



**SHOUGANG CONCORD TECHNOLOGY
HOLDINGS LIMITED**

Stock Code : 521

Steel ourselves and be ready



Interim Report **2007**



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CORPORATE INFORMATION

Board of Directors

Cao Zhong (*Chairman*)
Chau Chit (*Managing Director*)
Tzu San Te (*Executive Director*)
Chen Jianyong (*Executive Director*)
Leung Shun Sang, Tony
(*Non-executive Director*)
Chen Jang Fung
(*Non-executive Director*)
Chan Wah Tip, Michael
(*Non-executive Director*)
Tse Chun Sing
(*Non-executive Director*)
Kan Lai Kuen, Alice
(*Independent Non-executive Director*)
Wong Kun Kim
(*Independent Non-executive Director*)
Leung Kai Cheung
(*Independent Non-executive Director*)

Executive Committee

Cao Zhong (*Chairman*)
Chau Chit
Tzu San Te
Chen Jianyong

Audit Committee

Wong Kun Kim (*Chairman*)
Chan Wah Tip, Michael
Kan Lai Kuen, Alice
Leung Kai Cheung

Nomination Committee

Cao Zhong (*Chairman*)
Leung Shun Sang, Tony (*Vice Chairman*)
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

CORPORATE INFORMATION (continued)

Remuneration Committee	Leung Shun Sang, Tony (<i>Chairman</i>) Cao Zhong (<i>Vice Chairman</i>) Kan Lai Kuen, Alice Wong Kun Kim Leung Kai Cheung
Company Secretary	Cheng Man Ching
Qualified Accountant	Chow Shu Wing
Auditor	Deloitte Touche Tohmatsu
Share Registrars	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office	Room 01-04, 5th Floor Harcourt House 39 Gloucester Road Wanchai Hong Kong
Stock Code	521
Website	www.shougang-tech.com.hk



**INTERIM RESULTS**

The Board of Directors of Shougang Concord Technology Holdings Limited (the "Company") is pleased to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2007

		Six months ended 30 June	
		2007	2006
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	NOTES		
Revenue	3	287,499	239,619
Cost of sales		(292,098)	(258,126)
Gross loss		(4,599)	(18,507)
Other income		2,757	9,720
Selling and distribution costs		(9,555)	(6,729)
Administrative expenses		(44,175)	(26,484)
Gain on dilution of interest in an associate	4	64,246	–
Gain on disposal of an associate		183	–
Share of results of associates		8,605	6,769
Share of results of jointly controlled entities		1,141	6,221
Finance costs	5	(10,736)	(9,323)
Profit (loss) before tax	6	7,867	(38,333)
Income tax (expense) credit	7	(2,397)	94
Profit (loss) for the period		5,470	(38,239)
Attributable to:			
Equity holders of the Company		3,610	(40,118)
Minority interests		1,860	1,879
		5,470	(38,239)
Earning (loss) per share	9		
Basic		HK0.21 cents	(HK2.73 cents)
Diluted		HK0.20 cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2007

	NOTES	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	10	9,550	9,550
Property, plant and equipment	10	237,441	265,094
Prepaid lease payments		9,581	9,779
Goodwill	11	138,144	138,144
Intangible assets		3,250	3,250
Interests in associates		140,963	68,684
Investments in jointly controlled entities		179,780	178,639
Available-for-sale investments		13,761	6,250
Club debentures		445	445
Deferred tax assets		2,147	2,147
		735,062	681,982
CURRENT ASSETS			
Prepaid lease payments		393	393
Inventories		90,756	106,545
Trade and bills receivables	12	185,930	189,951
Prepayments, deposits and other receivables		102,100	74,579
Amounts due from customers for contract work	13	155,938	157,599
Tax recoverable		158	126
Pledged bank deposits		18,063	20,049
Bank balances and cash		23,508	37,214
		576,846	586,456



**CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

AT 30 JUNE 2007

	NOTES	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	14	110,205	137,942
Other payables, deposits received and accruals		76,538	79,172
Amounts due to customers for contract work	13	45,402	19,445
Amount due to a related company	15	159,358	143,483
Amount due to a jointly controlled entity		11,722	7,471
Tax liabilities		11,091	9,192
Bank borrowings – due within one year	16	147,190	134,905
Obligations under finance leases – due within one year		16,132	22,446
Bank overdraft		6,684	6,283
		584,322	560,339
NET CURRENT (LIABILITIES) ASSETS			
		(7,476)	26,117
TOTAL ASSETS LESS CURRENT LIABILITIES			
		727,586	708,099
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	16	13,271	23,698
Obligations under finance leases – due after one year		2,572	6,859
Deferred tax liabilities		150	150
		15,993	30,707
NET ASSETS			
		711,593	677,392
CAPITAL AND RESERVES			
Share capital	17	438,566	428,867
Reserves		210,987	189,783
Equity attributable to equity holders of the Company		649,553	618,650
Minority interests		62,040	58,742
TOTAL EQUITY			
		711,593	677,392

