



**SHOUGANG CONCORD CENTURY  
HOLDINGS LIMITED**

Stock Code : 103

Steel ourselves and be ready



Interim Report **2007**

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## ENQUIRE CONTACT

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## CORPORATE INFORMATION

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<b>Board of Directors</b>	Cao Zhong ( <i>Chairman</i> ) Li Shaofeng ( <i>Managing Director</i> ) Tong Yihui ( <i>Deputy Managing Director</i> ) Leung Shun Sang, Tony Tang Cornor Kwok Kau ( <i>Deputy Managing Director</i> ) Geert Johan Roelens Yip Kin Man, Raymond ( <i>Independent Non-executive Director</i> ) Law, Yui Lun ( <i>Independent Non-executive Director</i> ) Chu, Kwok Tsu Gilbert ( <i>Independent Non-executive Director</i> )
<b>Audit Committee</b>	Yip Kin Man, Raymond ( <i>Chairman</i> ) Law, Yui Lun Chu, Kwok Tsu Gilbert
<b>Remuneration Committee</b>	Leung Shun Sang, Tony ( <i>Chairman</i> ) Cao Zhong ( <i>Vice Chairman</i> ) Yip Kin Man, Raymond Law, Yui Lun Chu, Kwok Tsu Gilbert
<b>Nomination Committee</b>	Cao Zhong ( <i>Chairman</i> ) Leung Shun Sang, Tony ( <i>Vice Chairman</i> ) Yip Kin Man, Raymond Law, Yui Lun Chu, Kwok Tsu Gilbert
<b>Authorised Representatives</b>	Tang Cornor Kwok Kau Chan Lai Yee
<b>Company Secretary</b>	Chan Lai Yee
<b>Qualified Accountant</b>	Wu Siu Man <i>CPA, FCCA</i>

**CORPORATE INFORMATION (continued)**

<b>Principal Bankers</b>	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 The Bank of East Asia, Limited Wing Hang Bank, Limited
<b>Auditors</b>	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i>
<b>Share Registrars</b>	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Hong Kong
<b>Registered Office</b>	5th Floor, Bank of East Asia Harbour View Centre 51-57 Gloucester Road Wanchai Hong Kong
<b>Website</b>	<a href="http://www.shougangcentury.com.hk">http://www.shougangcentury.com.hk</a>
<b>HKEx Stock Code</b>	103
<b>Listing Date</b>	9 April 1992





## FINANCIAL HIGHLIGHTS

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

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION****Deloitte.**  
**德勤**

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

**Introduction**

We have reviewed the interim financial information set out on pages 6 to 21 which comprises the condensed consolidated balance sheet of Shougang Concord Century Holdings Limited as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six months then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
21 September 2007



**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2007

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



**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2007

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>458,783</b>	447,294
Prepaid lease payments		<b>16,622</b>	7,489
Investment properties	9	<b>12,220</b>	12,220
Goodwill		<b>41,672</b>	41,672
Interests in a jointly controlled entity		<b>51,978</b>	54,452
Interests in an associate		<b>51,157</b>	49,148
Club memberships		<b>675</b>	675
		<b>633,107</b>	612,950
<b>Current assets</b>			
Inventories		<b>96,504</b>	87,831
Trade receivables	10	<b>206,992</b>	177,996
Bills receivable	10	<b>166,281</b>	186,272
Prepayments, deposits and other receivables		<b>11,922</b>	14,438
Prepaid lease payments		<b>1,008</b>	441
Amount due from a jointly controlled entity	11	<b>9,422</b>	–
Amount due from an associate	11	<b>3,987</b>	–
Amount due from a related company	11	<b>6,029</b>	4,295
Derivative financial instruments		<b>736</b>	294
Pledged bank deposits		<b>3,000</b>	3,000
Bank balances and cash		<b>114,761</b>	297,566
		<b>620,642</b>	772,133



**CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

At 30 June 2007

	<i>Notes</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade payables	12	18,844	9,920
Other payables and accruals		16,278	16,791
Tax payable		3,626	86
Amount due to a related company	11	–	34,837
Bank borrowings – due within one year	13	148,061	238,499
		<b>186,809</b>	300,133
<b>Net current assets</b>		<b>433,833</b>	472,000
<b>Total assets less current liabilities</b>		<b>1,066,940</b>	1,084,950
<b>Non-current liabilities</b>			
Bank borrowings – due after one year	13	61,979	124,476
Other payable		1,572	1,528
Deferred tax liabilities		704	1,592
		<b>64,255</b>	127,596
		<b>1,002,685</b>	957,354
<b>Capital and reserves</b>			
Share capital	14	128,357	127,607
Share premium and reserves		873,488	829,747
Equity attributable to equity holders of the Company		1,001,845	957,354
Share option reserve of a subsidiary		840	–
<b>Total equity</b>		<b>1,002,685</b>	957,354

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2007

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC reserve funds HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Equity component of share option reserve of a subsidiary HK\$'000	Total HK\$'000
At 1 January 2006 (audited)	102,607	287,024	32,659	1,013	857	17,249	27,698	-	224,646	693,753	-	693,753
Translation adjustments:												
- subsidiaries	-	-	-	-	-	5,455	-	-	-	5,455	-	5,455
- jointly controlled entity	-	-	-	-	-	537	-	-	-	537	-	537
- associate	-	-	-	-	-	590	-	-	-	590	-	590
Net income recognised directly in equity	-	-	-	-	-	6,582	-	-	-	6,582	-	6,582
Profit for the period	-	-	-	-	-	-	-	-	44,707	44,707	-	44,707
Total recognised income for the period	-	-	-	-	-	6,582	-	-	44,707	51,289	-	51,289
Release of deferred tax liability upon disposal of a property	-	-	-	-	64	-	-	-	-	64	-	64
Release of property revaluation reserve upon disposal of a property	-	-	-	-	(367)	-	-	-	367	-	-	-
At 30 June 2006 (unaudited)	102,607	287,024	32,659	1,013	554	23,831	27,698	-	269,720	745,106	-	745,106
At 1 January 2007 (audited)	127,607	423,435	32,659	1,013	3,710	40,188	45,236	-	283,506	957,354	-	957,354
Translation adjustments:												
- subsidiaries	-	-	-	-	-	23,928	-	-	-	23,928	-	23,928
- jointly controlled entity	-	-	-	-	-	1,752	-	-	-	1,752	-	1,752
- associate	-	-	-	-	-	1,572	-	-	-	1,572	-	1,572
Net income recognised directly in equity	-	-	-	-	-	27,252	-	-	-	27,252	-	27,252
Profit for the period	-	-	-	-	-	-	-	-	24,004	24,004	-	24,004
Total recognised income for the period	-	-	-	-	-	27,252	-	-	24,004	51,256	-	51,256
Shares issued at premium	750	4,795	-	-	-	-	-	-	-	5,545	-	5,545
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	451	-	451	840	1,291
Dividend paid	-	-	-	-	-	-	-	-	(12,761)	(12,761)	-	(12,761)
Transfer	-	-	-	-	-	-	5,587	-	(5,587)	-	-	-
At 30 June 2007 (unaudited)	128,357	428,230	32,659	1,013	3,710	67,440	50,823	451	289,162	1,001,845	840	1,002,685



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2007

	<b>Six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
Net cash generated by (used in) operating activities	<b>37,733</b>	(67,392)
Net cash (used in) generated by investing activities		
Purchase of property, plant and equipment	<b>(19,655)</b>	(982)
Addition of prepaid lease payments	<b>(9,727)</b>	–
Proceeds from disposal of property, plant and equipment	<b>10</b>	2,977
Other investing cash flows	–	3,782
	<b>(29,372)</b>	5,777
Net cash (used in) generated by financing activities		
Proceeds from issue of shares	<b>5,550</b>	–
New bank borrowings raised	<b>151,182</b>	263,981
Repayment of bank borrowings	<b>(306,888)</b>	(254,515)
Dividend paid	<b>(12,761)</b>	–
(Repayment of) loan from a related company	<b>(34,837)</b>	73,714
Other financing cash flows	<b>(5)</b>	–
	<b>(197,759)</b>	83,180
Net (decrease) increase in cash and cash equivalents	<b>(189,398)</b>	21,565
Cash and cash equivalents at 1 January	<b>297,566</b>	37,378
Effect of foreign exchange rate changes	<b>6,593</b>	141
Cash and cash equivalents at 30 June, represented by bank balances and cash	<b>114,761</b>	59,084

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006.

