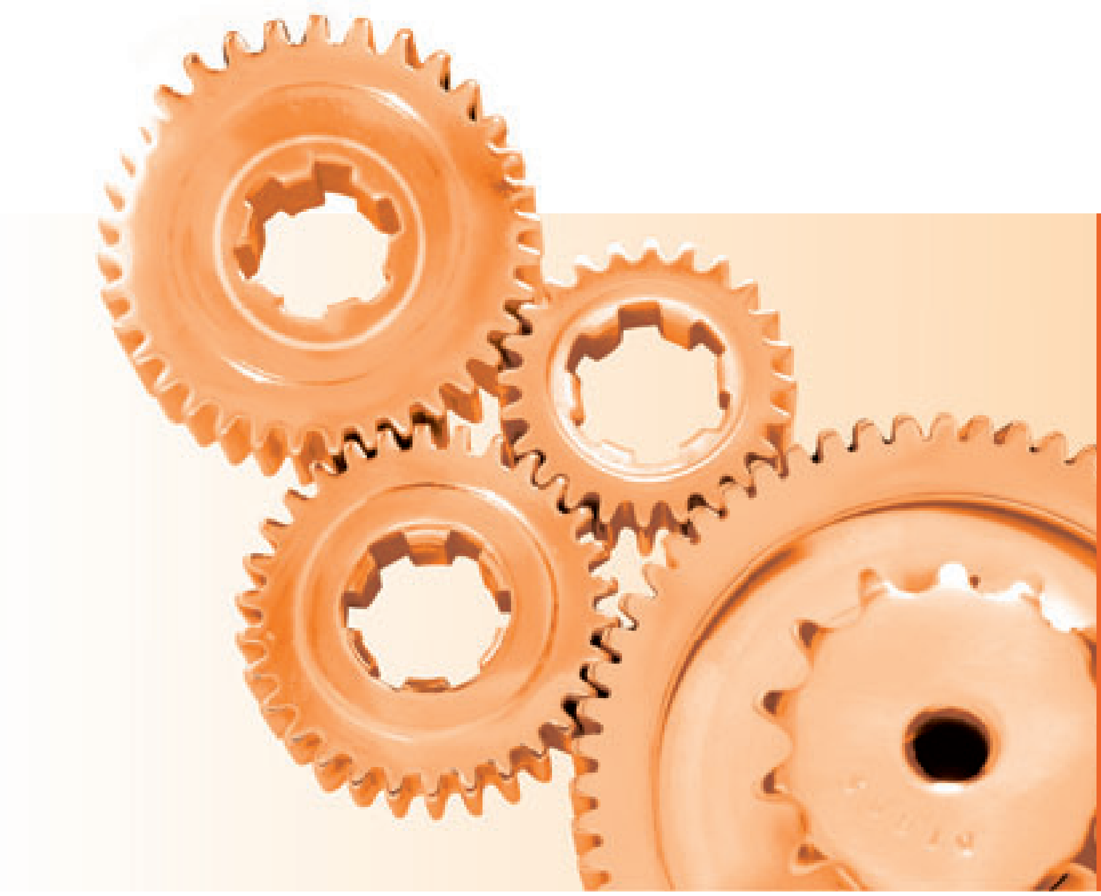


ANNUAL REPORT

07

Full Steam Ahead
Striking for the Best

Shougang Concord
Century Holdings Limited

Stock Code: 103

Contents

Corporate Information

Board of Directors

Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Geert Johan Roelens *(Executive Director)*
Yip Kin Man, Raymond
(Independent Non-executive Director)
Law, Yui Lun *(Independent Non-executive Director)*
Chan Chung Chun
(Independent Non-executive Director)

Audit Committee

Yip Kin Man, Raymond *(Chairman)*
Law, Yui Lun
Chan Chung Chun

Remuneration Committee

Leung Shun Sang, Tony *(Chairman)*
Cao Zhong *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

Nomination Committee

Cao Zhong *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

Authorised Representatives

Tang Cornor Kwok Kau
Chan Lai Yee

Company Secretary

Chan Lai Yee

Qualified Accountant

Wu Siu Man

Principal Bankers

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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Share Registrars

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

Registered Office

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

Website

http://www.shougangcentury.com.hk

HKEx Stock Code

103

Listing Date

9 April 1992

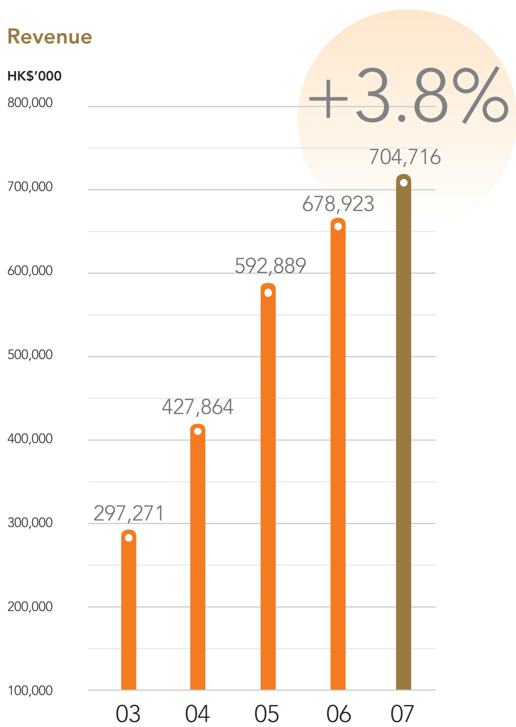
Financial Highlights

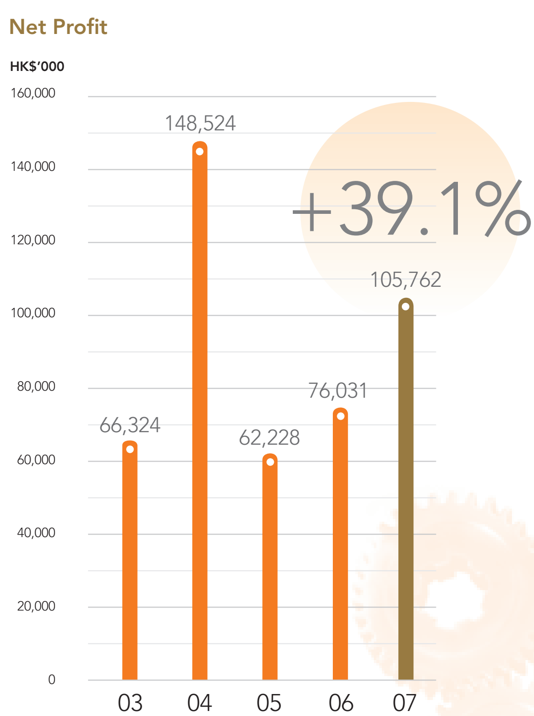
	For the year ended 31 December		
	2007	2006	**Change**
	HK$'000	HK$'000	**%**
Operations			
Revenue	**704,716**	678,923	**+3.8**
Net profit	**105,762**	76,031	**+39.1**
Earnings per share, basic (cents)	**8.22**	7.33	**+12.1**
Financial position			
Total assets	**1,879,938**	1,386,781	**+35.6**
Shareholders' funds	**1,499,929**	957,354	**+56.7**
Return on average equity (%)	**9.0** *Note 1*	10.2 *Note 2*	**-11.8**
Net book value per share (HK$)	**1.08**	0.75	**+44.0**

Notes:

1. Excluding net proceeds of HK$101,500,000 from placing of 100,000,000 ordinary shares to the independent placees in December 2007.

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





Information for Shareholders

Share Information

Board lot size:	**2,000 shares**
Shares outstanding as at 31 December 2007:	**1,384,346,556 shares**
Market capitalization as at the last trading day of 2007:	**HK$1,495,094,280**
Closing stock price as at the last trading day of 2007:	**HK$1.08**

Earnings per share (basic) for 2007
Interim: HK1.88 cents
Final: HK8.22 cents

Key Date

Announcement of 2007 Final Results:	16 April 2008
2008 Annual General Meeting:	6 June 2008

Enquire Contact

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

Biographical Details of Directors

Mr. Cao Zhong, aged 48, graduated from Zhejiang University, The People's Republic of China ("PRC") and Graduate School, The Chinese Academy of Social Sciences with a Bachelor Degree in Engineering and a Master Degree in Economics. Mr. Cao was appointed the Chairman of each of the Company and Shougang Concord Technology Holdings Limited ("Shougang Technology"), the Deputy Chairman and General Manager of Shougang Holding (Hong Kong) Limited ("Shougang HK"), the substantial shareholder of the Company, the Managing Director of Shougang Concord International Enterprises Company Limited ("Shougang International"), another substantial shareholder of the Company and a Director of Shougang Concord Grand (Group) Limited ("Shougang Grand") in November 2001. He is currently the Vice Chairman and Managing Director of Shougang Grand. He was appointed a Non-executive Director and the Joint Chairman of Global Digital Creations Holdings Limited ("GDC"), a subsidiary of Shougang Grand, in February 2005 and was re-designated as Chairman and Non-executive Director of GDC in February 2006. Furthermore, Mr. Cao was appointed an Executive Director of APAC Resources Limited ("APAC") on 26 April 2007 and was re-designated as Chairman and Executive Director of APAC on 3 May 2007. He also acts as the Assistant General Manager of Shougang Corporation ("Shougang Corporation"), the holding company of Shougang HK, and the Chairman of China Shougang International Trade and Engineering Corporation. In addition to the above, he also serves as the Chairman of the Nomination Committee and the Vice-Chairman of the Remuneration Committee of the Company. Mr. Cao has extensive experience in corporate management and operation.

Mr. Li Shaofeng, aged 41, Mr. Li holds a Bachelor Degree in Automation from University of Science and Technology Beijing. He joined Shougang Corporation in 1989. Mr. Li joined the Group in March 2000 and was appointed as Deputy Managing Director of the Company. He was subsequently appointed as the Managing Director of the Company and Deputy Managing Director of Shougang HK in September 2003 and September 2007 respectively. He had been act as Managing Director of Shougang Grand in 2002. In addition to above, he also has been appointed as Non-executive Director of Sinocop Resources (Holdings) Limited ("Sinocop") (formerly known as China Elegance (Holdings) Limited) on 10 October 2007. In all, Mr. Li has extensive experience in management and investment of listed companies, sino-foreign joint ventures and steel industry.

