521	–
Total recognised income for the year	–	–	–	–	2,853	22,939	(521)	76,919	102,190
Issue of shares	25,000	137,500	–	–	–	–	–	–	162,500
Share issue expenses	–	(1,089)	–	–	–	–	–	–	(1,089)
Transfer	–	–	–	–	–	–	18,059	(18,059)	–
At 31 December 2006	127,607	423,435	32,659	1,013	3,710	40,188	45,236	283,506	957,354

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2006

Note 1: The capital reserve comprises the following:

- Approximately HK$23,990,000 relates to an assignment of shareholder's loan at a nominal consideration of HK$1 during the corporate re-organisation of the Group for the purpose of the listing in 1992.

- Approximately HK$6,749,000 relates to the share of surplus on revaluation by an associate in 1995 for the purpose of listing on Shanghai Stock Exchange in 1996.

- The remaining balance of approximately HK$1,920,000 relates to bonus shares issued by an associate in 2001.

Note 2: In accordance with the articles of association of the subsidiaries, jointly controlled entity and associate registered or incorporated in the People's Republic of China (the "PRC") and the relevant PRC laws and regulations, these subsidiaries, jointly controlled entity and associate are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this reserve fund is subject to the approval of the board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**83,283**	68,218
Adjustments for:		
Depreciation	**40,092**	38,794
Amortisation of prepaid lease payments	**432**	421
Increase in fair value of investment properties	**(2,810)**	(2,695)
Surplus on revaluation of leasehold land and buildings, net	**(140)**	(337)
Loss on disposal of property, plant and equipment	**167**	299
Gain on disposal of property held for sale	**(339)**	–
Interest income	**(2,018)**	(275)
Allowance for inventories	**267**	–
Allowance for (recovery of) bad and doubtful debts	**1,824**	(1,939)
Finance costs	**18,904**	14,468
Share of result of a jointly controlled entity	**(10,245)**	(9,133)
Share of result of an associate	**(9,952)**	(4,781)
Dilution loss on share reform of an associate	**6,858**	–
Foreign exchange gains	**–**	(3,058)
Operating cash flows before movements in working capital	**126,323**	99,982
(Increase) decrease in inventories	**(1,962)**	145
Increase in trade and bills receivables	**(148,230)**	(36,177)
(Increase) decrease in prepayments, deposits and other receivables	**(3,923)**	2,345
(Increase) decrease in derivative financial instruments	**(340)**	46
(Increase) decrease in amount due from a related company	**(2,798)**	621
Increase (decrease) in trade payables	**523**	(101)
(Decrease) increase in other payables and accruals	**(1,479)**	3,589
Cash (used in) generated from operations	**(31,886)**	70,450
Interest received	**2,018**	275
Interest paid	**(17,849)**	(13,682)
Interest paid on finance lease payments	**–**	(6)
PRC taxes paid	**(7,847)**	(5,397)
PRC tax refunded	**200**	–
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(55,364)**	51,640

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES		
Dividends received from a jointly controlled entity	**6,656**	6,012
Dividend received from an associate	**3,782**	3,047
Proceeds from disposal of property, plant and equipment	**62**	81
Proceed from disposal of property held for sale	**2,976**	–
Purchase of property, plant and equipment	**(9,707)**	(8,455)
Decrease in pledged bank deposits	**–**	1,000
NET CASH FROM INVESTING ACTIVITIES	**3,769**	1,685
FINANCING ACTIVITIES		
New bank loans raised	**314,162**	131,913
Trust receipt loans raised	**295,806**	290,684
Bank advances for discounted bills	**189,284**	–
Proceeds on issue of ordinary shares	**162,500**	–
Advance from a related company	**34,837**	–
Repayment of trust receipt loans	**(320,016)**	(290,240)
Repayment of bank loans	**(218,234)**	(166,398)
Repayment of bank advances for discounted bills	**(145,939)**	–
Share issue expenses paid	**(1,089)**	–
Dividend paid	**–**	(15,391)
Repayment of obligations under finance lease	**–**	(206)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**311,311**	(49,638)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**259,716**	3,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**37,378**	33,255
Effect of foreign exchange rate changes	**472**	436
CASH AND CASH EQUIVALENTS AT END OF THE YEAR,		
Bank balances and cash	**297,566**	37,378

Notes to the Financial Statements

For the Year Ended 31 December 2006

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The functional currency of the Company is Renminbi. For the convenience of the financial statements users because the Company is listed in Hong Kong, the results and financial position of the Group are expressed in Hong Kong dollar, the presentation currency for the consolidated financial statements.

During the year, the Group was principally involved in the manufacturing of steel cords and processing and trading of copper and brass products.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group and the Company have applied, for the first time, a number of new standard, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC) – INT 12	Service Concession Arrangements[8]

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (continued)

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 March 2006
[4] Effective for annual periods beginning on or after 1 May 2006
[5] Effective for annual periods beginning on or after 1 June 2006
[6] Effective for annual periods beginning on or after 1 November 2006
[7] Effective for annual periods beginning on or after 1 March 2007
[8] Effective for annual periods beginning on or after 1 January 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The 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 explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisition prior to 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in jointly controlled entities (continued)

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Leasehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of leasehold land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any recognised impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost or fair values of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the estimated useful life of 25 to 50 years
Leasehold improvements	18% – 20%
Plant and machinery	4% – 20%
Furniture, fixtures and equipment	9% – 20%
Motor vehicles	11% – 20%

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An investment property is transferred to property, plant and equipment when it is evidenced by the commencement of owner-occupation. The fair value, at the date of transfer, which is the deemed cost of the property for subsequent accounting is in accordance with HKAS 16 *Property, Plant and Equipment*. The property interest held under an operating lease which was previously classified as investment property under the fair value model continues to be accounted for as a finance lease after the transfer.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Club memberships

Club memberships are stated at cost less any identified impairment loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method for steel cord and first-in, first-out method for copper and brass products and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when the goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the shareholder's right to receive payment has been established.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitled them to the contribution.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into available-for-sale financial assets and loans and receivables and the accounting policies adopted in respect of each category of financial assets are set out below. The Company's financial assets are loans and receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including advances to subsidiaries, trade and bills receivables and other receivables, amount due from a related company, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals, bank borrowings, amount due to a related company and amounts due to subsidiaries, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration is recognised in profit or loss.