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

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



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**3. SEGMENT INFORMATION****Business segments**

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

**For the six months ended 30 June 2007**

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

For the six months ended 30 June 2006

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**4. FINANCE COSTS**

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

**5. INCOME TAX EXPENSES**

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



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**5. INCOME TAX EXPENSES (continued)**

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

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

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

**6. PROFIT FOR THE PERIOD**

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





**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

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

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

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

**10. TRADE RECEIVABLES / BILLS RECEIVABLE**

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

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

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

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

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

*Notes:*

- (a) The amounts represent dividends receivable from a jointly controlled entity and an associate, which have been settled subsequent to the balance sheet date. The amounts are unsecured, non-interest bearing and repayable within one year.
- (b) The amounts are of a trade nature, and are unsecured, non-interest bearing and repayable on demand. The aged analysis of the amounts due from the subsidiaries of Shougang TECH at the balance sheet date is as follows:

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

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



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**12. TRADE PAYABLES**

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

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

**13. BANK BORROWINGS**

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

**14. SHARE CAPITAL**

Ordinary shares of HK\$0.10 each

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**15. SHARE-BASED PAYMENT**

The Company has adopted a share option scheme for directors, employees and other eligible participants of the Group. Details of the outstanding share options during the six months ended 30 June 2007 are as follows:

	<b>Number of share options</b>
Outstanding at 1 January 2007	<b>224,956,000</b>
Granted during the period	<b>1,268,000</b>
Exercised during the period	<b>(7,500,000)</b>
	<hr/>
Outstanding at 30 June 2007	<b><u>218,724,000</u></b>

The closing price of the Company's shares on 26 January 2007, being the date on which 1,268,000 share options (the "Company's Share Options") were granted, was HK\$0.630.

The options vested immediately. The fair value of such options determined at the date of grant using the Binomial Option Pricing Model (the "Binomial Model") was approximately HK\$0.356 per share option.

The following assumptions were used to calculate the fair value of the Company's Share Options:

	<b>26 January 2007</b>
Closing price of the Company's shares at the grant date	<b>HK\$0.630</b>
Exercise price	<b>HK\$0.656</b>
Contractual life	<b>10 years</b>
Expected volatility	<b>58.332%</b>
Dividend yield	<b>0.6421%</b>
Risk-free interest rate	<b>4.134%</b>

In addition, on 30 April 2007, a subsidiary of the Company, Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") has entered into an agreement with an employee pursuant to which the employee was granted an option to subscribe for up to 10% equity interest in Hing Cheong's subsidiary, Rise Boom International Limited (the "Rise Boom Share Option") in order to recognize his valuable contribution to the Group. The option vested immediately. The fair value of the option determined at the date of grant using the Binomial Model was approximately HK\$840,000.



**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**15. SHARE-BASED PAYMENT (continued)**

The following assumptions were used to calculate the fair value of the Rise Boom Share Option:

	<b>30 April 2007</b>
Fair value of 10% equity interest of Rise Boom International Limited ("Rise Boom") at the grant date	<b>HK\$858,000</b>
Exercise price	<b>HK\$858,000</b>
Option life	<b>5 years</b>
Expected volatility	<b>60%</b>
Dividend yield	<b>0%</b>
Risk-free interest rate	<b>4.107%</b>

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

The Binomial Model has been used to estimate the fair value of the Company's Share Options and the Rise Boom Share Option. The variables and assumptions used in computing their fair values are based on the Company's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

**16. CAPITAL COMMITMENTS**

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	<b>5,102</b>	25,174
– authorised but not contracted for	<b>367,871</b>	375,633
	<b>372,973</b>	400,807

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)**

For the six months ended 30 June 2007

**17. RELATED PARTY TRANSACTIONS**

During the period, the Group had the following material transactions with Shougang HK and its subsidiaries (collectively the "Shougang HK Group"), Shougang TECH and its subsidiaries (collectively the "Shougang TECH Group") and a jointly controlled entity. Shougang HK is a substantial shareholder of the Company and Shougang TECH.