Mr. Tong Yihui, aged 59, is a Senior Engineer. Mr. Tong graduated from Yan Shan University in the PRC. Mr. Tong joined the Group in 1998 and serves as the Deputy Managing Director of the Company. Prior to joining the Group, Mr. Tong had held the positions in Shougang Strip Steel Company Limited, Shenzhen Guan Shen Enterprise Company Limited, Jiaxing Eastern Steel Cord Co., Ltd. and Shougang Machinery Design & Research Institute. He has extensive experience in the management of steel cord manufacturing.

Mr. Leung Shun Sang, Tony, aged 65, was appointed a Director of the Company in 1995. He is also a Director of Shougang International, Shougang Technology, Shougang Grand and GDC. He also serves as the Vice-Chairman of the Nomination Committee and the Chairman of the Remuneration Committee of the Company. Mr. Leung holds a Master Degree in Business Administration from New York State University and has over 30 years' experience in finance, investment and corporate management. He is the Managing Director of CEF Group.

Biographical Details of Directors

Mr. Tang Cornor Kwok Kau, aged 47, Mr. Tang joined the Group in 1998 and was appointed as the Deputy Managing Director of the Company in March 2000. He holds a Bachelor Degree and a Master Degree in Business Administration from York University in Canada. Prior to joining the Group, Mr. Tang had held senior positions with various international investment banks. He also has over 15 years of experience in corporate and investment banking.

Mr. Geert Johan Roelens, aged 52, graduated from the State University of Ghent, Belgium with a Bachelor of Civil Engineering Degree in Metallurgy and obtained his Master of Business Administration Degree from the National University of Singapore. Mr. Roelens was appointed as an executive director of the Company with effect from 15 December 2006. He joined NV Bekaert SA Group in 1988 and held senior managerial position in various international group offices of NV Bekaert SA. Previously, he acted as Bekaert SA Group Vice President and General Manager of Steelcord Asia. As of 1 March 2008, Mr. Roelens was appointed as Group Executive Vice President of the global Steelcord business of Bekaert. Mr. Roelens served as President Director of PT Bekaert Indonesia, as Plant Manager of the Steelcord plant of NV Bekaert SA in AALTER (Belgium), and as General Manager of Steelcord Europe. In all, Mr. Roelens has over 20 years of experience in operations, general management, and business development in the steel cord manufacturing industry.

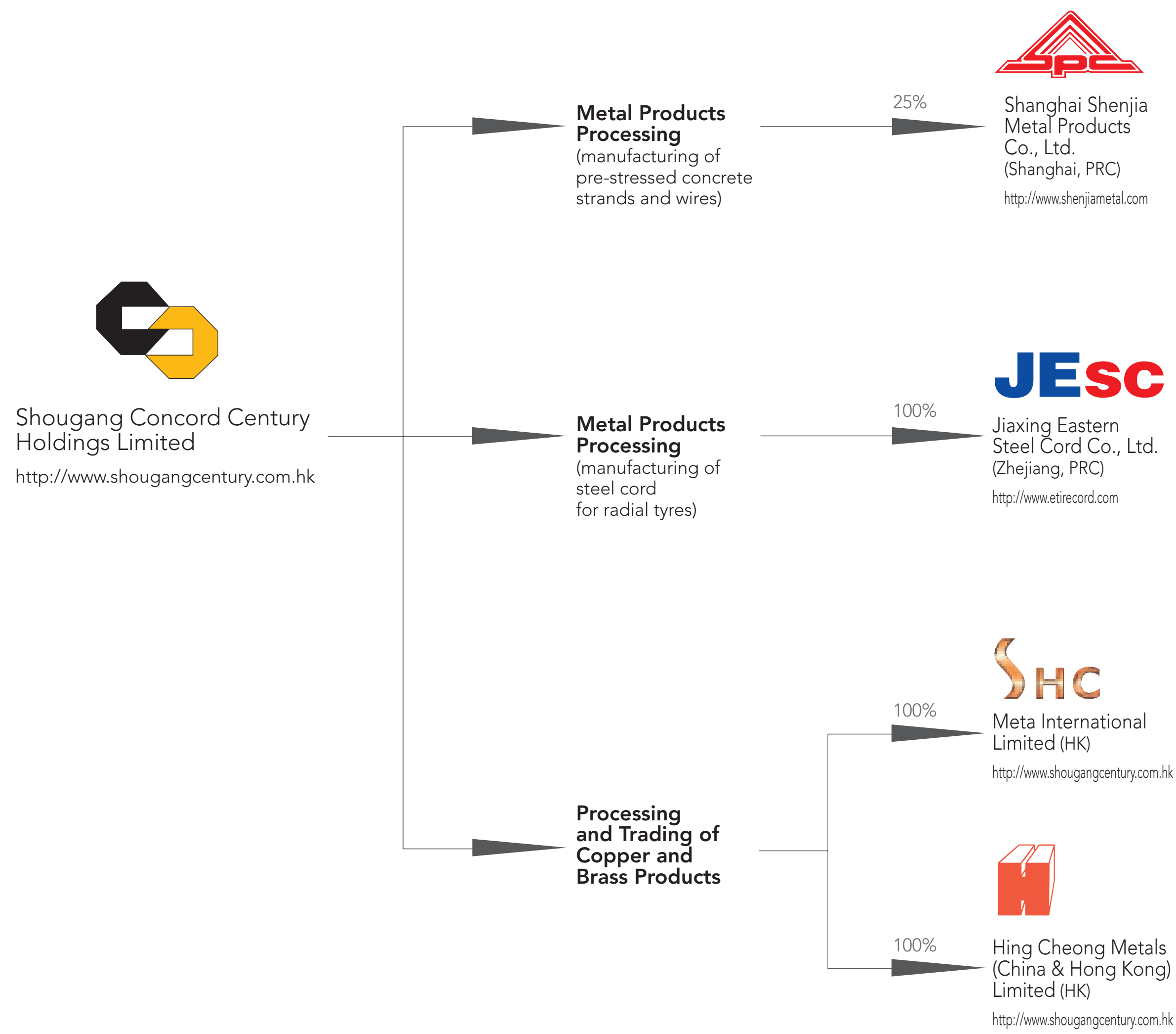
Mr. Yip Kin Man, Raymond, aged 61, Mr. Yip was appointed the Independent Non-executive Director of the Company in 1993, and was appointed the Independent Non-executive Director of Shougang Grand with effective from 19 January 2007. He also serves as the Chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. Mr. Yip is a practising solicitor, notary public, Attesting Officer appointed by the Ministry of Justice of the PRC.

Mr. Law, Yui Lun, aged 46, Mr. Law is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom respectively. Mr. Law holds a Master Degree in Business Administration from Oklahoma City University (USA). He was appointed as the Independent Non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company in April 2005. At present, Mr. Law is the sole proprietor of a Certified Public Accountants firm in Hong Kong. Prior to setting up his own practice, Mr. Law had worked for the audit department of KPMG and the China Division of the Hong Kong office of Ernst & Young for a total of 8 years. He had also been a partner in a medium-sized local accounting firm in Hong Kong for over 3 years. In all, Mr. Law has over 20 years' professional experience in the fields of auditing, accounting, corporate taxation, company liquidation and insolvency, financial advisory and management.

Mr. Chan Chung Chun, aged 48, Mr. Chan is a fellow member and an associate member of the Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree of Commerce from University of New South Wales. He had worked for the audit department of Ernst & Young for about 7 years. In all, he has extensive working experience in accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is currently the deputy chairman and executive director of Sinocop, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Main Operational Structure

(As at 16 April 2008)



Chairman's Statement

Dear Shareholders,

RESULTS FOR THE YEAR

Year 2007, a year characterized by intense price competition in the steel cord market as well as metal price fluctuation and economic challenges, our business operations were adversely affected. The Group's revenue only slightly increased by 3.8% over that of the previous year from HK$678,923,000 to HK$704,716,000; while profit from the Group's operating activities was HK$46,127,000, a decrease of 39.3% as compared to the same of the previous year. Notwithstanding the severe operating environment, we continued to deliver a satisfactory profit for the year of HK$105,762,000, a significant increase of 39.1% as compared to HK$76,031,000 for the previous year, to our shareholders due to the exceptional gain from the disposal of partial equity interest in Xinyu Iron & Steel Co., Ltd., the Group's then associate, in the "A" share market on the Shanghai Stock Exchange.

Furthermore, our shareholder and capital bases had been further broadened after the completion of allotment and issuance of 600,000,000 new shares to certain independent placees, Shougang Concord International Enterprises Company Limited and Li Ka Shing Foundation Limited. Our net asset value per share as a result increased from HK$0.75 at 31 December 2006 to HK$1.08 at 31 December 2007.

Besides, to uphold our commitment to share our profitable results with and create value for our shareholders, we recommended to declare a final dividend of HK1 cent per share for the year ended 31 December 2007.

LOOKING AHEAD

The Chinese economy has been growing rapidly in recent years, while people's purchasing power has increased dramatically. All these offer a favourable operating environment for the Group's steel cord segment.

Chairman's Statement

However, rising costs, particularly raw material prices, and downward selling price of steel cords, are of the utmost concern to the Group. Hence, we will take a pragmatic approach to consummate our measures to reduce production costs by increasing the rate of localization of raw materials to improve our gross profit margin on one hand. On the other hand, with the financial support from Shougang group and assistance from NV Bekaert SA group, we will expedite our effort in the expansion of production capacity, improve technical and product development strength and as well develop and broaden both new domestic and overseas markets. With our dedication and determination, we believe that our leading position in the steel cord industry can be further enhanced.

In anticipation of a weakening economy of the United States due to the spreading of credit crisis, demand for either consumables or industrial products including our copper and brass products from the western countries is expected to abate. To mitigate this negative impact, we will take a cautious approach to develop our domestic sale in the Mainland China through the new plant in Dongguan in order to capture the burgeoning opportunities in the manufacturing sector of the Chinese economy with a view to maximize return to our shareholders.