Equity-settled share-based payment transactions

Share options granted to employees

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 equity (share options 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 estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

Share options granted to employees (continued)

In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 *Share-based Payments* with respect to share options granted after 7 November 2002 and vested before 1 January 2005, no amount has been recognised in the consolidated financial statements in respect of these equity-settled shared-based payments.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount under another standard in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

4. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include bank borrowings, trade receivables, bills receivable, other receivables, trade payables, other payables and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Financial Statements

For the Year Ended 31 December 2006

4. FINANCIAL INSTRUMENTS (continued)

a. Financial risk management objectives and policies (continued)

Market risk

Fair value interest rate risk

The Group's fair value interest rate risk relates to fixed-rate bank deposits (see note 28 for details) and fixed-rate borrowings (see note 32 for details of these borrowings). The management will consider hedging significant fair value interest rate exposure should the need arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and bank borrowings. It is the Group's policy to minimise its exposures to cash flow interest rate risk for borrowings by hedging should the need arise. As at 31 December 2006, the Group entered into some interest rate swaps to partially hedge its cash flow interest rate risk (see note 34 for details).

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group and the Company arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities disclosed in note 39.

As at 31 December 2006, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Company arising from:

- the carrying amount of the respective recognised financial assets as stated in the Company's balance sheet; and

- the amount of contingent liabilities disclosed in note 39.

4. FINANCIAL INSTRUMENTS (continued)

a. Financial risk management objectives and policies (continued)

Credit risk (continued)

In order to minimise the credit risk, the management of the Group and the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk of liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly the People's Republic of China (the "PRC") which accounted for 59% of the revenue for the year ended 31 December 2006.

The Company's concentration of credit risk is on advances to subsidiaries.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2006, the Group have available undrawn borrowing facilities of approximately HK$297,018,000 (2005: HK$307,908,000).

Notes to the Financial Statements

For the Year Ended 31 December 2006

4. FINANCIAL INSTRUMENTS (continued)

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

- the fair values of derivative instruments are quoted by financial institution which was determined with reference to estimated cash flows with appropriate yield curve for equivalent instruments at balance sheet date.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, and gross rental income during the year.

An analysis of the Group's revenue is as follows:

	2006	2005
	HK$'000	HK$'000
Sales of goods		
Manufacturing of steel cords	**393,726**	411,865
Processing and trading of copper and brass products	**283,695**	164,620
Others (trading of metal and metal ore)	**679**	15,849
	678,100	592,334
Rental income	**823**	555
	678,923	592,889

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the steel cord segment comprises the manufacturing of steel cords; and

(ii) the copper and brass products segment comprises the processing and trading of copper and brass products.

Other operation mainly comprises property investment and trading of metal and metal ore.

Notes to the Financial Statements

For the Year Ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

Segment information about these businesses is presented below:

For the year ended 31 December 2006

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue				
External sales	393,726	283,695	1,502	678,923
Result				
Segment result	65,668	39,823	3,306	108,797
Unallocated income				3,368
Unallocated expenses				(23,317)
Dilution loss on share reform of an associate				(6,858)
Finance costs				(18,904)
Share of result of a jointly controlled entity				10,245
Share of result of an associate				9,952
Profit before taxation				83,283
Income tax expenses				(7,252)
Profit for the year				76,031

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2006 (continued)

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital expenditure	9,072	219	416	9,707
Depreciation	38,302	1,094	696	40,092
Allowance for bad and doubtful debts	1,223	601	–	1,824
Allowance for inventories	–	267	–	267
Loss on disposal of property, plant and equipment	70	5	92	167
Gain on disposal of property held for sale	–	–	339	339

At 31 December 2006

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
BALANCE SHEET				
Assets				
Segment assets	1,013,438	123,738	30,689	1,167,865
Interests in a jointly controlled entity				54,452
Interests in an associate				49,148
Goodwill	41,672	–	–	41,672
Unallocated corporate assets				71,946
Consolidated total assets				1,385,083
Liabilities				
Segment liabilities	14,960	7,003	778	22,741
Unallocated corporate liabilities				404,988
Consolidated total liabilities				427,729

Notes to the Financial Statements

For the Year Ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2005 (restated)

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue				
External sales	411,865	164,620	16,404	592,889
Result				
Segment result	77,743	7,665	3,146	88,554
Unallocated income				296
Unallocated expenses				(20,078)
Finance costs				(14,468)
Share of result of a jointly controlled entity				9,133
Share of result of an associate				4,781
Profit before taxation				68,218
Income tax expenses				(5,990)
Profit for the year				62,228

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2005 (continued)

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Capital expenditure	7,138	66	1,251	8,455
Depreciation	36,948	1,153	693	38,794
(Recovery of) allowance for bad and doubtful debts	(2,042)	103	–	(1,939)
Loss on disposal of property, plant and equipment	297	1	1	299

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
At 31 December 2005 (restated)				
BALANCE SHEET				
Assets				
Segment assets	688,292	80,174	16,550	785,016
Interests in a jointly controlled entity				49,025
Interests in an associate				48,234
Goodwill	41,672	–	–	41,672
Unallocated corporate assets				43,268
Consolidated total assets				967,215
Liabilities				
Segment liabilities	10,945	7,949	2,206	21,100
Unallocated corporate liabilities				252,362
Consolidated total liabilities				273,462

Notes to the Financial Statements

For the Year Ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segment based on the location of the customers, and assets are attributed to the segment based on the location of the assets.