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the Company										
	Share capital	Share premium	Capital redemption reserve	Other reserve	Translation reserve	Capital reserve	Share option reserve	Deficit	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (audited)	299,751	405,628	2,084	-	1,661	53,690	-	(294,485)	468,329	10,555	478,884
Share of changes in equity of associates	-	-	-	-	424	-	-	-	424	-	424
Share of changes in equity of jointly controlled entities	-	-	-	-	304	-	-	-	304	-	304
Exchange difference arising on translation of foreign operations	-	-	-	-	513	-	-	-	513	245	758
Net income recognised directly in equity	-	-	-	-	1,241	-	-	-	1,241	245	1,486
Loss for the period	-	-	-	-	-	-	-	(40,118)	(40,118)	1,879	(38,239)
Total recognised income and expenses for the period	-	-	-	-	1,241	-	-	(40,118)	(38,877)	2,124	(36,753)
Shares issued at premium for acquisition of subsidiaries	129,116	97,961	-	-	-	-	-	-	227,077	39,805	266,882
Share issue expenses	-	(1,111)	-	-	-	-	-	-	(1,111)	-	(1,111)
	129,116	96,850	-	-	-	-	-	-	225,966	39,805	265,771
At 30 June 2006 (unaudited)	428,867	502,478	2,084	-	2,902	53,690	-	(334,603)	655,418	52,484	707,902
At 1 January 2007 (audited)	428,867	501,788	2,084	360	7,642	53,690	-	(375,781)	618,650	58,742	677,392
Profit for the period	-	-	-	-	-	-	-	3,610	3,610	1,860	5,470
Total recognised income for the period	-	-	-	-	-	-	-	3,610	3,610	1,860	5,470
Recognition of equity-settled share based payments	-	-	-	-	-	-	11,194	-	11,194	-	11,194
Exercise of share options	9,699	10,391	-	-	-	-	(3,991)	-	16,099	-	16,099
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	2,438	2,438
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
At 30 June 2007 (unaudited)	438,566	512,179	2,084	360	7,642	53,690	7,203	(372,171)	649,553	62,400	711,953



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash used in operating activities	(23,026)	(23,823)
Net cash (used in) from investing activities:		
Acquisition of a subsidiary (note 21)	54	–
Proceeds from disposal of an associate	825	–
Proceeds from disposal of assets classified as held for sale	–	27,010
Dividend received from a jointly controlled entity	–	15,000
Purchase of property, plant and equipment	(4,703)	(3,831)
Other investing activities	2,335	42,917
	(1,489)	81,096
Net cash (used in) from financing activities:		
New bank loans raised	89,321	20,739
Repayment of bank loans	(99,839)	(43,395)
Trust receipt loans raised	12,376	29,842
Repayment of trust receipts loans	–	(30,908)
Repayment of obligations under finance leases	(11,688)	(17,795)
Amount due to a related company	11,883	26,731
Exercise of share options	16,099	–
Dividend paid to minority interests	(1,000)	–
Interest expenses paid	(6,744)	(6,839)
Repayment of loan from a shareholder	–	(24,700)
	10,408	(46,325)
Net (decrease) increase in cash and cash equivalents	(14,107)	10,948
Cash and cash equivalents at beginning of the period	30,931	23,952
Cash and cash equivalents at end of the period	16,824	34,900
Represented by:		
Bank balances and cash	23,508	37,700
Bank overdrafts	(6,684)	(2,800)
	16,824	34,900

NOTES TO THE CONDENSED CONSOLIDATED 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 (the "Stock Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The financial statements have been prepared on a going concern basis because Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a private company incorporated in Hong Kong and the controlling shareholder of the Company, has agreed to provide adequate funds for the Group to meet in full its financial obligations as they fall due for the foreseeable future.

2. PRINCIPAL 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 Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment 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 had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

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

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

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

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

The directors are in the process of assessing the potential impact and expect that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.





NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

3. SEGMENTAL INFORMATION

The Group's primary format for reporting segment information is business segments. The following table presents the unaudited figures of revenue and results for the Group's business segments for the six months ended 30 June 2007 and the comparative figures:

Inter-segment sales are charged at prevailing market rates.

For the six months ended 30 June 2007

	Traditional business HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Photomask business HK\$'000	Intelligent information business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE								
External sales	131,367	-	26,106	25,203	96,784	8,039	-	287,499
Inter-segment sales	-	-	-	-	-	5,100	(5,100)	-
Total revenue	<u>131,367</u>	<u>-</u>	<u>26,106</u>	<u>25,203</u>	<u>96,784</u>	<u>13,139</u>	<u>(5,100)</u>	<u>287,499</u>
RESULTS								
Segment results	<u>(5,871)</u>	<u>-</u>	<u>(1,682)</u>	<u>(30,421)</u>	<u>7,678</u>	<u>(10,141)</u>		<u>(40,437)</u>
Unallocated corporate expenses								(15,912)
Unallocated corporate income								777
Gain on disposal of an associate								183
Gain on dilution of interest in an associate								64,246
Share of results of associates		8,598			7			8,605
Share of results of jointly controlled entities					(1,240)	2,381		1,141
Finance costs								<u>(10,736)</u>
Profit before tax								7,867
Income tax expense								<u>(2,397)</u>
Profit for the period								<u>5,470</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