ACKNOWLEDGEMENTS

On behalf of all my fellow directors, I would like to express our greatest appreciation to the entire staff of the Group for their hard work and efforts. We would also like to extend our gratitude to investors, business partners, and shareholders for their support and confidence in the Group for the past years.

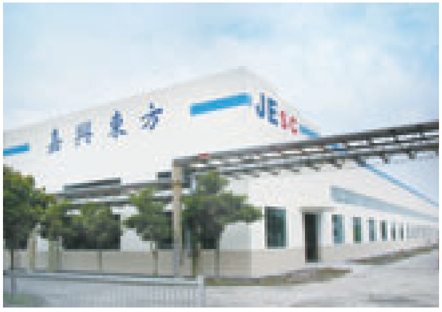
I am highly confident that the Group will continue to grow and create significant value to our shareholders. I look forward to sharing with you more positive developments in years to come.

By order of the Board

Cao Zhong
Chairman

Hong Kong
16 April 2008

Management Discussion and Analysis



BUSINESS REVIEW

The steel cord industry in the People's Republic of China (the "PRC") continued to maintain sustainable growth in 2007. However, price competition amongst market participants remained intense, which affected the profitability of our business in the manufacturing of steel cord for the year under review.

Regarding the Group's copper and brass products segment, its performance was not comparable to the previous year. This segment achieved exceptional profit in the previous year that largely consisted of holding gain on inventory from sharp rise in copper price. However, for the year under review, such sharp rise in copper price did not recur, therefore this segment recorded a substantially lower profit as compared to that of the previous year.

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

Jiaxing Eastern Steel Cord Co., Ltd. ("JESC") achieved an increase in sales volume of 10.9% to 33,068 tonnes (2006: 29,818 tonnes) for the year under review. The analysis of sales volume for the year is as follows:

	2007		2006		
	Sales volume (tonne)	**% of total sales volume**	Sales volume (tonne)	% of total sales volume	**% change**
Steel cord for:					
– passenger car tyres	**7,289**	**22.0**	6,733	22.6	**+8.3**
– truck tyres	**25,086**	**75.9**	22,780	76.4	**+10.1**
Others and steel wires	**693**	**2.1**	305	1.0	**+127.2**
Total	**33,068**	**100.0**	29,818	100.0	**+10.9**

Management Discussion and Analysis

During the year, the production capacity of JESC remained at approximately 30,000 tonnes per annum. In April 2007, the Company substituted the supply contract entered into between JESC and our strategic investor, NV Bekaert SA ("Bekaert") in 2006, with a new sale and purchase contract to extend the scope of materials and products supply between the two parties from raw materials to finished products of steel cord. This sale and purchase contract enabled JESC to increase supply to satisfy demand of its existing and new customers even under its production limitations.

Export sales volume increased by approximately 209.3% over the previous year's and accounted for approximately 11.1% (2006: 4%) of total sales volume for the year under review. Since the commercial agency contract was entered into between JESC and Bekaert in April and approved by the shareholders of the Company in June 2007, Bekaert could only commence soliciting overseas customers on behalf of JESC for sales of steel cord in the second half of the year. Samples of steel cord have been delivered and are currently being tested by these new overseas customers.

Revenue of this segment increased by 10.9% over the previous year to HK$436,767,000 (2006: HK$393,726,000). However, gross profit declined by 7.8% to HK$73,468,000 (2006: HK$79,669,000). JESC had implemented various measures during the year to contain its production and operating costs, amongst others, increase in usage of domestic raw materials. The costs of domestic raw materials were relatively lower than that of their import counterparts by 15.7% on average. These measures helped JESC to achieve a lower production cost; however, these cost savings were not able to fully offset the negative effect on its profit as a result of reduced average selling price. As such, gross profit margin dropped from 20.2% in the previous year to 16.8% for the year under review.

Furthermore, other operating and administrative expenses were also higher as compared to that of the previous year, as expenditures such as those on research and development of new products; and sales expanding network and customer base development, increased which were necessary in light of the increase in JESC's production capacity in the coming year. Although these increased expenses affected the profitability in the short run, we believe the results of research and development will bring positive contributions to JESC in the future.

Management Discussion and Analysis

As a result of a decline in gross profit and increase in expenditures, operating profit of this segment decreased by 19.6% to HK$52,804,000 (2006: HK$65,668,000) for the year under review.

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

Revenue of our copper and brass products segment amounted to HK$266,554,000 for the year under review, lowered by 6% as compared to HK$283,695,000 for the previous year. The average 3-month copper price traded in the London Metals Exchange ("LME") was approximately US$6,455 per tonne for 2007, increased by 20.3% as compared to an average of approximately US$5,365 per tonne for 2006. However, our average selling price increased by 10% only over the previous year's to approximately HK$60,702 per tonne (2006: HK$55,205 per tonne), such variation in the degree of increase was associated with factors principally the market competition, the volatility of copper price movements and the seasonal factors of this industry. On the other hand, the sustained high copper price hindered the demand from customers who might not be able to pass the cost burden to their downstream customers in overseas, in particular those in the United States that suffered from an economic slowdown following the subprime incident and credit crisis. Besides, in view of anticipation of the negative impact on the worsening western economy on the operations and financial conditions of our customers, we therefore had adopted a more cautious sales strategy to mitigate any losses on recoverability of receivables. Owing to the aforesaid factors, sales volume dropped by 14.2% over the previous year, and hence revenue of this segment dropped albeit increase in average selling price.

Gross profit of this segment dropped significantly by 60.4% to HK$17,857,000 (2006: HK$45,113,000) for the year under review. The significant decrease was because the market did not exhibit similar rise in copper price which rendered an exceptional holding gain on inventory during the previous year. This was reflected on the comparison of rise in copper price on a year-to-year basis. The 3-month LME copper price increased by approximately 43.9% in 2006, while its increase in 2007 was much smaller at approximately 8%. As such, the gross profit margin narrowed from 15.9% in the previous year to 6.7%, which is a lower but is generally viewed to be a relatively reasonable gross profit margin in such industry when movement of copper price is steadier.

Management Discussion and Analysis

Following the decrease in gross profit, operating profit of this segment dropped by 72.5% to HK$10,958,000 (2006: HK$39,823,000) for the year under review.

FINANCIAL REVIEW

For the year under review, the Group recorded profit for the year of HK$105,762,000, an increase of 39.1% as compared to HK$76,031,000 for the previous year's. The Group disposed of its partial equity interest in Xinyu Iron & Steel Co., Ltd. ("Xinyu Iron", formerly known as Xinhua Metal Products Co., Ltd.), the Group's then associate during the year and recorded profit after taxation of HK$59,635,000 on the disposal. Further details are set out in the **"Dilution loss on share reform of an associate/Gain on disposal of available-for-sale investments"** section below. When excluding this exceptional gain, profit from the Group's operating activities was HK$46,127,000 for the year under review, declined by 39.3% as compared to that of the previous year.

Revenue

The Group's revenue moderately increased by 3.8% over that of the previous year to HK$704,716,000. The breakdown of revenue by business segments is as follows:

	2007		2006		
		% of total		% of total	
	HK$'000	**revenue**	HK$'000	revenue	**% change**
Steel cord	**436,767**	**62.0**	393,726	58.0	**+10.9**
Copper and brass products	**266,554**	**37.8**	283,695	41.8	**–6.0**
Others	**1,395**	**0.2**	1,502	0.2	**–7.1**
Total	**704,716**	**100.0**	678,923	100.0	**+3.8**

Management Discussion and Analysis

Gross profit

Gross profit of the Group declined by 26.6% to HK$92,237,000. Gross profit margin dropped by 5.4 percentage points from 18.5% in the previous year's to 13.1% for the year under review. This was principally attributable to the significant decrease in gross profit margin of copper and brass products segment, which accounted for approximately 4.1 percentage points, or 76% of the drop in gross profit margin of the Group. The breakdown of gross profit by business segments is as follows:

	2007		2006		
	HK$'000	Gross profit margin	HK$'000	Gross profit margin	% change
Steel cord	73,468	16.8%	79,669	20.2%	–7.8
Copper and brass products	17,857	6.7%	45,113	15.9%	–60.4
Others	912	65.4%	872	58.1%	+4.6
Total	92,237	13.1%	125,654	18.5%	–26.6

Bank interest income and other income, gains and losses

Bank interest income increased by 118.8% over the previous year to HK$4,416,000 (2006: HK$2,018,000); while other income, gains and losses increased by approximately 13.5 times over the previous year to HK$82,120,000 (2006: HK$5,683,000), as:

- The Group's net cashflow from its operating activities improved over that of the previous year and hence, increased its overall bank deposits. Interest income from bank deposits increased by 118.8% over the previous year's to HK$4,416,000.

- The Group disposed of certain shares in Xinyu Iron during the year and achieved a gain on disposal of HK$66,736,000 (2006: Nil), details of which were set out in the **"Dilution loss on share reform of an associate/Gain on disposal of available-for-sale investments"** section below.

Management Discussion and Analysis

- Net foreign exchange gain increased by 115.9% to HK$8,011,000 for the year under review, as the rate of appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HKD") and United States Dollar ("USD") was higher than that of the previous year.

- Property prices in general had kept rising during the year under review, the Group's properties located in Hong Kong and the Mainland recorded a surplus of HK$5,772,000 (2006: HK$2,950,000) on their year-end revaluations.

Distribution and selling expenses

These expenses increased by 45.2% over the previous year's to HK$8,903,000 (2006: HK$6,133,000). In addition to the increased sales volume and rising energy costs that pushed up overall transportation costs, increased sales to new customers in the northeastern part of the PRC and export sales also caused the increase in transportation costs and commission expenses.

Administrative expenses

Administrative expenses of the Group increased by 29.4% over that of the previous year to HK$49,650,000 (2006: HK$38,374,000). During the year under review, share options were granted to certain directors and an employee of the Group as incentives/rewards for their past and/or future contributions to the Group. The related costs of HK$1,291,000, being the fair value of the share options granted, were charged to the consolidated income statement. On the other hand, further costs were incurred for the ongoing business expansion plan of the Group, such as the increase in headcount and increased research and development expenditures for the development of new product specifications. Other ancillary administrative expenses including professional fees also increased as a result of the business expansion plan, these brought a higher increase in administrative expenses for the year under review.