	Hong Kong		Other regions in the PRC		Others		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**261,924**	67,203	**400,489**	521,178	**15,687**	3,953	**678,100**	592,334
Gross rental income	**455**	450	**368**	105	**–**	–	**823**	555
	262,379	67,653	**400,857**	521,283	**15,687**	3,953	**678,923**	592,889
Other segment information:								
Segment assets	**123,105**	65,631	**1,044,760**	719,385	**–**	–	**1,167,865**	785,016
Interests in a jointly controlled entity	**–**	–	**54,452**	49,025	**–**	–	**54,452**	49,025
Interests in an associate	**–**	–	**49,148**	48,234	**–**	–	**49,148**	48,234
Capital expenditure	**131**	1,189	**9,576**	7,266	**–**	–	**9,707**	8,455

7. DILUTION LOSS ON SHARE REFORM OF AN ASSOCIATE

The completion of the share reform plan for the conversion of the non-freely transferable shares of Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), an associate of the Group, into shares freely transferable on the Shanghai Stock Exchange (the "Share Reform Plan") took place during the year. Under the Share Reform Plan, the non-freely transferable shareholders of Xinhua Metal, including a wholly-owned subsidiary of the Company, would offer holders of freely transferable share of Xinhua Metal 3.3 non-freely transferable shares for every 10 freely transferable shares held by such holders, in exchange for the consent by the holders of freely transferable share of Xinhua Metal to the conversion of all non-freely transferable shares into freely transferable shares of Xinhua Metal. Followed by the completion of the Share Reform Plan, the Group's equity interest in Xinhua Metal was diluted from approximately 16.75% to 14.49%. A loss on share reform of approximately HK$6,858,000 was recognised during the year.

8. FINANCE COSTS

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**17,849**	13,682
Amortisation of borrowing costs	**1,055**	780
Interest on finance leases	**–**	6
Total borrowing costs	**18,904**	14,468

Notes to the Financial Statements

For the Year Ended 31 December 2006

9. PROFIT BEFORE TAXATION

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**553,269**	497,034
Staff costs, including directors' remuneration *(note 11)*:		
– Salaries, wages and other benefits	**36,512**	34,075
– Retirement benefit scheme contributions	**1,941**	1,652
Total staff costs	**38,453**	35,727
Allowance for inventories	**267**	–
Depreciation	**40,092**	38,794
Auditors' remuneration	**630**	530
Amortisation of prepaid lease payments (included in "Cost of sales")	**432**	421
Foreign exchange gains, net	**(3,710)**	(4,575)
Loss on disposal of property, plant and equipment	**167**	299
Gain on disposal of property held for sale	**(339)**	–
Increase in fair value of investment properties	**(2,810)**	(2,695)
Surplus on revaluation of leasehold land and buildings, net	**(140)**	(337)
Gross rental income	**(823)**	(555)
Less: direct operating expenses for investment property that generates rental income	**85**	72
Net rental income	**(738)**	(483)
Interest income	**(2,018)**	(275)
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**1,913**	1,700
Share of tax of an associate (included in "Share of result of an associate")	**1,901**	1,563

Notes to the Financial Statements

For the Year Ended 31 December 2006

10. INCOME TAX EXPENSES

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Current tax:		
Hong Kong	**1,773**	–
Other regions in the PRC	**5,216**	5,114
	6,989	5,114
Underprovision in prior years:		
Hong Kong	**1**	–
Other regions in the PRC	**29**	–
	30	–
Deferred taxation *(note 33)*:		
Current year	**233**	876
Taxation attributable to the Company and its subsidiaries	**7,252**	5,990

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. The charge for the year to Hong Kong Profits Tax has been relieved by approximately HK$2,901,000 as a result of tax losses brought forward from previous years.

No tax is payable on the profit for the year ended 31 December 2005 arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

Pursuant to the relevant laws and regulations in the PRC, operations of the Group in Zhejiang and Shanghai in the PRC have qualified for tax concessions in the form of reduced income tax rate to 15%. Besides, a subsidiary of the Group operating in the PRC is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction of PRC income tax for the next three years, which was expired in the year ended 31 December 2005. Accordingly, the PRC income tax has been provided taking into account of these tax concessions.

Notes to the Financial Statements

For the Year Ended 31 December 2006

10. INCOME TAX EXPENSES (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2006		2005	
	HK$'000	%	HK$'000	%
Profit before taxation	83,283		68,218	
Tax at the applicable PRC income tax rate of 15% (2005: 15%) *(Note 1)*	12,492	15.00	10,233	15.00
Tax effect of expenses not deductible in determining taxable profit	1,771	2.13	1,665	2.44
Tax effect of income not taxable in determining taxable profit	(472)	(0.57)	(159)	(0.23)
Tax effect of tax losses not recognised	3,213	3.86	2,145	3.14
Tax effect of recognition of deferred tax assets previously not recognised	–	–	(33)	(0.05)
Tax effect on utilisation of tax losses previously not recognised	(2,295)	(2.76)	(977)	(1.43)
Tax effect on deferred tax assets not recognised	57	0.07	–	–
Tax credit on qualified plant and machineries acquired *(Note 2)*	(3,664)	(4.40)	–	–
Tax effect on share of result of a jointly controlled entity	(1,537)	(1.85)	(1,370)	(2.01)
Tax effect on share of result of an associate	(1,492)	(1.79)	(717)	(1.05)
Effect of tax exemptions and concessions granted to subsidiaries	(1,166)	(1.40)	(4,915)	(7.20)
Effect of different tax rates in other jurisdictions	285	0.34	44	0.06
Underprovision in respect of prior year	30	0.04	–	–
Others	30	0.04	74	0.11
Tax expense for the year	7,252	8.71	5,990	8.78

Note:

1. The tax rate in the jurisdiction where the operation of the Group is substantially based is used.

2. Pursuant to approval from documents numbers 2004 No. 360, 362 and 515, 2005 No. 461 and 2006 No. 227 issued by the Jiaxing State Tax Bureau, a subsidiary of the Company can enjoy the tax credit of approximately RMB7,777,000 against its enterprise income tax for purchasing the plant and machineries. The Company recognised approximately RMB3,687,000 (2005: Nil), equivalent to HK$3,664,000 (2005: Nil), during the year ended 31 December 2006.

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's leasehold land and buildings has been charged directly to equity (see note 33).