3. SEGMENTAL INFORMATION (continued)

For the six months ended 30 June 2006

	Traditional business HK\$'000	Printed circuit boards HK\$'000	High precision metal components HK\$'000	Photomask business HK\$'000	Intelligent information business HK\$'000	Others HK\$'000	Eliminations HK\$'000	Total HK\$'000
REVENUE								
External sales	130,434	15,675	31,374	20,656	36,752	4,728	-	239,619
Inter-segment sales	-	55	48	-	-	9,025	(9,128)	-
Total revenue	<u>130,434</u>	<u>15,730</u>	<u>31,422</u>	<u>20,656</u>	<u>36,752</u>	<u>13,753</u>	<u>(9,128)</u>	<u>239,619</u>
RESULTS								
Segment results	<u>(7,250)</u>	<u>(7,029)</u>	<u>128</u>	<u>(31,089)</u>	<u>2,406</u>	<u>365</u>		(42,469)
Unallocated corporate expenses								(867)
Unallocated corporate income								1,336
Share of results of associates		6,872			(103)			6,769
Share of results of jointly controlled entities					(9,080)	15,301		6,221
Finance costs								<u>(9,323)</u>
Loss before tax								(38,333)
Income tax credit								<u>94</u>
Loss for the period								<u>(38,239)</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

4. GAIN ON DILUTION OF INTEREST IN AN ASSOCIATE

The amount represents gain on dilution of the Group's interest in an associate, Tianjin Printronics Circuit Corporation ("TPC"), which is a joint stock limited company established in the People's Republic of China and is principally engaged in the manufacture of printed circuit boards from approximately 28.17% to 21.01% of the issued capital of TPC upon the issuance of 50 million new shares in TPC on 23 April 2007 at a price of RMB8.28 (equivalent to HK\$8.28) each by the way of an initial public offering on a fully underwritten basis. Details of which was set out in the Company's announcement dated 24 April 2007.

5. FINANCE COSTS

	Six months ended	
	30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings wholly repayable within five years	5,996	5,081
Finance lease	748	1,758
Amount due to a related company	3,992	2,484
	<hr/>	<hr/>
	10,736	9,323
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

6. PROFIT (LOSS) BEFORE TAX

	Six months ended 30 June	
	2007 <i>HK\$'000</i> (unaudited)	2006 <i>HK\$'000</i> (unaudited)
Profit (loss) before tax has been arrived at after charging:		
Amortisation of intangible assets (included in distribution costs)	–	267
Release of prepaid lease payments charged to income statement	198	174
Depreciation of property, plant and equipment	33,998	33,982
Impairment loss on golf club membership	–	100
Share of tax of associates (included in share of results of associates)	6,124	943
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	10	116
Net foreign exchange loss	4,667	592
and after crediting:		
Gain on disposal of property, plant and equipment	–	267
Gain on disposal of assets classified as held for sale	–	5,885
Gain on disposal of an associate	183	–
Income from insurance claim in relation to a flooding	1,143	–
Interest income from bank deposits	349	220



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
The income tax expense (credit) comprises:		
Current tax:		
Hong Kong	–	118
Other regions in the PRC	2,407	1,402
	2,407	1,520
Under (over) provision in prior year:		
Hong Kong	(10)	76
PRC (note)	–	(1,574)
	(10)	(1,498)
Deferred tax	–	(116)
	2,397	(94)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for prior period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain subsidiaries operating in PRC are qualified as advanced technology enterprises and operate in one of the approved high and new technology industrial development zones of PRC and are thus subject to tax rate of 15% to 16.5%, being the preferential tax rate applicable to companies operating in approved high and new technology industrial development zones of the PRC.

Pursuant to the new PRC Enterprise Income Tax Law promulgated on 16 March 2007, the enterprise income tax will be unified at 25% effective from 1 January 2008. However, the detailed implementation rules regarding the new Enterprise Income Tax Law have not yet been issued and therefore it is premature for the Group to determine whether the Company's PRC subsidiaries will still be entitled to the tax relief above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

7. INCOME TAX EXPENSE (CREDIT) (continued)

Note: During prior period, one of the newly acquired subsidiaries of the Company was designated as one of the Most Outstanding Software Enterprises of year 2005 as defined by the National Development Bureau of the PRC and was subject to corporate income tax rate of 10% for the year ended 31 December 2005, being a preferential tax rate applicable to the Most Outstanding Software Enterprises. This resulted in a tax refund of approximately HK\$1,574,000.

8. DIVIDENDS

No dividends were paid during the period. The Directors do not recommend payment of an interim dividend.