Management Discussion and Analysis

Dilution loss on share reform of an associate/Gain on disposal of available-for-sale investments

As detailed in our 2006 Annual Report and the announcements of the Company dated 28 March, 28 and 30 August, and 19 October 2006, the Group's then associate, Xinyu Iron, with its shares listed on the Shanghai Stock Exchange, proposed a share reform plan under the requirements of the relevant Government authorities of the PRC, in which the non-freely transferable shareholders of Xinyu Iron would transfer 3.3 shares for every 10 freely transferable shares held by such holders (the "Share Reform Plan"). The Share Reform Plan was approved by the Ministry of Commerce of the PRC and completed on 24 October 2006. As a result of the implementation of the Share Reform Plan, the Group's interest in Xinyu Iron was diluted from approximately 16.75% to approximately 14.49%, and the dilution resulted to a loss of approximately HK$6,858,000 to the Group for the previous year.

Pursuant to the Share Reform Plan, the lock-up period of 12 months for shares of Xinyu Iron ended on 24 October 2007 and for the 12 months thereof, the Group is entitled to dispose of not more than 9,661,019 shares of Xinyu Iron on the "A" share market of the Shanghai Stock Exchange.

During the year, Xinyu Iron announced the plan (the "Xinyu Plan") to acquire the assets and businesses of its major shareholder, Xinyu Iron & Steel Co., Ltd. (新余鋼鐵有限責任公司). All necessary approvals were obtained on 22 October 2007 and the Xinyu Plan became unconditional. Since then, the representative of the Group could not participate in major financial and operating policy decision of Xinyu Iron, and accordingly, the Group considers that its significant influence in Xinyu Iron was lost. The Group has since reclassified the investment in Xinyu Iron as available-for-sale investments.

In consideration of the change in shareholder status and as the market prices of Xinyu Iron over the fourth quarter of 2007 represented a significant premium over the carrying value of the Group's investment in Xinyu Iron, the board of directors of the Company (the "Board") considered that it was a good opportunity for the Group to realize the investment in Xinyu Iron. As such, the Group disposed of approximately 4,083,000 shares at the average prevailing market price of RMB17.13 (equivalent to HK$17.91) per share in Xinyu Iron and realized a profit before taxation of HK$66,736,000 for the year under review.

Management Discussion and Analysis

Segment results

Profit from the Group's business segments amounted to HK$69,024,000 for the year under review, decreased by 36.6% as compared to that of the previous year. The breakdown by business segments is as follows:

	2007 HK$'000	2006 HK$'000	% change
Steel cord	**52,804**	65,668	**–19.6**
Copper and brass products	**10,958**	39,823	**–72.5**
Others	**5,262**	3,306	**+59.2**
	69,024	108,797	**-36.6**

Finance costs

The Group's finance costs amounted to HK$11,786,000 (2006: HK$18,904,000) for the year under review, a decrease of 37.7% as compared to that of the previous year. The Group raised net proceeds of approximately HK$161,411,000 from the issue of 250,000,000 new shares to Bekaert in December 2006 and the Group achieved a better net cash inflow from its operating activities, these reduced the need for bank borrowings and hence less interest costs were incurred for the year under review.

Management Discussion and Analysis

Share of result of a jointly controlled entity and an associate

The revenue of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") moderately increased by 3.9% over that of the previous year to HK$469,303,000 (2006: HK$451,609,000). However, its gross profit dropped by 30.3% to HK$78,630,000 (2006: HK$112,780,000) as compared to the previous year's as its raw material costs increased significantly during the year under review, therefore its gross profit margin declined from 25% in the previous year's to 16.8% for the year under review. As such, its profit for the year decreased significantly by 70.6% to HK$12,060,000 (2006: HK$40,979,000). The Group's share of the profit of Shanghai Shenjia also dropped proportionally to HK$3,015,000 (2006: HK$10,245,000).

With regard to Xinyu Iron, the Group's share of its profit for the year under review was HK$7,423,000, decreased by 25.4% as compared to HK$9,952,000 for the full year of 2006.

Income tax expenses

Income tax expenses of the Group increased by 80.8% over that of the previous year to HK$13,110,000 (2006: HK$7,252,000). Out of which, HK$7,101,000 of income tax expense was originated from the gain on the disposal of shares in Xinyu Iron. When this is excluded, income tax expenses would be HK$6,009,000, representing a decrease of 17.1% over the previous year's.

Investment in Xinyu Iron

As mentioned in the "**Dilution loss on share reform of an associate/ Gain on disposal of available-for-sale investments**" section above, the Group's investment in Xinyu Iron had been re-classified as an available-for-sale investment during the year. This investment was revalued at fair value and a surplus of HK$376,058,000 was recorded and credited to the equity of the Group. The Group had disposed of part of its shareholdings in Xinyu Iron during the year; the Group will keep monitoring the share price of Xinyu Iron and the overall sentiment in the Shanghai stock market and have a further disposal of the shares of Xinyu Iron when appropriate.

Management Discussion and Analysis

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

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

On 29 November 2007, the Company entered into a placing agreement with a placing agent for the placing of 100,000,000 new shares of the Company at a price of HK$1.03 each (the "Placing"). On the same date, the Company also entered into subscription agreements with Shougang Concord International Enterprises Company Limited ("Shougang International"), the substantial shareholder of the Company and Li Ka Shing Foundation Limited ("LKSFL") respectively, pursuant to which, Shougang International and LKSFL would subscribe for 400,000,000 and 100,000,000 new shares of the Company at a price of HK$1.03 each (the "Subscriptions").

The Placing was completed on 11 December 2007 and raised net proceeds of approximately HK$101,455,000 for the Group, which would be used as our general working capital. Furthermore, 8,280,000 share options were exercised by the Group's employees during the year and the same number of new shares was issued accordingly. Following such issuance of new shares during the year, the total issued share capital of the Company increased from 1,276,066,556 shares at 31 December 2006 to 1,384,346,556 shares at 31 December 2007. The net assets of the Group increased from HK$957,354,000 at 31 December 2006 to HK$1,499,929,000 at 31 December 2007. In addition to the proceeds from placing of new shares, the increase in fair value of the Group's interest in Xinyu Iron also made contribution to such increase. As a result, the Company's net asset value per share increased from HK$0.75 at 31 December 2006 to HK$1.08 at 31 December 2007.

Subsequent to the balance sheet date, the Subscriptions were also completed on 18 January 2008 and 500,000 share options were exercised by a director of the Company, the total issued share capital of the Company was then increased to 1,884,846,556 shares.

Management Discussion and Analysis

As at 31 December 2007, the Group's bank balances and cash (including pledged bank deposits) amounted to HK$396,624,000, representing an increase of 32% as compared to HK$300,566,000 at the end of 2006. The Group's total bank borrowings amounted to HK$273,146,000, decreased by HK$89,829,000 as compared to HK$362,975,000 as at 31 December 2006. The better cash position reflected the outcome of the net proceeds from the Placing and the improvement in net operating cashflow. The Group generated a net cash inflow of HK$85,815,000 from its operating activities for the year under review, as compared to a net cash outflow of HK$55,364,000 for the previous year.

As at 31 December 2007, all the bank loans of the Group were variable-rate borrowings and their nature and maturity profile were as follows:

	HK$'000
Due within one year or on demand	
– Trust receipt loans	49,316
– Current portion of medium term loan	137,226
Subtotal	186,542
Portion of medium term loan that is due in the second year	26,750
Portion of medium term loan that is due in the third year	59,854
Total	273,146

Because of the strengthening of capital base from the issue of new shares and the improvement in net cash inflow from operating activities, the Group had net cash at 31 December 2007, as compared to a gearing ratio (total interest bearing borrowings less cash and bank balances/shareholders' equity) of 6.5% at 31 December 2006. The current ratio of the Group also strengthened from 2.6 times at 31 December 2006 to 3.5 times at 31 December 2007.

Management Discussion and Analysis

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are in RMB, HKD and USD. The currency mix of bank borrowings of the Group at 31 December 2007 were as follows:

	31 December 2007 %	31 December 2006 %
RMB	**–**	31.4
HKD	**97.2**	61.2
USD	**2.8**	7.4
Total	**100.0**	100.0

The major source of the Group's revenue is in RMB. However, the majority of the Group's bank borrowings at 31 December 2007 were denominated in HKD as its borrowing rate was relatively lower than its RMB counterpart. We believe these adjustments could reduce our interest costs and minimize our exposure to currency risks.

Regarding interest rate risks, out of the HK$273,146,000 variable-rate bank borrowings at 31 December 2007, HK$100,000,000 had been hedged by two structured interest rate swap contracts, covering 36.6% of variable-rate bank borrowings at 31 December 2007.

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

Management Discussion and Analysis

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The establishment of the new plant to expand the production capacity from 30,000 tonnes to 60,000 tonnes per annum is expected to complete and start operation at the end of the second quarter of 2008. Total capital expenditure (excluding working capital requirements) is estimated to be HK$400,000,000. Approximately HK$74,349,000 had been incurred up to 31 December 2007, and the whole capital expenditure would be financed by the Group's internal resources.

Copper and brass products

The construction of an additional production plant in the PRC for domestic sales of copper and brass products in the Mainland was completed and commenced operation in the first quarter of 2008. In the coming year, more efforts will be diverted towards the development of customer base for domestic sales in the PRC.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2007, the Group had a total of 958 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the year amounted

Management Discussion and Analysis

to HK$2,626,000. The Group had also provided training programmes or courses for the Mainland staff at all levels from different departments so as to further enhance their technical skills in production operation. 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, as well as remuneration benchmark in the industry and prevailing market condition.

In addition, the Group had adopted a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, grant share options to any eligible participant to subscribe for shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the year under review, 1,268,000 and 8,280,000 share options were granted to certain directors of the Company and exercised by certain employees of the Group respectively to subscribe for shares in the capital of the Company.