Notes to the Financial Statements

For the Year Ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2005: ten) directors were as follows:

For the year ended 31 December 2006

	Cao Zhong HK$'000	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Geert Johan Roelens HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chu, Kwok Tsu Gilbert HK$'000	Total HK$'000
Fees	–	–	–	120	–	5	150	150	150	575
Other emoluments										
Salaries and other benefits	–	2,080	1,786	–	1,690	–	–	–	–	5,556
Retirement benefit scheme contributions	–	124	97	–	97	–	–	–	–	318
Discretionary bonus *(Note)*	525	525	260	–	260	–	–	–	–	1,570
Total emoluments	525	2,729	2,143	120	2,047	5	150	150	150	8,019

For the year ended 31 December 2005

	Cao Zhong HK$'000	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chu, Kwok Tsu Gilbert HK$'000	Chen Siu Min, Kelvin HK$'000	Hui, Hung Stephen HK$'000	Total HK$'000
Fees	–	–	–	–	–	125	75	25	63	100	388
Other emoluments											
Salaries and other benefits	–	1,950	1,560	–	1,690	–	–	–	–	–	5,200
Retirement benefit scheme contributions	–	120	88	–	98	–	–	–	–	–	306
Discretionary bonus *(Note)*	500	450	195	–	275	–	–	–	–	–	1,420
Total emoluments	500	2,520	1,843	–	2,063	125	75	25	63	100	7,314

Note: The discretionary bonus is determined having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

No director waived any emoluments in the years ended 31 December 2006 and 2005.

Notes to the Financial Statements

For the Year Ended 31 December 2006

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The emoluments of the five highest paid individuals, excluding directors, for the year are as follows:

	2006	2005
	HK$'000	HK$'000
Salaries and other benefits	**3,190**	2,921
Retirement benefit scheme contributions	**60**	60
Discretionary bonus	**614**	304
	3,864	3,285

Their emoluments were within the following bands:

	Number of employees	
	2006	2005
HK$Nil to HK$1,000,000	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–

12. DIVIDENDS

	2006	2005
	HK$'000	HK$'000
No dividend was paid for the year ended 31 December 2006 while a final dividend of HK1.5 cents per share was paid for the year ended 31 December 2005	**–**	15,391

The final dividend of HK1.0 cent (2005: Nil) per share has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Earnings		
Profit for the year for the purpose of calculation of basic and diluted earnings per share	**76,031**	62,228

	THE GROUP	
	2006	2005
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,037,710,392**	1,026,066,556
Effect of dilutive potential ordinary shares:		
Share options	**58,949,314**	38,706,181
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,096,659,706**	1,064,772,737

Notes to the Financial Statements

For the Year Ended 31 December 2006

14. INVESTMENT PROPERTIES

	THE GROUP HK$'000
At 1 January 2005	8,966
Transfer to property, plant and equipment at fair value	(1,321)
Increase in fair value, net	2,695
At 1 January 2006	10,340
Transfer to property, plant and equipment at fair value	(930)
Increase in fair value	2,810
At 31 December 2006	12,220

The fair value of the Group's investment properties at 31 December 2006 has been arrived at on the basis of valuation carried out by Messrs. Vigers International Property Consultant ("Vigers International"), an independent professional valuer not connected with the Group. Vigers International is a member of Institute of Valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The carrying amount of investment properties comprises land and buildings in Hong Kong and other regions in the PRC as follows:

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Long-term lease in Hong Kong	**8,650**	7,760
Medium-term lease in other regions in the PRC	**3,570**	2,580
	12,220	10,340

All investment properties are rented out under operating leases.

Notes to the Financial Statements

For the Year Ended 31 December 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2005	61,871	2,140	560,355	4,593	6,940	435	636,334
Exchange realignment	1,036	6	11,158	53	72	8	12,333
Additions	3	9	2,226	795	1,612	3,810	8,455
Reclassification	1,854	–	1,008	–	–	(2,862)	–
Transfer from investment properties	1,321	–	–	–	–	–	1,321
Transfer to asset held for sale	(2,700)	–	–	–	–	–	(2,700)
Disposals	–	–	(710)	(19)	–	–	(729)
Surplus on revaluation, net	(2,206)	–	–	–	–	–	(2,206)
At 31 December 2005 and 1 January 2006	61,179	2,155	574,037	5,422	8,624	1,391	652,808
Exchange realignment	1,867	10	20,375	117	148	50	22,567
Additions	–	72	606	276	542	8,211	9,707
Reclassification	–	–	6,242	–	–	(6,242)	–
Transfer from investment properties	930	–	–	–	–	–	930
Disposals	–	(141)	(32)	(530)	(323)	–	(1,026)
Surplus on revaluation, net	284	–	–	–	–	–	284
At 31 December 2006	64,260	2,096	601,228	5,285	8,991	3,410	685,270
Comprising:							
At cost	–	2,096	601,228	5,285	8,991	3,410	621,010
At valuation	64,260	–	–	–	–	–	64,260
	64,260	2,096	601,228	5,285	8,991	3,410	685,270

Notes to the Financial Statements

For the Year Ended 31 December 2006

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
ACCUMULATED DEPRECIATION							
At 1 January 2005	–	1,083	147,384	2,690	4,964	–	156,121
Exchange realignment	34	1	3,276	34	46	–	3,391
Provided for the year	3,200	236	34,166	527	665	–	38,794
Eliminated on disposals	–	–	(333)	(16)	–	–	(349)
Eliminated on revaluation	(3,171)	–	–	–	–	–	(3,171)
Transfer to asset held for sale	(63)	–	–	–	–	–	(63)
At 31 December 2005 and 1 January 2006	–	1,320	184,493	3,235	5,675	–	194,723
Exchange realignment	68	4	7,199	73	98	–	7,442
Provided for the year	3,416	219	35,088	637	732	–	40,092
Eliminated on disposals	–	(63)	(19)	(478)	(237)	–	(797)
Eliminated on revaluation	(3,484)	–	–	–	–	–	(3,484)
At 31 December 2006	–	1,480	226,761	3,467	6,268	–	237,976
NET BOOK VALUE							
At 31 December 2006	64,260	616	374,467	1,818	2,723	3,410	447,294
At 31 December 2005	61,179	835	389,544	2,187	2,949	1,391	458,085

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
The carrying amount of leasehold land and buildings comprises:		
Land in Hong Kong:		
Long-term leases	**1,180**	–
Medium-term leases	**5,700**	5,699
Land in other regions in the PRC:		
Long-term lease	**2,450**	1,960
Medium-term lease	**54,930**	53,520
	64,260	61,179

All leasehold land and buildings of the Group were valued at 31 December 2006 by Vigers International on an open market value basis. Vigers International is not connected with the Group.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of approximately HK$63,007,000 (2005: HK$64,736,000).