9. EARNING (LOSS) PER SHARE

The calculation of the basic and diluted earning (loss) per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Earning (loss)		
Earning (loss) for the purposes of basic and diluted earning (loss) per share (Profit (loss) for the period attributable to equity holders of the Company)	<u>3,610</u>	<u>(40,118)</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earning (loss) per share	1,726,495	1,466,921
Effect of dilutive potential ordinary shares: – share options	<u>57,818</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earning (loss) per share	<u>1,784,313</u>	<u>1,466,921</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

9. EARNING (LOSS) PER SHARE (continued)

No diluted earning per share has been presented because the exercise price of the Company's share options was higher than the average market price for shares for period ended 30 June 2006.

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

At 30 June 2007, the directors considered the carrying amount of the Group's investment properties carried at revalued amounts and estimated that the carrying amount do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

During the period, the Group incurred approximately HK\$4,703,000 on acquisition of property, plant and equipment in order to upgrade its operating capacities. In addition, the Group acquired certain property, plant and equipment via acquisition of a subsidiary with a carrying amount of HK\$555,000. Furthermore, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$1,087,000.

11. GOODWILL

The goodwill carried at the balance sheet date arose from the acquisition of Sino Stride Technology (Holdings) Limited ("Sino Stride"). The operation of Sino Stride were allocated to the intelligent information business. The goodwill arising on the acquisition of Sino Stride is attributable to the anticipated profitability of the revenue from installation contracts and the anticipated future operating synergies from the combination.

During the period ended 30 June 2007, management appointed an independent valuer to perform a business valuation on Sino Stride. Management of the Group determines that there are no impairments on the goodwill arising from the acquisition of Sino Stride as the recoverable amount of Sino Stride (being the cash generating unit to which the goodwill has been allocated) is in excess of the aggregate carrying amounts of the goodwill and the net asset value of Sino Stride as calculated in the valuation report. The recoverable amount of Sino Stride has been determined on the basis of value in use calculation and is based on certain key assumptions as adopted in the valuation report. The value in use calculation is based on cash flow projections prepared from financial budget approved by the management of the Group covering a five-year period, growth rate of 3% and a discount rate of 14%. Cash flows beyond the 5-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The cash flow projections are prepared based on the expected gross margins determined based on past performance and management's expectations for the market development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

12. TRADE AND BILLS RECEIVABLES

Trading terms with customers are principally on credit, except for new customers, where cash on delivery is normally required. Invoices are normally payable within 30 to 180 days of issuance, except for certain well established customers, where the terms are extended to one year. Each customer has a designated credit limit.

An aged analysis of trade and bills receivables at the balance sheet date, based on the invoice date, and net of allowance, is as follows:

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
0 – 90 days	135,368	129,495
91- 180 days	28,044	43,453
181 – 365 days	21,573	12,879
1 – 2 years	683	3,872
Over 2 years	262	252
	185,930	189,951



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	823,227	727,992
Less: Progress billings	(712,691)	(589,838)
	110,536	138,154
Analysed for reporting purposes of:		
Amounts due from contract customers	155,938	157,599
Amounts due to contract customers	(45,402)	(19,445)
	110,536	138,154

At 30 June 2007, retentions held by customers for contract works amounted to approximately HK\$10,009,000 (31 December 2006: HK\$52,218,000) which was included in amounts due from customers for contract work. Advances received from customers for contract work amounted to approximately HK\$18,965,000 (31 December 2006: HK\$21,031,000) which was included in other payables, deposits received and accruals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

14. TRADE AND BILLS PAYABLES

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

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
0 – 90 days	67,272	88,442
91 -180 days	16,008	29,828
181 – 365 days	7,506	11,446
1 – 2 years	15,830	5,765
Over 2 years	3,589	2,461
	110,205	137,942

15. AMOUNT DUE TO A RELATED COMPANY

The balance represents amount due to Shougang (Hong Kong) Finance Company Limited, a wholly owned subsidiary of Shougang Holding. The amount is unsecured and repayable on demand. Except for the amount due to a related company amounting to approximately HK\$148,024,000 which bears interest at 5.512% per annum, the remaining balances are non-interest bearing.

16. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to approximately HK\$101,697,000 and repaid HK\$99,839,000. The borrowings bear interest at market rates ranging from 5.36% to 7.2% and are repayable in instalments over a period of one to five years. The proceeds were used to finance the purchase of raw materials and acquisition of plant and equipment.



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At 1 January and 30 June 2007	4,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2007	1,715,469,509	428,867
Exercise of share options	38,794,000	9,699
At 30 June 2007	1,754,263,509	438,566

18. CAPITAL COMMITMENTS

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Capital expenditure contracted but not provided in financial statements in respect of the acquisition of:		
– property, plant and equipment	36,844	660
– intangible assets	650	650
	37,494	1,310
Capital expenditure in respect of acquisition of intangible assets authorised but not contracted for	920	920

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

19. CONTINGENT LIABILITIES

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Guarantee for banking facilities utilised by a jointly controlled entity	70,244	67,278
Cross guarantee for banking facilities utilised by an outsider	28,000	9,000
	<u>98,244</u>	<u>76,278</u>

The Group have given financial guarantees to banks and financial institutions in respect of banking facilities and finance leases granted to a jointly controlled entity and an outsider free of charge.