PLEDGE OF ASSETS

As at 31 December 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$16,153,000;

2. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and JESC. These securities will be released following the repayment of the related loan subsequent to the balance sheet date; and

3. Bank deposits amounting to HK$3,000,000.

Management Discussion and Analysis

BUSINESS OUTLOOK

The economy of the PRC recorded a growth of approximately 11.4% in 2007, while the PRC Government targeted to achieve an economic growth of approximately 8% in 2008. Despite a slowdown in economic growth is anticipated, we believe the performance of transportation industry in the PRC will remain strong as many new toll roads and bridges are added or still under constructions all over China. Such increases will further stimulate road transportations and thus the demand for automobiles and hence its components, including radial tyres and steel cords. We are confident to achieve a higher growth in sales volume once the capacity expansion of JESC is to be completed in mid 2008, by that time we can substantially increase supply to our existing and potential customers in the domestic market, and develop new markets overseas. Notwithstanding, there are positive signals that the downward trend of selling prices of steel cords has commenced reversing since the beginning of 2008, however, we still have to pay attention to the rising inflation and raw material prices. Whatever challenges we will face, we are committed to endeavor to achieve a better gross profit margin in 2008.

Regarding our copper segment, the external economic environment has deteriorated somewhat, in particular for the United States which apparently is going to recession in the short run. Demand for either consumables or industrial products from the western countries will slowdown, which in turn will also affect the demand for materials including copper. In view of this, we will adopt a more cautious approach in 2008 and divert more effort to develop the domestic market in the PRC.

We raised total net proceeds of approximately HK$610,000,000 from the issue of 600,000,000 new shares in December 2007 and January 2008 respectively. The capital base of the Company has been strengthened, and it provides the Group with a stronger financial foothold and adequate fund to operate in nowadays challenging environment and our ongoing business developments. Moreover, we will co-operate with our substantial shareholders, Shougang group and Bekaert group to identify new opportunities to further expand our businesses, with the long-term objectives of increasing value and return to our shareholders.

Corporate Governance Report

The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") is committed to practicing and achieving a high standard of corporate governance. The Board also recognizes that an effective internal control system is crucial to the long term development of the Company. In order to maintain a sound and effective internal control system, the Board periodically reviews the daily governance practices and procedures of the Company. As such, the Company has strictly complied with the relevant laws and regulations, and the rules and guidelines of regulatory bodies, such as The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

CORPORATE GOVERNANCE PRACTICES

The Company has made detailed disclosures in relation to the accounting period covered in this annual report in compliance with the requirements of Corporate Governance Report set out in Appendix 23 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Also, the Company has applied and complied with all the principles and code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007 except for the deviation from Code Provision A.4.1 of the Code with detailed explanation as below.

Code Provision A.4.1 – *all non-executive directors (including independent non-executive directors) of the Company are not appointed for a specific term.*

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

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

DIRECTORS' SECURITIES TRANSACTION

On 6 April 2004, the Board has adopted a Model Code for Securities Transactions by Directors of Shougang Concord Century Holdings Limited (the "SCCHL Code") on terms no less exacting than the required standard of the Model Code set out in Appendix 10 of the Listing Rules as the Company's code of conduct and rules governing dealing by all directors in the securities of the Company. In order to bring the SCCHL Code in line with the changes brought upon by the relevant amendments to law, rules and regulations, the Board has also adopted the revised SCCHL Code on 4 April 2005. All directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the SCCHL Code for the year ended 31 December 2007.

THE BOARD

The Board is currently consists of nine members, including five executive directors (namely Messrs. Cao Zhong, Li Shaofeng, Tong Yihui, Tang Cornor Kwok Kau and Geert Johan Roelens), a non-executive director (namely Mr. Leung Shun Sang, Tony) and three independent non-executive directors (namely Messrs. Yip Kin Man, Raymond, Law, Yui Lun and Chan Chung Chun). The directors' biographical details are set out on pages 5 to 6 under the heading "BIOGRAPHICAL DETAILS OF DIRECTORS".

Corporate Governance Report

The major duties of the Board are set out below:

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

Each director owes a fiduciary duty towards the Company. He should act in good faith and in the best interests for both the Company and its shareholders as a whole. Also, the Board has three independent non-executive directors which represents one-third of the Board so that there is a strong element of independence in the Board. Each of the independent non-executive directors has different professional qualification and experience in various aspects: including but not limited to (i) legal professional qualification and experience; (ii) auditing, accounting and tax professional; and (iii) financial and commercial management expertise, which has fully complied with Rules 3.10(1) and (2) of the Listing Rules. Hence, we believe that we have of sufficient caliber and number for their views to carry weight.

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

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

Corporate Governance Report

Record of attendance of directors at the meetings held during the year ("Attendance Record")

	Number of Meetings Attended and Held							
	Formal Meeting						Informal Meeting	
Name of director	Board Meetings	Audit Committee Meetings	Annual General Meeting	Extraordinary General Meeting	Independent Board of Committee Meetings	Remuneration Committee Meetings	Discussion Meeting	Budget Meeting
Cao Zhong	5/5		1/1	1/1		2/2	1/1	
Li Shaofeng	5/5		1/1	1/1			1/1	1/1
Tong Yihui	4/5 (Note 1)		1/1	1/1			1/1	1/1
Leung Shun Sang, Tony	5/5		1/1	1/1		2/2	1/1	
Tang Cornor Kwok Kau	5/5	4/4	1/1	1/1			1/1	1/1
Geert Johan Roelens	4/5 (Note 2)		1/1	1/1			1/1	
Yip Kin Man, Raymond	5/5	5/5	1/1	1/1	2/2	2/2	1/1	
Law, Yui Lun	5/5	5/5	1/1	1/1	2/2	2/2	1/1	
Chan Chung Chun (Note 3)	2/2				1/1	1/1		
Chu, Kwok Tsu Gilbert (resigned on 30 September 2007)	2/3	5/5	1/1	1/1	1/1	1/1	1/1	

Notes:

1. Mr. Tong Yihui was unable to attend one of the board meetings because he was engaged in other scheduled business.

2. Mr. Geert Johan Roelens was unable to attend one of the board meetings because he was engaged in other scheduled business.

3. Mr. Chan Chung Chun was appointed as an independent non-executive director of the Company on 1 October 2007 and had not attended any audit committee meetings during the year of 2007.

Corporate Governance Report

CHAIRMAN AND MANAGING DIRECTOR

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

NON-EXECUTIVE DIRECTORS

Non-executive directors (including independent non-executive directors) of the Company are not appointed for a specific term as required under Code Provision A.4.1 of the Code during the year under review, but are subject to retirement by rotation at least every three years at annual general meeting in accordance with the articles of association of the Company. Therefore, we believe that the requirement of retirement by rotation and re-election of non-executive directors have given the Company's shareholders the right to approve continuation of their offices. As committed, the Company shall take relevant measures towards compliance with this code provision, the Company has entered into a service contract with each of the non-executive directors for a term of three years commencing from 1 January 2008.

BOARD COMMITTEES

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

Remuneration Committee

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

Mr. Leung Shun Sang, Tony *(Chairman)*
Mr. Cao Zhong *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)* (appointed on 1 October 2007)

Corporate Governance Report

and its terms of reference are summarized as follows:–

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

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

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

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

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

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

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

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

During the year under review, two Remuneration Committee Meetings were held and the attendance record of the committee members is set out in the table: Attendance Record on page 27 of this report.

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

Corporate Governance Report

Nomination Committee

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

Mr. Cao Zhong *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)* (appointed on 1 October 2007)

and its terms of reference are summarized as follows:–

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

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

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

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

Audit Committee

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

Mr. Yip Kin Man, Raymond *(Chairman)*
Mr. Law, Yui Lun
Mr. Chan Chung Chun (appointed on 1 October 2007)

Corporate Governance Report

and its terms of reference are summarized as follows:–

Relationship with the Company's external auditors

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

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

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

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

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

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

Review of financial information of the Company

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

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

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

Corporate Governance Report

vii) In regard to (vi) above:–

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year under review, five Audit Committee Meetings were held and the attendance record of the committee members is set out in the table: Attendance Record on page 27 of this report.

Corporate Governance Report

The Audit Committee members had met with the external auditors to discuss the half year and annual financial statements for the financial year of 2007. The external auditors also had met the Audit Committee members without executive director (save for the Financial Controller and the Company Secretary who may attend to answer any query regarding the financial results) present.

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

During the financial year of 2007, the Audit Committee members had given many great and positive contribution, and independent and informed comments for the development of the Company's strategy and policies, including but not limited to their efforts on the corporate exercises regarding sale and purchase contract and commercial agency contract with NV Bekaert SA, subscription of new shares by Shougang Concord International Enterprises Company Limited and the application of whitewash waiver. In addition, an external consultancy firm was instructed by the Audit Committee members to undertake a review of the internal control on the key operating cycles of the core business segments of the Group – steel cord and copper and brass products. All of above are in the interests of the shareholders of the Company.

Auditors' Remuneration

During the year ended 31 December 2007, the fee paid/payable to the external auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

The fees charged by the external auditors of the Company, Deloitte Touche Tohmatsu for the year ended 31 December 2007 amounted to HK$950,000 for audit services and HK$270,000 for non-audit services comprising fees for review of interim financial statements.

SHAREHOLDERS' RIGHTS

The Board recognizes its responsibility to ensure the interests of the shareholders, to communicate with shareholders and to enhance their value. In order to maintain ongoing dialogue with shareholders, the Company has particular opportunities of direct communication with shareholders at various annual general meetings and other general meetings where shareholders are encouraged to actively attend. Besides, at the 2007 annual general meeting, the Chairman of the Board and the Chairman of each of Remuneration Committee, Nomination Committee and Audit Committee were present to answer any shareholder's questions.