16. PREPAID LEASE PAYMENTS

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium-term prepaid lease payments located in the PRC	**7,930**	8,084
Analysed for reporting purposes as:		
Current asset	**441**	426
Non-current asset	**7,489**	7,658
	7,930	8,084

Notes to the Financial Statements

For the Year Ended 31 December 2006

17. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	**15,182**	15,182
Capital contributions	**350,467**	176,085
	365,649	191,267
Advances to subsidiaries	**415,593**	330,918

Capital contributions represent imputed interest on interest-free advances to subsidiaries.

Except for the balances with a subsidiary of HK$15,372,000 (2005: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2005: LIBOR plus 3%) per annum and with a subsidiary of HK$9,587,000 (2005: HK$9,587,000) which bears interest at Hong Kong Dollar Prime Rate (2005: 2%) per annum, the remaining balances are interest free. In the opinion of the directors, the Company will not demand repayment within one year from the balance sheet date and are therefore considered as non-current. Such interest-free loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. As at 31 December 2006, the effective interest rate used was 7.75% (2005: 7.75%), being the prevailing market borrowing rate of interest for a similar instrument.

Details of the Company's principal subsidiaries at 31 December 2006 are set out in note 43.

18. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Cost of investment in a jointly controlled entity	**19,500**	19,500
Share of post-acquisition profits and reserves, net of dividend received	**34,952**	29,525
	54,452	49,025

The summarised financial information in respect of the Group's jointly controlled entity which is accounted for using the equity method is set out below:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Current assets	**71,070**	63,953
Non-current assets	**19,860**	20,501
Current liabilities	**(36,478)**	(35,429)
Income	**114,712**	117,995
Expenses	**(104,467)**	(108,862)

Particulars of the Group's jointly controlled entity is set out in note 44.

Notes to the Financial Statements

For the Year Ended 31 December 2006

19. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Cost of investment	**5,282**	5,282
Share of post-acquisition profits and reserves, net of dividend received	**43,866**	42,952
	49,148	48,234
Fair value of listed investments	**112,875**	N/A

The cost of investment represents the Group's 14.49% (2005: 16.75%) interest in Xinhua Metal, a company listed on the Shanghai Stock Exchange. During the year, Xinhua Metal implemented a share reform plan, details of which are outlined in note 7.

Under the Share Reform Plan, the shares of Xinhua Metal held by the Group will be subject to a lock-up period of 12 months ("Lock-up Period") upon such shares becoming freely transferable shares. The Group undertakes not to sell the number of shares in Xinhua Metal in exceed of (i) 5% of its entire issued share capital for 12 months; and (ii) 10% of its entire issued share capital for 24 months, after the Lock-up Period. Following the 24 months after the Lock-Up period, the Group will be able to dispose its shareholding in Xinhua Metal free from any restriction.

The fair value of the listed investments is based on the price quoted on the Shanghai Stock Exchange.

19. INTERESTS IN AN ASSOCIATE (continued)

The summarised financial information in respect of the Group's associate is set out below:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Total assets	**653,289**	606,307
Total liabilities	**(314,104)**	(318,343)
Net assets	**339,185**	287,964
Group's share of net assets of an associate	**49,148**	48,234
Revenue	**980,112**	785,576
Profit for the year	**63,905**	28,542
Group's share of result of an associate for the year	**9,952**	4,781

Particulars of the Group's associate is set out in note 45.

20. GOODWILL

The carrying amount of goodwill at the balance sheet date is approximately HK$41,672,000 (2005: HK$41,672,000).

Particulars regarding impairment testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL

As explained in note 6, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill set out in note 20 have been allocated to a subsidiary in steel cord segment, Jiaxing Eastern Steel Cord Co., Ltd..

During the year ended 31 December 2006, management of the Group determines that there are no impairments of any of its cash-generating units ("CGU") containing goodwill.

Notes to the Financial Statements

For the Year Ended 31 December 2006

21. IMPAIRMENT TESTING ON GOODWILL (continued)

The recoverable amount of the above CGU have been determined on the basis of value in use calculations. The recoverable amounts are based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 7.6%. The cashflow of the CGU beyond the 5-year period is extrapolated for further thirteen years using zero growth rate. Cash flow projections during the budget period for the CGU are based on the expected gross revenue and gross margins during the budget period. Budgeted gross revenue and gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the above CGU inclusive of goodwill to exceed the recoverable amount of the above CGU.

22. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club memberships, at cost	**2,010**	2,010	**820**	820
Less: Impairment losses	**(1,335)**	(1,335)	**(505)**	(505)
	675	675	**315**	315

23. AVAILABLE-FOR-SALE INVESTMENT

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Unlisted equity investment, at cost	**1,123**	1,123
Less: Impairment losses	**(1,123)**	(1,123)
	–	–

The above unlisted investment represents investment in unlisted equity securities issued by a private entity incorporated in the PRC which were fully impaired in prior years.

24. INVENTORIES

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Raw materials	**34,599**	36,340
Work in progress	**11,656**	10,620
Finished goods	**41,576**	37,200
	87,831	84,160

25. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Trade receivables	**183,302**	143,528
Less: accumulated impairment	**(5,306)**	(3,356)
	177,996	140,172
Bill receivables	**186,272**	71,448
	364,268	211,620

Included in bills receivable, HK$44,272,000 (2005: Nil) was discounted to banks.

The Group normally allows credit periods of 30 – 120 days to its trade customers.

Notes to the Financial Statements

For the Year Ended 31 December 2006

25. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

An aged analysis of trade and bills receivable as at the balance sheet date is as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
0 – 90 days	**249,344**	181,710
91 – 180 days	**106,378**	29,910
Over 180 days	**8,546**	–
	364,268	211,620

26. AMOUNT DUE FROM (TO) A RELATED COMPANY

The amount due from Shougang Concord Technology Holdings Limited ("Shougang TECH") and its subsidiaries (collectively "Shougang TECH Group") is trading nature, unsecured, non-interest bearing and repayable on demand. The aging as at the balance sheet date is within 180 days.