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Consultancy fees paid to Shougang HK Group	<b>480</b>	480
Sales to the Shougang TECH Group	<b>6,104</b>	4,341
Interest paid/payable to Shougang HK Group	–	440
Rental expenses paid to Shougang HK Group	<b>804</b>	761
Corporate guarantees for bank loans granted to a jointly controlled entity	<b>7,697</b>	11,050

**Compensation of key management personnel**

The key management of the Group comprises all executive directors of the Company, details of their emoluments were as follows:

	<b>Six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term benefit	<b>3,021</b>	3,234

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





## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

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

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

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

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



**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****BUSINESS REVIEW (continued)****Processing and trading of copper and brass products (“Copper and brass products”)**

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

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

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

**FINANCIAL REVIEW**

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

**Revenue**

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

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



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

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

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

**Administrative expenses**

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

**Segment results**

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****FINANCIAL REVIEW (continued)****Finance costs**

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

**Income tax expenses**

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

**Share of profits of a jointly controlled entity and an associate**

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

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



**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****INTERIM DIVIDEND**

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

**SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES**

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

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

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

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

**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES (continued)**

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

**FOREIGN CURRENCY AND INTEREST RATE EXPOSURES**

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

	<b>30 June 2007</b>	31 December 2006
	%	%
HKD	<b>97.5</b>	61.2
USD	<b>2.5</b>	7.4
RMB	—	31.4
	<hr/>	<hr/>
Total	<b>100.0</b>	100.0
	<hr/> <hr/>	<hr/> <hr/>

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

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

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



**MANAGEMENT DISCUSSION AND ANALYSIS (continued)****BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS****Steel cord**

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

**Copper and brass products**

Regarding the copper and brass products segment, the construction of the new plant for domestic sales in the PRC has been completed and is ready for operation in the third quarter of 2007. Total capital expenditure was approximately HK\$4,000,000 and would be financed by internal resources of the Group.

**EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP**

As at 30 June 2007, the Group had a total of 837 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund scheme, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund scheme stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the period amounted to HK\$1,221,000. The Group has also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation. On the other hand, the emoluments of the directors of the Company are decided by the remuneration committee of the Company, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the board of directors of the Company (the "Board") shall, subject to and in accordance with the provisions of the Share Option Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), grant share options to any eligible participant to subscribe for shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption. During the period under review, 1,268,000 and 7,500,000 share options were granted to certain directors of the Company and exercised by certain employees of the Group respectively to subscribe for shares in the capital of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2007, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK\$47,223,000;
2. Prepaid lease payments amounting to HK\$7,264,000;
3. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaxing Eastern; and
4. Bank deposits amounting to HK\$3,000,000.

Further, the Group had also executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees are provided in proportion to the Group's interest in the jointly controlled entity. The amount of guarantees granted as at 30 June 2007 amounted to approximately HK\$7,697,000.

### BUSINESS OUTLOOK

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

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





## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### BUSINESS OUTLOOK (continued)

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

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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

As at 30 June 2007, save for the interests of the directors in the shares and share options of the Company set out as below, none of the directors had any interests and short positions in the shares, debentures or underlying shares 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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code 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 30 June 2007	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)

### Long position in shares (continued)

#### (b) Share options

As at 30 June 2007, there were a total of 164,464,000 outstanding share options of the Company granted to directors of the Company, details of which are summarized in the following table:

Name of director	Share options to subscribe for shares of the Company							Exercise price per share HK\$	Capacity in which interests are held	Approximate % of the issued share capital as at 30 June 2007
	Number of share options at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise	Number of share options at the end of the period	Date of grant (Note b)	Exercise period			
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	21/10/2003	21/10/2003 to 1/10/2013	0.780		
	65,002,000	-	-	-	65,002,000				Beneficial owner	5.06
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	2.98
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	3.58
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	0.95
Mr. Tang	1,000,000	-	-	-	1,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740	Beneficial owner	0.08





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

### Long position in shares (continued)

#### (b) Share options (continued)

Name of director	Share options to subscribe for shares of the Company						Exercise price per share HK\$	Capacity in which interests are held	Approximate % of the issued share capital as at 30 June 2007
	Number of share options at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise	Number of share options at the end of the period	Date of grant (Note b)			
Yip Kin Man, Raymond	382,000	-	-	-	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295	
	382,000	-	-	-	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740	
	-	252,000	-	-	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656	
	<u>764,000</u>	<u>252,000</u>	<u>-</u>		<u>1,016,000</u>				Beneficial owner 0.08
Law, Yui Lun	-	1,016,000	-	-	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656	Beneficial owner 0.08
	<u>163,196,000</u>	<u>1,268,000</u>	<u>-</u>		<u>164,464,000</u>				

#### Notes:

- 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.
- The vesting period of the share options 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.