The fair value of the financial guarantee contracts at date of inception is immaterial.

20. SHARE-BASED PAYMENTS

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

	Number of share options
Outstanding at 1 January 2007	90,547,000
Granted during the period	103,192,000
Lapsed during the period	(2,920,000)
Exercised during the period	(38,794,000)
	<u>152,025,000</u>
Outstanding at 30 June 2007	<u>152,025,000</u>

The closing price of the Company's shares immediately before 19 January 2007, the date of grant of the 2002 scheme options, was HK\$0.395.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)***FOR THE SIX MONTHS ENDED 30 JUNE 2007***20. SHARE-BASED PAYMENTS (continued)**

In the current period, share options was granted on 19 January 2007 and vested immediately. The fair value of the options determined at the dates of grant using the Binomial model were HK\$11,194,000.

The following assumptions were used to calculate the fair values of share options:

	19 January 2007
Grant date share price	HK\$0.395
Exercise price	HK\$0.406
Contractual life	10 years
Expected volatility	50 %
Dividend yield	0 %
Risk-free interest rate	4.041 %

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share-based compensation expenses of HK\$11,194,000 for the six months ended 30 June 2007 was included in the administrative expenses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2007

21. ACQUISITION OF A SUBSIDIARY

On 4 April 2007, the Group acquired certain assets through the acquisition of 80% of the issued share capital of 廣州市易家通互動信息發展有限公司(「易家通」) for cash consideration of RMB12,040,000 (approximately HK\$12,040,000).

The net assets acquired in the transaction are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	555
Available-for-sale investments	7,511
Inventories	215
Other receivables	10,583
Bank and cash balances	12,094
Other payables	(16,480)
	<u>14,478</u>
Minority interest	(2,438)
	<u>12,040</u>
Total consideration, satisfied by cash	<u>12,040</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(12,040)
Bank and cash balances acquired	12,094
	<u>54</u>



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

FOR THE SIX MONTHS ENDED 30 JUNE 2007

22. POST BALANCE SHEET EVENTS**(a) Disposal of 40% equity interests in Printronics Electronics Limited**

On 11 July 2007, the Group through a wholly-owned subsidiary, entered into a share transfer agreement (the "Agreement") with an independent third party (the "Purchaser") to sell 40% shares of Printronics Electronics Limited, a company which held approximately 21.01% equity interest in TPC, to the Purchaser at consideration of approximately HK\$181.8 million. Upon the completion of the Agreement on 18 July 2007, the Group has an equity interest of 12.6% in TPC.

The unaudited net asset value attributable to the disposed equity interest amounted to approximately HK\$56,000,000 as at 30 June 2007. A gain on disposal in the amount of approximately HK\$125,800,000 in respect of the transfer will arise upon completion.

(b) Acquisition of a further 28.12% equity interests in Sino Stride Technology (Holdings) Limited ("Sino Stride") from Singapore Technologies Electronics Limited ("ST Electronics")

On 31 August 2007, the Company entered into a Sale and Purchase of Shares Agreement (the "S&P Agreement") with ST Electronics, a shareholder of Sino Stride, to acquire 304,260,000 Sino Stride shares, represents approximately 28.12% of the issued share capital of Sino Stride, from ST Electronics at a consideration to be settled by the issuance of 133,523,480 new shares of the Company (the "Consideration Shares").

The completion of the S&P Agreement will be conditional upon (i) the passing of a resolution by the independent shareholders of the Company by poll at the extraordinary general meeting; and (ii) the Listing Committee of the Stock Exchange granting the approval for, and the permission to deal in the Consideration Shares.

As at the date of this report, the aforesaid acquisition is yet to complete and the estimate of its financial effect is uncertain.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.**德勤****TO THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD TECHNOLOGY HOLDINGS LIMITED**

首長科技集團有限公司

*(incorporated in Hong Kong with limited liability)***Introduction**

We have reviewed the interim financial information set out on pages 4 to 24 which comprises the condensed consolidated balance sheet of Shougang Concord Technology 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-month period 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 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.





REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Turnover of the Group increased to HK\$287 million for the six months period ended 30 June 2007, an increase of 20% as compared to the corresponding period. The increase was mainly contributed by turnover from Sino Stride, a subsidiary acquired in April 2006.

The Group recorded a profit attributable to shareholder of HK\$3.6 million for the period under review, compared to the loss of HK\$40 million of the corresponding period.

System Integration Solutions Services

The turnover and the net profit after financial cost and minority interests of Sino Stride as consolidated in the Group's operating results for the six months period ended 30 June 2007 were HK\$97 million (2006: HK\$37 million) and HK\$2.3 million (2006: HK\$1.7 million) respectively. Turnover increase mainly due to the Group consolidated Sino Stride's six months result under the period under review but only three months result in the corresponding period.