The amount due to Shougang Holding (Hong Kong) Limited ("Shougang HK") is unsecured, non-interest bearing and repayable on demand.

Shougang HK is a substantial shareholder of both Shougang TECH and the Company.

27. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure certain bank borrowings as set out in note 32.

(i) the Group's investment properties amounting to HK$3,570,000 (2005: HK$2,580,000) and certain of the leasehold land and buildings with an aggregate net book value of HK$43,934,000 (2005: HK$42,486,000);

(ii) the Group's prepaid lease payments with a net book value of HK$7,280,000 (2005: HK$8,084,000);

(iii) the Group's bills receivable amounting to HK$44,272,000 (2005: Nil);

(iv) the bank deposits of the Group and the Company amounting to HK$3,000,000 (2005: HK$3,000,000); and

(v) the Company's shares in certain subsidiaries.

As at 31 December 2005, the Group's plant and equipment with an aggregate net book values of approximately HK$136,956,000 were pledged. No plant and equipment were pledged at 31 December 2006.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

Bank balances carry interest at market rates which range from 0.5% to 3.7% per annum. The pledged bank deposits, which pledged to banks to secure short-term banking facilities granted to the Group therefore classified as current, carried fixed interest rate which range from 2.875% to 3.58% per annum.

The Company

Bank balances carry interest at market rates which range from 1.9% to 3.0% per annum. The pledged bank deposits carry fixed interest rate which range from 2.875% to 3.58% per annum.

Notes to the Financial Statements

For the Year Ended 31 December 2006

29. ASSET CLASSIFIED AS HELD FOR SALE

On 17 November 2005, the directors resolved to dispose one of the Group's properties of the others segment. Agreement has been signed before 31 December 2005 and the transaction was completed on 5 January 2006 at a gain of approximately HK$339,000. The asset which was expected to be sold within twelve months, has been classified as a disposal asset held for sale and presented separately in the balance sheet at 31 December 2005.

30. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date is as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
0 – 90 days	**8,861**	9,172
91 – 180 days	**555**	87
Over 180 days	**504**	25
	9,920	9,284

31. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts due from (to) subsidiaries are unsecured, interest free and have no fixed repayment terms.

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**55,382**	79,592	**–**	7,384
Bank loans	**263,321**	163,421	**173,905**	58,271
Discounted bills with recourse	**44,272**	–	**–**	–
	362,975	243,013	**173,905**	65,655
Secured	**271,200**	185,948	**173,905**	65,655
Unsecured	**91,775**	57,065	**–**	–
	362,975	243,013	**173,905**	65,655

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**238,499**	200,415	**49,429**	31,750
In the second year	**124,476**	42,598	**124,476**	33,905
	362,975	243,013	**173,905**	65,655
Less: Amount due for settlement within one year (shown under current liabilities)	**(238,499)**	(200,415)	**(49,429)**	(31,750)
Amount due for settlement after one year	**124,476**	42,598	**124,476**	33,905

Bank loans include approximately HK$113,946,000 (2005: 105,150,000) fixed-rate borrowings and expose the Group to fair value interest rate risk. The fixed-rate borrowings are repayable within one year. The remaining bank loans are variable-rate borrowings thus exposing the Group to cash flow interest rate risk.

Notes to the Financial Statements

For the Year Ended 31 December 2006

32. BANK BORROWINGS (continued)

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2006	2005
Effective interest rate per annum:		
Fixed-rate borrowings	**4.3% – 4.9%**	2.1% – 5.0%
Variable-rate borrowings	**6.2% – 7.9%**	3.8% – 7.4%

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	HK$'000
As at 31 December 2006	26,742
As at 31 December 2005	150,649

During the year, the Group obtained new loans in the amount of HK$314,162,000 (2005: HK$131,913,000). These fixed-rate borrowings and variable-rate borrowings bear interest at market rates ranging from 5.02% to 5.58% per annum and from 5.46% to 6.56% per annum, respectively, and will be fully repayable within two years.

33. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the year and prior reporting period:

THE GROUP	Accelerated tax depreciation	Allowance for bad and doubtful debts	Allowance for inventories	Revaluation of properties	Tax loss	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2005	528	(728)	(44)	461	(124)	(109)	(16)
Charge (credit) to income statement for the year	552	294	14	310	(334)	40	876
Charge to equity for the year	–	–	–	75	–	–	75
At 31 December 2005 and 1 January 2006	1,080	(434)	(30)	846	(458)	(69)	935
Exchange realignment	17	(14)	(1)	14	–	–	16
Charge (credit) to income statement for the year	267	(253)	(1)	172	(66)	114	233
Charge to equity for the year	–	–	–	408	–	–	408
At 31 December 2006	1,364	(701)	(32)	1,440	(524)	45	1,592

At the balance sheet date, the Group has unused tax losses of approximately HK$73,586,000 (2005: HK$67,088,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$2,994,000 (2005: HK$2,617,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$70,592,000 (2005: HK$64,471,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$5,715,000 (2005: HK$3,557,000). A deferred tax asset has been recognised in respect of approximately HK$4,880,000 (2005: HK$3,104,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$835,000 (2005: HK$453,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Company had no significant deferred taxation for the year or at the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 December 2006

34. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	HK$'000
Interest rate swaps	**294**	(46)

Major terms of the interest rate swaps are as follows:

Notional amount	**Maturity**
HK$60,000,000	17 June 2008
HK$40,000,000	15 December 2008

For interest rate swap with contract sum of HK$60,000,000, interest rate will swap from Hong Kong Interbank Offered Rate ("HIBOR") to 3.48% if the three months HIBOR is equal to or less than 4.12% in each fixing date or interest rate will swap to three months HIBOR less 0.64% if the three months HIBOR is greater than 4.12% in each fixing date.