Corporate Governance Report

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

INVESTOR RELATIONS

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

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

Corporate Governance Report

For the year ended 31 December 2007, the following general meetings were held by the Company:–

Date	Venue	Type of Meeting	Particulars	Voting at the Meeting
6 June 2007	JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong	Annual General Meeting	1. To receive the report of the directors of the Company and the audited financial statements of the Company for the year ended 31 December 2006. 2. To declare a final dividend for the year ended 31 December 2006. 3. To re-elect the retiring directors. 4. To re-appoint Deloitte Touche Tohmatsu as auditors of the Company to hold office until the conclusion of the next annual general meeting and to authorize the board of directors to fix their remuneration. 5. To approve the general mandate to issue and dispose of additional shares not exceeding 20% of the issued share capital of the Company. 6. To approve the general mandate to repurchase shares not exceeding 10% of the issued shares of the Company and allot additional shares.	By show of hands
6 June 2007	JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong	Extraordinary General Meeting	To approve, confirm and ratify: (i) the Sale and Purchase Contract entered into between the Company and Bekaert subject to the Group's Sales Cap and the Group's Purchase Cap; and (ii) the Commercial Agency Contract entered into between the Company and Bekaert subject to the Commission Cap, in relation to the Continuing Connected Transactions	By way of poll

INTERNAL CONTROLS

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

During the year under review, the Board has engaged an external consultancy firm rendering the internal audit services for the key operating cycles of the core business segments of the Group – steel cord and copper and brass products. In addition, the Board has convened three audit committee meetings to review the effectiveness of the internal control system during the financial year of 2007 and thereafter the Company has adopted their recommendations to improve its internal control system. The Control Manual has further been revised in early 2008.

Report of the Directors

The directors herein present their report and the audited financial statements of the Company and the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Further details of the principal activities of the principal subsidiaries are set out in note 45 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 53 to 127.

SUMMARY OF FINANCIAL INFORMATION

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

	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
PROFIT FOR THE YEAR	**105,762**	76,031	62,228	148,524	66,324
TOTAL ASSETS	**1,879,938**	1,386,781	967,215	939,780	717,245
TOTAL LIABILITIES	**(380,009)**	(429,427)	(273,462)	(305,538)	(131,028)
	1,499,929	957,354	693,753	634,242	586,217
MINORITY INTEREST	**(840)**	–	–	–	–
SHAREHOLDERS' EQUITY	**1,499,089**	957,354	693,753	634,242	586,217

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and property, plant and equipment of the Company and the Group during the year are set out in notes 15 and 16, respectively to the financial statements.

Particulars of the Group's investment properties as at 31 December 2007 are summarised on page 128 of this annual report.

Report of the Directors

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 35 to the financial statements. The Company introduced a share option scheme in 2002. Details of share options are set out under the headings "**SHARE OPTION SCHEME**", "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES**" hereunder and in note 43 to the financial statements.

RESERVES

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

DISTRIBUTABLE RESERVES

As at 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$61,061,000, of which approximately HK$18,849,000 has been proposed as final dividend for the year.

FINAL DIVIDEND

The directors are pleased to recommend to shareholders the payment of a final dividend of HK1 cent per share for the year ended 31 December 2007 and the balance of the profit will be retained. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 20 June 2008 to the shareholders whose names appear at the Register of Members of the Company as at the close of business on 6 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 4 June 2008 to 6 June 2008, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on 3 June 2008.

DIRECTORS

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

Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Geert Johan Roelens *(Executive Director)*
Yip Kin Man, Raymond *(Independent Non-executive Director)*
Law, Yui Lun *(Independent Non-executive Director)*
Chu, Kwok Tsu Gilbert *(Independent Non-executive Director)* (resigned on 30 September 2007)
Chan Chung Chun *(Independent Non-executive Director)* (appointed on 1 October 2007)

Report of the Directors

The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 91 and 92 of the Company's articles of association. Messrs. Li Shaofeng, Tong Yihui and Leung Shun Sang, Tony will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In addition, Mr. Chan Chung Chun will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting pursuant to articles 95 and 96 of the Company's articles of association.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES**" and in note 43 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the Company's share options during the year are set out under the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES**" hereunder and in note 43 to the financial statements.

Report of the Directors

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

As at 31 December 2007, save for the interest of the directors in the shares and share options of the Company set out as below, none of the directors had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long position in shares

(a) Ordinary shares of HK$0.1 each of the Company

Name of director	Number of shares held	Approximate% of the issued share capital	Capacity in which interests are held
Tang Cornor Kwok Kau ("Mr. Tang")	2,496,000	0.18	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.

Report of the Directors

(b) *Share options*

As at 31 December 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:

	Options to subscribe for shares of the Company									
Name of director	Number of share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Date of exercise	Number of outstanding share options at the end of the year	Date of grant *(Note b)*	Exercise period	Exercise price per share *HK$*	Capacity in which interests are held	Approximate % of the issued share capital
Cao Zhong	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	57,350,000 *(Note a)*	–	–	–	57,350,000	2/10/2003	2/10/2003 to 1/10/2013	0.780		
	65,002,000	–	–		65,002,000				Beneficial owner	4.69
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	2.76
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	3.31
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	0.88
Mr. Tang	1,000,000	–	–	–	1,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740	Beneficial owner	0.07
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		
	764,000	252,000	–		1,016,000				Beneficial owner	0.07
Law, Yui Lun	–	1,016,000	–	–	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656	Beneficial owner	0.07
	163,196,000	1,268,000	–		164,464,000					

Report of the 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 31 December 2007.

Notes:

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

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

The above share options are unlisted cash settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.1 each in the share capital of the Company are issuable. The share options are personal to the respective directors.

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Name of director	Name of entity which businesses which are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete with the businesses of the Group	Nature of director's interest in the entity
Geert Johan Roelens *(Note 1)*	Bekaert Industries Pvt. Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Hlohovec, a.s.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Binjiang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert-Shenyang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert (Shandong) Tire Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Shenyang Advanced Products Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Japan Co., Ltd.	Sale of steel wire and/or cord products	Director
	China Bekaert Steel Cord Company Limited	Manufacturing and sale of steel wire and/or cord products	Director
Chan Chung Chun *(Note 2)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Deputy chairman and executive director
	Zhong Xing Heng He Holdings Limited	Trading of metals and minerals	Director

Report of the Directors

Notes:

(1) Pursuant to a subscription agreement and a supplemental agreement (the "Bekaert Subscription") entered into by the Company and NV Bekaert SA ("Bekaert") in September 2006, a nominee of Bekaert should be appointed as an executive director of the Company to represent the interest of Bekaert after the completion of the Bekaert Subscription on 15 December 2006 and as such, Mr. Geert Johan Roelens was appointed.

(2) Mr. Chan Chung Chun was appointed as an Independent Non-executive Director on 1 October 2007. He shall perform his duties as a role of this position towards the interest of the Company.

In general, directors owe their fiduciary duties towards the company as a whole and as such the board of directors (the "Board") believes that all board members will act in the best interest of the Group and its shareholders when they operate and manage the businesses of the Group.

Report of the Directors

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

As at 31 December 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	Capacity in which interests are held
Richson Limited ("Richson")	148,537,939	10.73	Beneficial owner
Fair Union Holdings Limited ("Fair Union")	286,655,179	20.71	Beneficial owner and interests of controlled corporations[(1)]
Shougang Concord International Enterprises Company Limited ("Shougang International")	686,655,179	49.60	Beneficial owner and interests of controlled corporations[(2)]
Able Legend Investments Limited ("Able Legend")	126,984,000	9.17	Beneficial owner
Shougang Holding (Hong Kong) Limited ("Shougang HK")	855,883,179	61.83	Interests of controlled corporations[(3)]
Bekaert Holding B.V. ("Bekaert Holding")	250,000,000	18.06	Beneficial owner[(4)]
NV Bekaert SA ("Bekaert")	250,000,000	18.06	Interests of controlled corporations[(5)]
Li Ka Shing Foundation Limited ("LKSFL")	100,000,000	7.22	Beneficial owner[(6)]

Report of the Directors

Notes:

(1) Fair Union is beneficially interested in the 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. Shougang International is also deemed to be interested in 400,000,000 shares by entering into the subscription agreement on 29 November 2007 under which 400,000,000 new shares shall be issued and allotted to Shougang International at a price of HK$1.03 per share of the Company.

(3) 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 400,000,000 shares held by Shougang International, 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.

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

(5) 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.

(6) LKSFL is deemed to be interested in the 100,000,000 shares by entering into a subscription agreement on 29 November 2007 under which 100,000,000 new shares shall be issued and allotted to LKSFL at a price of HK$1.03 per share of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contracts of significance between the Group, Shougang HK and its subsidiaries, Shougang International and its subsidiaries, and Bekaert and its subsidiaries, respectively are set out under the heading "CONNECTED TRANSACTIONS" and in note 44 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to practicing and achieving a high standard of corporate governance and the Board has approved and adopted a Shougang Concord Century Holdings Limited Code on Corporate Governance (the "SCCH Code") on terms no less exacting than those set out in the Code Provisions of the Code on Corporate Governance Practices – Appendix 14 of the Listing Rules save for a deviation of Code Provisions. Further information on the Company's Corporate Governance Practices is set out in the **Corporate Governance Report** on pages 25 to 35 of this annual report.

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

RELATED PARTY TRANSACTIONS

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

Further details are set out in note 44 to the financial statements. Some of these transactions also constituted "Connected Transactions" under the Listing Rules, as identified below.

CONNECTED TRANSACTIONS

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

(A) Continuing connected transactions exempt from the independent shareholders' approval requirements

Tenancy Agreement

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

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

Report of the Directors

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

The respective maximum aggregate annual values of the said continuing connected transactions for the year ended 31 December 2007 to 2009 is HK$1,749,600.

The details of the above transactions are set out in the Company's announcement dated 4 January 2007.

(B) Continuing connected transactions not exempt from the independent shareholders' approval requirements

(a) Continuing connected transactions with Bekaert group

(i) Service Contract

A service contract (the "Service Contract") dated 22 September 2006 was entered into between Jiaxing Eastern Steel Cord Co., Ltd. ("JESC") and Bekaert, under which Bekaert or one of its subsidiaries in Asia which engages in the manufacture or sale of steel cord in the People's Republic of China will provide certain services to JESC for a period of three years from 15 December 2006, the date of completion of the Bekaert subscription agreement, pursuant to which Bekaert has subscribed for 250,000,000 ordinary shares at a cash price of HK$0.65 per share in the share capital of the Company.