The Group believes that Sino Stride can leverage on the platform of the Group's strong business connections in the PRC market for its future business expansion and earnings enhancement.

Photomasks

With persistent efforts to secure customers' orders and improve cost efficiency, the turnover of photomask business increased from HK\$21 million to HK\$25 million for the six months period ended 30 June 2007 whilst the loss decreased from HK\$31 million to HK\$30 million. This was a reflection of our continuing marketing efforts on positioning Remarkable's manufacturing core competency as high-end manufacturer.

Traditional business

Traditional business consisted of trading and manufacturing of telephone accessories, power cords, adaptors and electronic products. During the period under review, turnover increase slightly by 1% to HK\$131 million (2006: HK\$130 million) and loss attributable to the Group decrease by 19% to HK\$5.9 million (2006: HK\$7.3 million).





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Printed circuit boards

In view of the continuing loss-making of the division in the previous years mainly attributable to intense competition in the printed circuit boards market and increase in material cost, the Group changed the operation of the division by sub-letting the factory and assets in stead of manufacturing of printed circuit boards itself during the period under review. The Group will re-assess the potential development opportunity in the printed circuit boards market. As a result of the change in operation, turnover from the division was HK\$1 million which represents sub-letting income (2006: HK\$16 million from manufacturing of printed circuit boards) and loss attributable to the Group decreased significantly from HK\$7 million to HK\$0.7 million for the six months ended 30 June 2007. The turnover and loss attributable to the Group by this division were classified under "Others" in the Segment Information section to the condensed financial statements for the period under review.

High-precision metal components

Sales of the division decreased by 17% to HK\$26 million (2006: HK\$31 million). The rise in material costs, such as aluminium and zinc had negative impact on lowering the margin which lead to increase in loss to HK\$1.7 million recorded in this segment during the period under review compared to the segment profit of HK\$0.1 million in the corresponding period.

Jointly controlled entity – copper wire

The global copper price was in a decreasing trend during the first quarter in 2007 but increase during the second quarter 2007.

During the period under review, turnover of the jointly controlled entity increased by 18% to HK\$731 million whilst the profit attributable to the Group decreased by 84% to HK\$2.4 million (2006: HK\$15.3 million). Profit attributable to the Group decreased mainly attributable to no appreciation earnings in substantial copper stock acquired in 2006 was record in 2007.

Jointly controlled entity – 3S project (GPS, GIS, RS)

Due to market competition, barriers to product development and market expansion, a loss of HK\$1.2 million (2006: HK\$9 million) for the six months period ended 30 June 2007 was recorded.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Associate – TPC

Turnover of TPC increased by 22% to HK\$187 million and the profit attributable to the Group increased by 25% to HK\$8.6 million during the period under review.

On 23 April 2007, TPC has announced to issue 50 million new shares at a price of RMB8.28 each by way of an initial public offer and the Group's interest in TPC was diluted from approximately 28.17% to approximately 21.01%. Accordingly, a gain on dilution of interest in TPC of approximately HK\$64 million as a result of the initial public offer was recognised by the Group during the period under review. On 16 May 2007, the shares of TPC were listed and commenced trading on the Shenzhen Stock Exchange. The 41,319,704 shares held in TPC by the Group is of an aggregate market value of approximately RMB723.5 million as at 30 June 2007.

Prospects

Sino Stride, which was acquired by the Group in April 2006, has once again delivered outstanding performance in the year. Sino Stride not only brings stable revenue and profits to the Group, it also lays solid foundation for the Group to develop its intelligent information business in the PRC. In the meantime, in order to expand into the nationwide intelligent value-added service area, Sino Stride has established a remote service center which is dedicated to the provision of intelligent value-added services to the nationwide market. In August 2007, the Group has entered into a S&P Agreement with ST Electronics to acquire approximately 28.12% equity interests of Sino Stride from ST Electronics by way of issue of new shares of the Company as consideration. The said transaction is still subject to the approval of the Hong Kong Stock Exchange and the approval by the Company's independent shareholders at extraordinary general meeting.

The Group will continue its efforts in developing and promoting the photomask market and will strive to obtain orders from premium customers and improve its cost efficiency. With the semiconductor industry in the PRC keeps growing, the Group will invest appropriate amount of resources in this segment to cope with market demand, so as to further expand the photomask market in the PRC. The Group will keep investing in the production and marketing of photomask, and on the other hand, in view of the huge capital expenditure requirement of the photomask industry, the Group does not rule out the possibility of identifying and cooperating with investors who are interested in the photomask industry. In conclusion, the Group remained optimistic about the development of the photomask industry.





MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Prospects (continued)

The back office and control center of the Group's traditional business in Hong Kong has been successfully re-located to Dongguan, thus consolidated the operation system of traditional business and achieved better management and rationalization of structure. The Group believes the results of its traditional manufacturing segment could improve in the future.