For interest rate swap with contract sum of HK$40,000,000, interest rate will swap from HIBOR to 3.58% if the three months HIBOR is equal to or less than 4.28% in each fixing date or interest rate will swap to three months HIBOR less 0.70% if the three months HIBOR is greater than 4.28%.

The above derivatives are not designated as hedging instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2006

35. SHARE CAPITAL

	2006		2005	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and at 31 December	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
At 1 January	**1,026,067**	**102,607**	1,026,067	102,607
Issue on subscription of new shares *(note)*	**250,000**	**25,000**	–	–
At 31 December	**1,276,067**	**127,607**	1,026,067	102,607

Note: In order to finance the expansion plan of its subsidiary, Jiaxing Eastern Steel Cord Co., Ltd., the Company entered into a subscription agreement and a supplemental agreement on 22 and 27 September 2006, respectively pursuant to which the Company issued and allotted 250,000,000 ordinary shares of HK$0.10 each in the Company at a cash price of HK$0.65 per share to NV Bekaert SA. The new shares ranked pari passu with existing shares in all respects.

Notes to the Financial Statements

For the Year Ended 31 December 2006

36. RESERVES

THE COMPANY	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2005	287,024	23,990	1,013	16,837	328,864
Profit for the year	–	–	–	30,072	30,072
Dividend paid	–	–	–	(15,391)	(15,391)
At 31 December 2005 and 1 January 2006	287,024	23,990	1,013	31,518	343,545
Issue of shares	137,500	–	–	–	137,500
Share issue expenses	(1.089)	–	–	–	(1,089)
Profit for the year	–	–	–	32,505	32,505
At 31 December 2006	423,435	23,990	1,013	64,023	512,461

The capital reserve of the Company represents the benefit of acquiring a shareholder's loan at a nominal consideration of HK$1 upon the acquisition of a subsidiary in previous years.

37. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2006 HK$'000	2005 HK$'000
Minimum lease payments under operating leases in respect of land and buildings during the year	**1,960**	1,489

The Group leases certain of its offices, factory premises and staff quarters under operating lease arrangements. Leases are negotiated for terms of one to seven years.

37. OPERATING LEASES (continued)

The Group as lessee (continued)

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Within one year	**942**	422
In the second to fifth year inclusive	**4,778**	220
Over five years	**2,886**	–
	8,606	642

The Group as lessor

Property rental income earned during the year was HK$823,000 (2005: HK$555,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Within one year	**513**	537
In the second to fifth year inclusive	**425**	338
	938	875

The Company had no commitment under operating leases in both years.

Notes to the Financial Statements

For the Year Ended 31 December 2006

38. CAPITAL COMMITMENTS

	THE GROUP	
	2006	2005
	HK$'000	HK$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	**25,174**	194
– authorised but not contracted for	**375,633**	–
	400,807	194

The Company did not have any significant commitments in both years.

39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of banking facilities utilised by subsidiaries	**–**	–	**156,633**	116,419
Guarantee for bank loans utilised by a jointly controlled entity	**7,465**	10,935	**–**	–
	7,465	10,935	**156,633**	116,419

40. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the local municipal government. These PRC subsidiaries are required to contribute 20% to 23% of its payroll costs to the scheme/fund. The contributions are charged to the income statement as they become payable in accordance with the rules of the scheme/fund.

41. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the board of directors (the "Board") of the Company shall, subject to and in accordance with the provisions of the 2002 Scheme and The Rules Governing the Listing of Securities on the Stock Exchange, grant share options to any eligible participant to subscribe for shares in the capital of the Company.

The Company operates the 2002 Scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group or potential contribution to the Group. Eligible participants of the 2002 Scheme include any director (including executive and independent non-executive), executive, officer, employee or shareholder of the Company or any of the subsidiaries or any of the associates or any of the jointly controlled entity and any supplier, customer, consultant, adviser, agent, partner or business associate who will contribute or has contributed to the Group. The 2002 Scheme became effective on 7 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme is 102,222,600 shares which represented approximately 8.01% of the issued share capital of the company as at the date of approval of this annual report. The maximum number of shares issuable under the share options to each eligible participant in the 2002 Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue under the 2002 Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Notes to the Financial Statements

For the Year Ended 31 December 2006

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The offer of a grant of share options may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. An option may be exercised under the 2002 Scheme at any time within 10 years from the date of grant of the options or may be determined by the Board at its absolute discretion. The minimum period for which an option must be held before it can be exercised will be determined by the Board at its discretion.

The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an eligible participant, which must be a business day; or (b) the official average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; or (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details of the Company's share options held by eligible participants and movements in such holdings in relation to the 2002 Scheme during the year:

Grantees	Number of share options for 2006					
	At 1.1.2006	Cancelled during the year	At 31.12.2006	Date of grant *(Note a)*	Exercise period	Exercise price per share HK$
Directors of The Company	27,930,000	–	27,930,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	3,060,000	–	3,060,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	68,882,000	–	68,882,000	25.6.2003	25.6.2003 – 24.6.2013	0.365
	5,974,000	–	5,974,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	57,350,000	–	57,350,000	2.10.2003	2.10.2003 – 1.10.2013	0.780
	163,196,000	–	163,196,000			
Employees other than directors of the Company	27,500,000	(4,000,000) *(Note b)*	23,500,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
All other eligible participants	7,652,000	–	7,652,000 *(Note c)*	23.8.2002	23.8.2002 – 12.4.2008	0.295
	9,948,000	–	9,948,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	20,660,000	–	20,660,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	38,260,000	–	38,260,000			
	228,956,000	(4,000,000)	224,956,000			

Notes to the Financial Statements

For the Year Ended 31 December 2006

41. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Grantees	At 1.1.2005	Cancelled during the year	At 31.12.2005	Date of grant (Note a)	Exercise period	Exercise price per share HK$
	Number of share options for 2005					
Directors of The Company	27,930,000	–	27,930,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	3,060,000	–	3,060,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	68,882,000	–	68,882,000	25.6.2003	25.6.2003 – 24.6.2013	0.365
	5,974,000	–	5,974,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	57,350,000	–	57,350,000	2.10.2003	2.10.2003 – 1.10.2013	0.780
	163,196,000	–	163,196,000			
Employees other than directors of the Company	27,500,000	–	27,500,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
All other eligible participants	7,652,000	–	7,652,000 *(Note c)*	23.8.2002	23.8.2002 – 12.4.2006	0.295
	9,948,000	–	9,948,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	20,660,000	–	20,660,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	38,260,000	–	38,260,000			
	228,956,000	–	228,956,000			