(ii) Supply Contract

A supply contract (the "Supply Contract") dated 22 September 2006 was entered into between JESC and Bekaert, under which Bekaert agrees to sell and deliver certain materials (including brass coated wires) for the manufacture of steel cords for a period of three years from 15 December 2006. The Supply Contract was replaced by the sale and purchase contract as set out in point (iii) herebelow.

Report of the Directors

(iii) *Sale and Purchase Contract*

On 20 April 2007, the Company, in substitution of JESC, and Bekaert entered into a sale and purchase contract (the "Sale and Purchase Contract") to amend and restate the Supply Contract with a view to extend the scope of materials and products supply and to provide both the Group and Bekaert group will supply their respective materials and/or finished products to each other for a term of three years from the date of obtaining approval of independent shareholders of the Company at the extraordinary general meeting held on 6 June 2007 (the "Effective Day").

(iv) *Commercial Agency Contract*

On 20 April 2007, JESC entered into the commercial agency contract (the "Commercial Agency Contract") with Bekaert to appoint Bekaert group as the exclusive commercial agent for the sale of steel cord for reinforcement of radial tyres in certain territories as defined in the Commercial Agency Contract for a period of five years from the Effective Day.

Bekaert is a substantial shareholder and therefore a connected person of the Company under the Listing Rules. Accordingly, the services under the Service Contract provided and the transactions under the Sales and Purchase Contract and the Commercial Agency Contract constituted continuing connected transactions (the "Continuing Connected Transactions"). The Continuing Connected Transactions to the Company, which took place during the year, have been reviewed by the Independent Non-executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

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

(c) in accordance with the Service Contract, Sale and Purchase Contract, Commercial Agency Contract and relevant agreements governing them on terms that are fair and reasonable and in the best interest of the Company and its shareholders as a whole; and

(d) the aggregate amount of each of the service fees, the sales payable by the Group to Bekaert group, the sales payable by Bekaert group to the Group was approximately HK$15,000, HK$66,540,000 and HK$8,274,000 respectively, and commission payable was zero during the year of 2007. The said service fees, sales payable by the Group to Bekaert group, the sales payable by Bekaert group to the Group and commission payable for the provision of agency services did not exceed the limit of annual Service Fee Cap of HK$1,474,000, annual Group's Purchase Cap of HK$191,989,000, annual Group's Sales Cap of HK$18,188,000 and annual Commission Cap of HK$990,000 respectively. Those caps were approved by the shareholders of the Company at the extraordinary general meetings on 6 November 2006 and 6 June 2007 respectively.

Report of the Directors

The details of the above transactions are set out in the Company's circulars dated 18 October 2006 and 9 May 2007.

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

(b) Other connected transaction

Subscription Agreement with Shougang International

On 29 November 2007, the Company entered into a subscription agreement with Shougang International, pursuant to which the Company agreed to issue and allot a total of 400,000,000 new shares at a price of HK$1.03 per share to Shougang International (the "Subscription"). The aggregate consideration of the Subscription was HK$412,000,000. The Company intends to apply the net proceed of the Subscription for expediting the progress of the expansion of production capacity of steel cord business of the Group, reducing finance cost and general working capital of the Group. As Shougang International is a substantial shareholder and therefore a connected person of the Company under the Listing Rules, the Subscription constituted a connected transaction for the Company under the Listing Rules. The Subscription was approved by the independent shareholders of the Company at the extraordinary general meeting on 10 January 2008 and 400,000,000 shares were subsequently issued and allotted on 18 January 2008.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company has adopted a share option scheme as incentive/reward to directors and eligible participants, details of the scheme are set out in note 43 to the financial statements and the heading "**DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES**" hereabove.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float as required under the Listing Rules during the year and as at the latest practicable date, 13 April 2008 prior to the issue of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 41% (2006: 47%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 17% (2006: 14%).

Purchases from the Group's five largest suppliers accounted for approximately 38% (2006: 40%) of the total purchases for the year and purchases from the largest supplier, included therein amounted to approximately 10% (2006: 12%). The largest supplier for the year was Bekaert, a substantial shareholder of the Company, while Bekaert was not within the Group's five largest suppliers in 2006.

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

AUDITORS

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

By Order of the Board

Cao Zhong
Chairman

Hong Kong
16 April 2008

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 53 to 127, which comprise the consolidated and Company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

Independent Auditor's Report

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 April 2008

Consolidated Income Statement

For the Year Ended 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Revenue	5	704,716	678,923
Cost of sales		(612,479)	(553,269)
Gross profit		92,237	125,654
Bank interest income		4,416	2,018
Other income, gains and losses	7	82,120	5,683
Distribution and selling expenses		(8,903)	(6,133)
Administrative expenses		(49,650)	(38,374)
Dilution loss on share reform of an associate	8	–	(6,858)
Finance costs	9	(11,786)	(18,904)
Share of result of a jointly controlled entity		3,015	10,245
Share of result of an associate		7,423	9,952
Profit before taxation		118,872	83,283
Income tax expenses	10	(13,110)	(7,252)
Profit for the year	11	105,762	76,031
Dividends	13	12,761	–
Earnings per share	14		
Basic		HK8.22 cents	HK7.33 cents
Diluted		HK7.68 cents	HK6.93 cents

Consolidated Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties	15	16,340	12,220
Property, plant and equipment	16	507,637	447,294
Prepaid lease payments	17	8,616	7,489
Interests in a jointly controlled entity	19	39,467	54,452
Interests in an associate	20	–	49,148
Goodwill	21	41,672	41,672
Club memberships	23	675	675
Available-for-sale investments	24	357,657	–
		972,064	612,950
Current assets			
Inventories	25	110,701	87,831
Trade receivables	26	175,414	177,996
Bills receivable	26	203,661	186,272
Prepayments, deposits and other receivables		7,196	14,438
Prepaid lease payments	17	539	441
Amounts due from related companies	27	5,875	4,295
Tax recoverable		3,068	1,698
Derivative financial instruments	34	4	294
Pledged bank deposits	28 & 29	3,000	3,000
Bank balances and cash	29	393,624	297,566
Dividend receivable		4,792	–
		907,874	773,831
Current liabilities			
Trade payables	30	39,728	9,920
Other payables and accruals		25,102	16,791
Tax payable		7,816	1,784
Amount due to a related company	27	–	34,837
Bank borrowings – due within one year	32	186,542	238,499
		259,188	301,831
Net current assets		648,686	472,000
Total assets less current liabilities		1,620,750	1,084,950
Non-current liabilities			
Bank borrowings – due after one year	32	86,604	124,476
Other payable		1,830	1,528
Deferred tax liabilities	33	32,387	1,592
		120,821	127,596
		1,499,929	957,354
Capital and reserves			
Share capital	35	138,435	127,607
Reserves		1,360,654	829,747
Equity attributable to equity holders of the Company		1,499,089	957,354
Share option reserve of a subsidiary		840	–
		1,499,929	957,354

The financial statements on pages 53 to 127 were approved and authorised for issue by the Board of Directors on 16 April 2008 and are signed on its behalf by:

Cao Zhong	**Li Shaofeng**
DIRECTOR	*DIRECTOR*

Balance Sheet

At 31 December 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		–	–
Investments in subsidiaries	18	371,310	365,649
Advances to subsidiaries	18	555,641	415,593
Club memberships	23	315	315
		927,266	781,557
Current assets			
Prepayments and other receivables		567	1,250
Amount due from a subsidiary	31	13,000	22,000
Derivative financial instruments	34	4	294
Pledged bank deposits	28 & 29	3,000	3,000
Bank balances and cash	29	149,917	38,990
		166,488	65,534
Current liabilities			
Other payables and accruals		1,864	1,390
Amount due to a subsidiary	31	26,838	31,728
Bank borrowings – due within one year	32	137,226	49,429
		165,928	82,547
Net current assets (liabilities)		560	(17,013)
Total assets less current liabilities		927,826	764,544
Non-current liability			
Bank borrowings – due after one year	32	86,604	124,476
		841,222	640,068
Capital and reserves			
Share capital	35	138,435	127,607
Reserves	36	702,787	512,461
		841,222	640,068

Cao Zhong
DIRECTOR

Li Shaofeng
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	PRC reserve funds HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000	Equity component of share option reserve of a subsidiary HK$'000	Total HK$'000
At 1 January 2006	102,607	287,024	32,659	1,013	857	–	17,249	–	27,698	224,646	693,753	–	693,753
Surplus on revaluation	–	–	–	–	3,628	–	–	–	–	–	3,628	–	3,628
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(472)	–	–	–	–	–	(472)	–	(472)
Translation adjustments:													
– subsidiaries	–	–	–	–	–	–	19,499	–	–	–	19,499	–	19,499
– jointly controlled entity	–	–	–	–	–	–	1,838	–	–	–	1,838	–	1,838
– associate	–	–	–	–	–	–	1,602	–	–	–	1,602	–	1,602
Net gain recognised directly in equity	–	–	–	–	3,156	–	22,939	–	–	–	26,095	–	26,095
Profit for the year	–	–	–	–	–	–	–	–	–	76,031	76,031	–	76,031
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	–	–	–
Reversal in relation to share reform of an associate	–	–	–	–	–	–	–	–	(521)	521	–	–	–
Total recognised income for the year	–	–	–	–	2,853	–	22,939	–	(521)	76,919	102,190	–	102,190
Share issued at premium	25,000	137,500	–	–	–	–	–	–	–	–	162,500	–	162,500
Share issue expenses	–	(1,089)	–	–	–	–	–	–	–	–	(1,089)	–	(1,089)
Transfer	–	–	–	–	–	–	–	–	18,059	(18,059)	–	–	–
At 31 December 2006	127,607	423,435	32,659	1,013	3,710	–	40,188	–	45,236	283,506	957,354	–	957,354