In May 2007, TPC, the Group's associated company, successfully listed on the Shenzhen Stock Exchange. Its results achieved continuous growth and its share price performance is satisfactory. The Group realized part of its investment in TPC in July 2007, thus received sales proceeds of approximately HK\$180 million and recorded a gain of approximately HK\$120 million. The Group remained optimistic about its investment returns in TPC.

Liquidity and financial resources

At 30 June 2007, the Group's gearing ratio (total borrowings divided by equity) has decreased to 0.26 (31 December 2006: 0.29) whereas current ratio (current assets divided by current liabilities) has decreased to 0.99 (31 December 2006: 1.12).

Bank loans had decreased by approximately HK\$2,259,000 to HK\$167,145,000 as at 30 June 2007.

At 30 June 2007, the capital commitments of the Group and its jointly controlled entities contracted but not provided for and authorized but not contracted for amounted to approximately HK\$37,494,000 (31 December 2006: HK\$1,310,000) and HK\$920,000 (31 December 2006: HK\$920,000) respectively.

Exposure to fluctuations in exchange rates

Exposure to fluctuation in exchange rates is immaterial to the Group's financial results as both the Group's borrowings and revenue were mostly denominated in Hong Kong Dollars or United States Dollars.

Capital structure

During the period under review, a total of 38,794,000 share options were exercised by certain eligible directors and employees. Details of the movement in the issued ordinary share capital and share option of the Company are shown in notes 17 and 20 to the condensed financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Contingent liabilities

The contingent liabilities of the Group, mainly from guarantees for banking facilities granted to a jointly controlled entity, increase from approximately HK\$67,278,000 as at 31 December 2006 to approximately HK\$70,244,000 as at 30 June 2007. In addition, one of the subsidiaries, Sino Stride has given a cross guarantee approximately HK\$28,000,000 (31 December 2006: HK\$9,000,000) to a bank in connection with credit facility granted to a third party.

Employees and remuneration of policies

The Group had a total of approximately 2,842 employees as at 30 June 2007.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration to motivate and retain existing employees and at the same time to attract potential employees. Remuneration packages are structured in such a way that take into account local practices in the various geographical locations in which the Group and its associates operate. These remuneration packages include basic salaries, allowances, retirement schemes, service bonuses, fixed bonuses, performance related payments and share options where appropriate.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2007 (2006: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the period under review.





DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors who held office at 30 June 2007 had the following interests in the shares and underlying shares of the Company as at 30 June 2007 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 30.6.2007
		Interests in shares	Interests under equity derivatives*	Total interests	
Cao Zhong	Beneficial owner	3,270,078	23,464,000	26,734,078	1.52%
Chau Chit	Beneficial owner and interests of a controlled corporation	301,160,000	15,438,000	316,598,000	18.05%
Tzu San Te	Beneficial owner	9,000,000	3,008,000	12,008,000	0.68%
Chen Jianyong	Beneficial owner	5,000,000	5,292,000	10,292,000	0.59%
Leung Shun Sang, Tony	Beneficial owner	3,269,810	25,170,000	28,439,810	1.62%
Chen Jang Fung	Beneficial owner	-	1,714,000	1,714,000	0.10%
Chan Wah Tip, Michael	Beneficial owner	-	2,114,000	2,114,000	0.12%
Tse Chun Sing	Beneficial owner	11,292,000	-	11,292,000	0.64%
Kan Lai Kuen, Alice	Beneficial owner	-	1,714,000	1,714,000	0.10%
Wong Kun Kim	Beneficial owner	-	1,714,000	1,714,000	0.10%
Leung Kai Cheung	Beneficial owner	-	1,714,000	1,714,000	0.10%

* *The relevant interests are unlisted physically 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\$0.25 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**Long positions in the shares and underlying shares of the Company (continued)**

Save as disclosed above, as at 30 June 2007, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2007.



**INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO**

As at 30 June 2007, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had long positions of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Names of shareholder	Capacity in which interests are held	Number of shares held in the Company	Interests as to % to the issued share capital of the Company as at 30.6.2007	Note(s)
Shougang Holding	Interests of controlled corporations	442,195,020	25.21%	1
Asset Resort Holdings Limited ("Asset Resort")	Beneficial owner	231,515,151	13.20%	1
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	170,044,069	9.69%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	124,069,394	7.07%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	107,654,173	6.14%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	124,069,394	7.07%	3
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	124,069,394	7.07%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	124,069,394	7.07%	3
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	124,069,394	7.07%	3
Mega Start Limited ("Mega Start")	Beneficial owner	301,160,000	17.17%	4

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)**Long positions in the shares of the Company (continued)**

Notes:

1. Asset Resort and Wheeling were wholly-owned subsidiaries of Shougang Holding and their respective interests were included in the interests held by Shougang Holding.
2. Max Same was a wholly-owned subsidiary of Cheung Kong and its interest was included in the interests held by Cheung Kong.
3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

4. Mega Start was wholly-owned by Mr. Chau Chit whose interest was disclosed in the section headed "Directors' and Chief Executives' interests and short positions in shares, underlying shares and debentures".