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 30 June 2007.

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

As at 30 June 2007, 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 30 June 2007	Capacity in which interests are held
Richson Limited ("Richson")	148,537,939	11.57	Beneficial owner
Fair Union Holdings Limited ("Fair Union")	286,655,179	22.33	Beneficial owner and interests of controlled corporations <sup>(1)</sup>
Shougang Concord International Enterprises Company Limited ("Shougang International")	286,655,179	22.33	Interests of controlled corporations <sup>(2)</sup>
Able Legend Investments Limited ("Able Legend")	126,984,000	9.89	Beneficial owner <sup>(3)</sup>
Shougang Holding (Hong Kong) Limited ("Shougang HK")	455,883,179	35.52	Interests of controlled corporations <sup>(4)</sup>
Bekaert Holding B.V. ("Bekaert Holding")	250,000,000	19.48	Beneficial owner <sup>(5)</sup>
NV Bekaert SA ("Bekaert")	250,000,000	19.48	Interests of controlled corporations <sup>(6)</sup>
Cao Zhong	65,002,000	5.06	Beneficial owner <sup>(7)</sup>





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

**Long position in shares or underlying shares (continued)**

*Notes:*

- (1) Fair Union is beneficially interested in 135,721,936 shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 shares held by Richson and the 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.

## SHARE OPTION SCHEME

During the period under review, 1,268,000 share options (the "Company's Share Options") and 7,500,000 share options had been granted to certain directors of the Company and exercised by certain employees of the Group to subscribe for shares in the capital of the Company respectively. Save as disclosed in the above sub-section "Share options" under "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES", the details of the share options granted to other eligible participants and exercised by certain eligible participants are set out as below:

Category of participant	Share options to subscribe for shares of the Company					Date of grant <sup>(1)</sup>	Exercise period	Exercise price per share HK\$
	Number of outstanding share options at the beginning of the period	Number of share options granted during the period	Number of share options exercised during the period	Date of exercise	Number of outstanding share options at the end of the period			
Employees other than the directors of the Company	23,500,000	-	(1,000,000)	7/6/2007	16,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
			(500,000)	11/6/2007				
			(6,000,000)	15/6/2007				
	<u>23,500,000</u>	<u>-</u>	<u>(7,500,000)</u>		<u>16,000,000</u>			
All other eligible participants	7,652,000	-	-	-	7,652,000	23/8/2002	23/8/2002 to 12/4/2008 <sup>(2)</sup>	0.295
	9,948,000	-	-	-	9,948,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	20,660,000	-	-	-	20,660,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	<u>38,260,000</u>	<u>-</u>	<u>-</u>		<u>38,260,000</u>			



**SHARE OPTION SCHEME (continued)***Notes:*

- (1) The vesting period of the share options is from the date of grant to the end of the exercise period.
- (2) 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 was changed from 23/8/2002 – 22/8/2012 to 23/8/2002 – 12/4/2006 by the approval of the Board on 8 April 2004. In view of the great contribution provided by Ms. Xu during the tenure of her service for the Company, the exercise period was further extended to 12/4/2008 by the approval of the Board on 12 April 2006.
- (3) The closing price of the shares of the Company on the trading day immediately before the date (i.e. 26/1/2007) on which the Company’s Share Options were granted to certain directors of the Company was HK\$0.64.
- (4) The weighted average of closing price of the shares of the Company on the trading days immediately before the dates (i.e. 7/6/2007, 11/6/2007 and 15/6/2007) on which the share options were exercised was HK\$1.14.