Notes:

a. The vesting period of the share options is from the date of grant to the end of the exercise period. The share option is fully vested on grant date.

b. The 4,000,000 options, were held by an employee of the Group who resigned on 25 December 2006, which were cancelled during the year.

c. The 7,652,000 outstanding options were held by Ms. Xu Xianghua ("Ms. Xu") who resigned as director of the Company on 13 April 2004 and the exercise period were changed from 23/8/2002 – 22/8/2012 to 23/8/2002 – 12/4/2006 by the approval of the board of directors on 8 April 2004. In view of the great contribution provided by Ms. Xu during her tenure of her service for the Company, the exercise period was further extended to 12/4/2008 by the approval of the board of directors on 12 April 2006.

Notes to the Financial Statements

For the Year Ended 31 December 2006

42. RELATED PARTY TRANSACTIONS

Trading transactions/balances

In addition to balances detailed in note 26 to the financial statements, during the year, the Group had the following material transactions with Shougang HK and its subsidiaries (collectively the "Shougang HK Group") and Shougang TECH Group and a jointly controlled entity.

	2006 HK$'000	2005 HK$'000
Consultancy fees paid to Shougang HK Group	**960**	960
Interest paid to Shougang HK Group	**965**	–
Rental expenses paid to Shougang HK Group	**1,522**	1,080
Sales to Shougang TECH Group	**9,554**	4,154
Corporate guarantees given to a jointly controlled entity	**7,465**	10,935

Compensation of key management personnel

The key management of the Group comprises all directors of the Company, details of their emoluments and share-based payment transactions are disclosed in notes 11 and 41. The emoluments of the directors of the Company are decided by the remuneration committee having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital/ registered capital	Attributable equity interest of the Group 2006	2005	Principal activities
Bigland Investment Limited	Hong Kong/ PRC	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Eastern Century Metal Products Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Trading of metals and investment holding
Everwinner Investments Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding

Notes to the Financial Statements

For the Year Ended 31 December 2006

43. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital/ registered capital	Attributable equity interest of the Group 2006	2005	Principal activities
Fair Win Development Limited	Hong Kong/ PRC	500,000 ordinary shares of HK$1 each	**100%**	100%	Property investment
Heroland Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Hing Cheong Metals (China & Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%***	100%*	Processing and trading of copper and brass products
Jiaxing Eastern Steel Cord Co., Ltd.# 嘉興東方鋼簾線有限公司	PRC	US$70,000,000	**100%**	100%	Manufacturing of steel cord
Meta International Limited	Hong Kong/ PRC	2 ordinary shares of HK$1 each	**100%***	100%*	Processing and trading of copper and brass products
Online Investments Limited	British Virgin Islands/ Hong Kong	31,000,000 ordinary shares of US$1 each	**100%**	100%	Investment holding

A wholly foreign owned enterprise.

* *Directly held by the Company.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

44. PARTICULARS OF THE JOINTLY CONTROLLED ENTITY

Particulars of the jointly controlled entity as at 31 December 2006 are as follows:

Name	Business structure	Place of registration and operation	Registered capital	Percentage of equity attributable to the Group	Percentage of voting power attributable to the Group	Percentage of profit and loss attributable to the Group	Principal activities
Shanghai Shenjia Metal Products Co., Ltd. 上海申佳金屬制品有限公司	Incorporated	PRC	US$10,000,000	25%	33%	25%	Manufacturing of pre-stressed concrete strands and wires

45. PARTICULARS OF THE ASSOCIATE

Particulars of the associate at 31 December 2006 are as follows:

Name	Business structure	Place of registration and operation	Issued and paid-up capital	Percentage of equity attributable to the Group 2006	Percentage of equity attributable to the Group 2005	Principal activities
Xinhua Metal Products Co., Ltd. *(Note)* 新華金屬制品股份有限公司	Incorporated	PRC	193,220,374 shares of RMB1 each	**14.49%**	16.75%	Manufacturing of pre-stressed concrete strands and wires

Note:

Xinhua Metal Products Co., Ltd. ("Xinhua Metal") is listed on the Shanghai Stock Exchange in the PRC. The shares in Xinhua Metal held by the Group are legal person shares and are not tradable on any stock exchange. The completion of the share reform plan for the conversion of the non-freely transferable shares of Xinhua Metal into shares freely transferable on the Shanghai Stock Exchange in the PRC (the "Share Reform Plan") took place during the year. Under the Share Reform Plan, the non-freely transferable shareholders of Xinhua Metal, including a wholly-owned subsidiary of the Company, would offer holders of freely transferable share of Xinhua Metal 3.3 non-freely transferable shares for every 10 freely transferable shares held by such holders, in exchange for the consent by the holders of freely transferable share of Xinhua Metal to the conversion of all non-freely transferable shares into freely transferable shares of Xinhua Metal. Followed by the completion of the Share Reform Plan, the Group's equity interest in Xinhua Metal was diluted from approximately 16.75% to 14.49%. Pursuant to the memorandum of association of Xinhua Metal, the Group is entitled to its equity share in the profits and losses and the net assets upon its cessation. Since the Group has one representative in the board of directors of Xinhua Metal, the Group is in a position to exercise significant influence over Xinhua Metal. Accordingly, Xinhua Metal has been accounted for as an associate.

Summary of Investment Properties

Particulars of the investment properties held by the Group as at 31 December 2006 are as follows:

Property	Use	Group interest	Category of lease
1. House 5 – 18 and carport District 5, Legend Garden Villas No. 89 Capital Airport Road Chaoyang District, Beijing People's Republic of China	Residential	100%	Medium term lease
2. Workshop Nos. 15, 16, 17 and 18 on 12th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan Hong Kong	Industrial and commercial	100%	Long term lease
3. Workshop No. 10 on 6th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan Hong Kong	Industrial and commercial	100%	Long term lease