Save as disclosed above, as at 30 June 2007, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.





SHARE OPTIONS

Share options of the Company

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was cancelled in accordance with the terms of the Scheme during the six months ended 30 June 2007. Details of movement in the share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Granted during the period ^{1,2}	Exercised during the period ³	Lapsed during the period ⁴	At the end of the period			
Directors of the Company								
Cao Zhong	8,026,000	-	-	-	8,026,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	-	15,438,000	-	-	15,438,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
	8,026,000	15,438,000	-	-	23,464,000			
Chau Chit	-	15,438,000	-	-	15,438,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Tzu San Te	-	12,008,000	(9,000,000)	-	3,008,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Chen Jianyong	-	10,292,000	(5,000,000)	-	5,292,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Leung Shun Sang, Tony	4,816,000	-	-	-	4,816,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	3,200,000	-	-	-	3,200,000	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	-	17,154,000	-	-	17,154,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
	8,016,000	17,154,000	-	-	25,170,000			
Chen Jang Fung	-	1,714,000	-	-	1,714,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406

SHARE OPTIONS (continued)**Share options of the Company (continued)**

Options to subscribe for shares of the Company

Category or name of grantees	At the beginning of the period	Granted during the period ^{1 & 2}	Exercised during the period ³	Lapsed during the period ⁴	At the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)								
Chan Wah Tip, Michael	400,000	-	-	-	400,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	-	1,714,000	-	-	1,714,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
	400,000	1,714,000	-	-	2,114,000			
Tse Chun Sing	1,000,000	-	(1,000,000)	-	-	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	-	10,292,000	(10,292,000)	-	-	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Kan Lai Kuen, Alice	-	1,714,000	-	-	1,714,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Wong Kun Kim	-	1,714,000	-	-	1,714,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
Leung Kai Cheung	-	1,714,000	-	-	1,714,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
	17,442,000	89,192,000	(25,292,000)	-	81,342,000			
Employees of the Group								
	2,922,000	-	(1,002,000)	(1,918,000)	2,000	15.11.2002	15.11.2002 – 14.11.2012	HK\$0.580
	2,000	-	-	(2,000)	-	14.3.2003	14.3.2003 – 13.3.2013	HK\$0.495
	-	12,500,000	(11,000,000)	(1,000,000)	500,000	19.1.2007	19.1.2007 – 18.1.2017	HK\$0.406
	2,924,000	12,500,000	(12,002,000)	(2,920,000)	502,000			





SHARE OPTIONS (continued)

Share options of the Company (continued)

Category or name of grantees	Options to subscribe for shares of the Company					Date of grant	Exercise period	Exercise price per share
	At the beginning of the period	Granted during the period ^{1,2}	Exercised during the period ³	Lapsed during the period ⁴	At the end of the period			
Other participants	40,130,000	-	-	-	40,130,000	15.11.2002	15.11.2002 - 14.11.2012	HK\$0.580
	14,069,000	-	-	-	14,069,000	14.03.2003	14.3.2003 - 13.3.2013	HK\$0.495
	15,982,000	-	-	-	15,982,000	18.03.2004	18.3.2004 - 17.3.2014	HK\$1.200
	-	1,500,000	(1,500,000)	-	-	19.1.2007	19.1.2007 - 18.1.2017	HK\$0.406
	70,181,000	1,500,000	(1,500,000)	-	70,181,000			
	<u>90,547,000</u>	<u>103,192,000</u>	<u>(38,794,000)</u>	<u>(2,920,000)</u>	<u>152,025,000</u>			

Notes:

1. The closing price of the shares of the Company immediately before the date on which the share options were granted was HK\$0.395 per share.
2. The fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK\$11,194,000. Details of the calculation of the fair value of the share options are set out in note 20 to the condensed consolidated financial statements.
3. The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised was HK\$1.03 per share.
4. The share options were held by a grantee who ceased to be an employee of the Group during the period.

SHARE OPTIONS (continued)

Share options of a subsidiary of the Company – Remarkable Mask Technology Company Limited

Remarkable Mask Technology Company Limited (“Remarkable”), an indirect wholly-owned subsidiary of the Company, has approved a share option scheme (the “Remarkable Scheme”) by a shareholder’s resolution passed on 10 May 2004. The Remarkable Scheme was subject to the approval of the shareholders of the Company and has become effective on 8 June 2004 as a result of the passing of an ordinary resolution approving the same by the shareholders of the Company at its extraordinary general meeting held on the same day. No share option to subscribe for shares of Remarkable was granted in accordance with the terms of the Remarkable Scheme since its adoption.

AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2007 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 14 September 2007 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2007, except that under code provision A.4.1 of the Code, Non-executive directors should be appointed for a specific term and subject to re-election. None of the existing Non-executive Directors of the Company is appointed for a specific term. However, Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings at least once every three years in accordance with the provisions of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors’ securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions throughout the six months ended 30 June 2007.





APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By Order of the Board

Cao Zhong

Chairman

Hong Kong, 21 September 2007