For share options granted under the Scheme, the fair value of the options shall be estimated by applying the Binomial Option Pricing Model (the “Binomial Model”) taking into account a number of factors such as the exercise price, the life of the option, the market stock price and volatility of the underlying shares, dividend yield, the risk-free interest rate and sub-optimal factor. The Binomial Model is developed to estimate the fair value of publicly traded options that have no vesting restrictions and are fully transferable. It requires input of numerous assumptions. Any changes in the input assumptions may materially affect the estimation of the fair value of an option.

The fair value per share option granted during the period under review was approximately HK\$0.356 and is derived based on the following assumptions:

	<b>26 January 2007</b>
Closing price of the Company’s shares at the grant date	<b>HK\$0.630</b>
Exercise price	<b>HK\$0.656</b>
Contractual life	<b>10 years</b>
Expected volatility	<b>58.332%</b>
Dividend yield	<b>0.6421%</b>
Risk-free interest rate	<b>4.134%</b>

**SHARE OPTION SCHEME (continued)**

- Share Price  
The Company's share price as of the valuation date/grant date quoted from the Bloomberg;
- Exercise Price  
Historical sub-optimal factor was taken into consideration of the early exercise behavior of the Company's share options;
- Time to Maturity  
The full life of the Company's Share Options;
- Risk Free Rate  
Risk-free interest rate used in the valuation was the yields of Exchange Fund Bills & Notes issued by the Government of the Hong Kong Special Administration Region for the time to maturity of the Company's Share Options as at the valuation date/grant date;
- Volatility  
Estimated by the annualized standard deviations of the continuously compounded rates of return on the Company's share price as of the valuation date/grant date quoted by Bloomberg.

Further details of the Company's Share Options are set out in note 15 to the condensed financial statements.





## CODE ON CORPORATE GOVERNANCE PRACTICES

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

As a result, in the opinion of the Board, the Company has complied with the principles and code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007 save for the following deviation from Code Provision A.4.1 of the Code in respect of the service term of non-executive directors of the Company.

### Code Provision A.4.1

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

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



**CODE ON CORPORATE GOVERNANCE PRACTICES (continued)****MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

The Company had also made specific enquiry of all directors of the Company whether the directors have complied with the required standard set out in the SCCHL Code. As such, during the period under review, the directors confirmed that they are not aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the SCCHL Code or the Model Code.

**REMUNERATION COMMITTEE**

The Company’s remuneration committee was established with specific written terms of reference in accordance with the requirements of the Code and comprises the following persons:

Three independent non-executive directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Chu, Kwok Tsu Gilbert. The other two members are Mr. Cao Zhong and Mr. Leung Shun Sang, Tony.

**NOMINATION COMMITTEE**

The Company also established a nomination committee with its specific written terms of reference in accordance with the requirements of the Code and it comprises the following persons as well:

Three independent non-executive directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Chu, Kwok Tsu Gilbert. The other two members are Mr. Cao Zhong and Mr. Leung Shun Sang, Tony.





## CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

### AUDIT COMMITTEE

The Company's audit committee comprises of three independent non-executive directors, namely Mr. Yip Kin Man, Raymond, Mr. Law, Yui Lun and Mr. Chu, Kwok Tsu Gilbert. Mr. Yip acts as the chairman of the committee. The audit committee was established with specific written terms of reference with the task of monitoring the financial reporting procedures, reviewing internal control and risk management system of the Group and monitoring the relationship with external auditors. The audit committee members had reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2007. They had also reviewed the accounting principles and practices adopted by the Group and discussed the financial report matters related to the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2007.

### INTERNAL CONTROL

During the period under review, an external consultancy firm has been engaged to render the internal audit services for reviewing the effectiveness of the internal control system of our core business segments, steel cord and copper and brass products for the purpose of improving our internal control system. This review mainly focused on controls covering (1) cash and credit management; (2) sales; (3) purchasing; and (4) inventory. As such, our Internal Control Manual will be further revised and improved in order to enhance the effectiveness of internal control and maintain good corporate governance practices of the Group.

### APPRECIATION

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

By Order of the Board

**Cao Zhong**

*Chairman*

Hong Kong, 21 September 2007

*This interim report can also be accessed through the internet at the Company's website <http://www.shougangcentury.com.hk> on our "Investor Relations" section.*