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note i)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share options reserve HK$'000	PRC reserve funds HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000	Equity component of share option reserve of a subsidiary HK$'000	Total HK$'000
At 1 January 2007	127,607	423,435	32,659	1,013	3,710	–	40,188	–	45,236	283,506	957,354	–	957,354
Surplus on revaluation	–	–	–	–	6,036	–	–	–	–	–	6,036	–	6,036
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(1,352)	–	–	–	–	–	(1,352)	–	(1,352)
Gain on fair value change of available-for-sale investments	–	–	–	–	–	376,058	–	–	–	–	376,058	–	376,058
Recognition of deferred tax liability on gain on fair value change of available-for-sale investments	–	–	–	–	–	(31,091)	–	–	–	–	(31,091)	–	(31,091)
Translation adjustments:													
– subsidiaries	–	–	–	–	–	–	52,515	–	–	–	52,515	–	52,515
– jointly controlled entity	–	–	–	–	–	–	3,571	–	–	–	3,571	–	3,571
– associate	–	–	–	–	–	–	2,146	–	–	–	2,146	–	2,146
Net gain recognised directly in equity	–	–	–	–	4,684	344,967	58,232	–	–	–	407,883	–	407,883
Profit for the year	–	–	–	–	–	–	–	–	–	105,762	105,762	–	105,762
Total recognised income for the year	–	–	–	–	4,684	344,967	58,232	–	–	105,762	513,645	–	513,645
Share issued at premium	10,828	98,299	–	–	–	–	–	–	–	–	109,127	–	109,127
Share issue expenses	–	(1,585)	–	–	–	–	–	–	–	–	(1,585)	–	(1,585)
Reclassification of associate to available-for-sale investments	–	–	(8,669)	–	–	13,656	(4,987)	–	(7,125)	7,125	–	–	–
Reserve release upon partial disposal of investments *(Note 24)*	–	–	–	–	–	(67,142)	–	–	–	–	(67,142)	–	(67,142)
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	451	–	–	451	840	1,291
Dividend paid	–	–	–	–	–	–	–	–	–	(12,761)	(12,761)	–	(12,761)
Transfer	–	–	–	–	–	–	–	–	5,960	(5,960)	–	–	–
At 31 December 2007	138,435	520,149	23,990	1,013	8,394	291,481	93,433	451	44,071	377,672	1,499,089	840	1,499,929

Note i: The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years and share of an associate's reserve. The associate was reclassified as available-for-sale investment during the year ended 31 December 2007.

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

Consolidated Cash Flow Statement

For the Year Ended 31 December 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**118,872**	83,283
Adjustments for:		
Depreciation of property, plant and equipment	**43,103**	40,092
Amortisation of prepaid lease payments	**698**	432
Increase in fair value of investment properties	**(4,120)**	(2,810)
Surplus on revaluation of leasehold land and buildings, net	**(1,652)**	(140)
Loss on disposal of property, plant and equipment, net	**513**	167
Gain on disposal of property held for sale	**–**	(339)
Interest income	**(4,416)**	(2,018)
(Reversal of) allowance for inventories	**(267)**	267
(Recovery of) allowance for bad and doubtful debts	**(1,841)**	1,824
Finance costs	**11,786**	18,904
Share of result of a jointly controlled entity	**(3,015)**	(10,245)
Share of result of an associate	**(7,423)**	(9,952)
Dilution loss on share reform of an associate	**–**	6,858
Foreign exchange gain, net	**(8,011)**	–
Gain on disposal of available-for-sale investments	**(66,736)**	–
Recognition of fair value of share options granted during the year	**1,291**	–
Operating cash flows before movements in working capital	**78,782**	126,323
Increase in inventories	**(18,924)**	(1,962)
Decrease (increase) in trade and bills receivables	**5,709**	(148,230)
Decrease (increase) in prepayments, deposits and other receivables	**6,682**	(3,923)
Decrease (increase) in derivative financial instruments	**290**	(340)
Increase in amounts due from related companies	**(1,580)**	(2,798)
Increase in trade payables	**29,341**	523
Increase (decrease) in other payables and accruals	**4,638**	(1,479)
Cash generated from (used in) operations	**104,938**	(31,886)
Interest received	**4,416**	2,018
Interest paid	**(13,267)**	(17,849)
Hong Kong Profits tax paid	**(4,333)**	–
PRC Enterprise Income Tax paid	**(8,623)**	(7,847)
PRC Enterprise Income Tax refunded	**2,684**	200
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**85,815**	(55,364)

Consolidated Cash Flow Statement

For the Year Ended 31 December 2007

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Proceed from disposal of available-for-sale investments	72,723	–
Dividends received from a jointly controlled entity	16,779	6,656
Dividend received from an associate	3,987	3,782
Proceeds from disposal of property, plant and equipment	30	62
Purchase of property, plant and equipment	(63,391)	(9,707)
Addition to prepaid lease payments	(1,372)	–
Proceed from disposal of property held for sale	–	2,976
NET CASH FROM INVESTING ACTIVITIES	28,756	3,769
FINANCING ACTIVITIES		
Repayment of trust receipt loans	(251,122)	(320,016)
Repayment of bank loans	(143,699)	(218,234)
Repayment of bank advances for discounted bills	(45,199)	(145,939)
(Repayment to) advance from a related company	(34,837)	34,837
Dividend paid	(12,761)	–
Share issue expenses paid	(1,585)	(1,089)
Trust receipt loans raised	245,056	295,806
Proceeds on issue of ordinary shares	109,127	162,500
New bank loans raised	102,766	314,162
Bank advances for discounted bills	–	189,284
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(32,254)	311,311
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,317	259,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	297,566	37,378
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	13,741	472
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Bank balances and cash	393,624	297,566

Notes to the Financial Statements

For the Year Ended 31 December 2007

1. GENERAL

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

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

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

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Financial Statements

For the Year Ended 31 December 2007

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

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

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

Business combinations

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

Goodwill

Goodwill arising on an acquisition of the net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired.

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

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

Interests in jointly controlled entities

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

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

When the Group losses the significant influence in an associate, the Group discontinues the use of the equity method and accounts for the investment as available-for-sale investments from that date. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset.

Investment properties

Investment properties are held to earn rentals and/or for capital appreciation.

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

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

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Club membership

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

Inventories

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

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, interests in an associate and a jointly controlled entity except when the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from sales of goods are recognised when the goods are delivered and title has been passed, less returns and trade discounts.

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

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

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for available-for-sale investments reclassified from interest in an associate which are measured at the carrying amount of the investment at the date of reclassification. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including advances to subsidiaries, trade and bills receivables and other receivables, amounts due from related companies, pledged bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

At each balance sheet date subsequent to initial recognition, available-for-sale financial assts are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

Equity settled share-based payment transactions

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

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed in full at the grant date when the share option granted is vested immediately, with a corresponding increase in equity (share options reserve).

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

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

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapsed or are cancelled prior to the end of their exercise period are deleted from the register of outstanding options.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately unless the relevant asset is carried at a revalued amount under another standard, in which case, the impairment loss is treated as a revaluation decrease under that standard.

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of goodwill is approximately HK$41,672,000 (2006: HK$41,672,000). Details of the recoverable amount calculation are disclosed in note 22.

Fair value of available-for-sale investments

As described in note 24, the directors of the Company estimates the fair values of restricted equity securities by reference to the market prices and lack of marketability discounts based on restricted stock study results. The carrying amount of the available-for-sale investments at 31 December 2007 is approximately HK$357,657,000 (2006: Nil). Details of the assumptions used are disclosed in note 24.

Notes to the Financial Statements

For the Year Ended 31 December 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2007, the carrying amount of trade receivables was approximately HK$175,414,000 (net of allowance for bad and doubtful debts of approximately HK$3,682,000).

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 31 December 2007 was approximately HK$507,637,000 (2006: HK$447,294,000). The Group depreciates the plant and equipment on a straight line basis over the estimated useful life of five to twenty-five years, and after taking into account of their estimated residual values, using the straight-line method, at the rates of 4% to 20% per annum, commencing from the date the equipment is placed into productive use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

Notes to the Financial Statements

For the Year Ended 31 December 2007

5. REVENUE

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

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

	2007	2006
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cords	**436,767**	393,726
Processing and trading of copper and brass products	**266,554**	283,695
Others	**481**	679
	703,802	678,100
Rental income	**914**	823
	704,716	678,923

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

(a) Business segments

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

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

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

Other operation mainly comprises investment and property investment.

Notes to the Financial Statements

For the Year Ended 31 December 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

Segment information about these businesses is presented below:

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
For the year ended 31 December 2007				
Segment revenue				
External sales	436,767	266,554	1,395	704,716
Result				
Segment result	52,804	10,958	5,262	69,024
Unallocated income				12,862
Unallocated expenses				(28,402)
Gain on disposal of available-for-sale investments				66,736
Finance costs				(11,786)
Share of result of a jointly controlled entity				3,015
Share of result of an associate				7,423
Profit before taxation				118,872
Income tax expenses				(13,110)
Profit for the year				105,762
OTHER INFORMATION				
Capital expenditure	63,301	2,110	631	66,042
Depreciation	41,500	827	776	43,103
Recovery of bad and doubtful debts	1,577	264	–	1,841
Reversal of allowance for inventories	–	267	–	267
Loss (gain) on disposal of property, plant and equipment	514	19	(20)	513
At 31 December 2007				
BALANCE SHEET				
Assets				
Segment assets	906,817	102,089	29,873	1,038,779
Interests in a jointly controlled entity				39,467
Available-for-sale investments	–	–	357,657	357,657
Goodwill	41,672	–	–	41,672
Unallocated corporate assets				402,363
Consolidated total assets				1,879,938
Liabilities				
Segment liabilities	47,244	9,890	748	57,882
Unallocated corporate liabilities				322,127
Consolidated total liabilities				380,009

Notes to the Financial Statements

For the Year Ended 31 December 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

	Steel cord HK$'000	Copper and brass products HK$'000	Others HK$'000	Consolidated HK$'000
For the year ended 31 December 2006				
Segment revenue				
External sales	393,726	283,695	1,502	678,923
Result				
Segment result	65,668	39,823	3,306	108,797
Unallocated income				3,368
Unallocated expenses				(23,317)
Dilution loss on share reform of an associate				(6,858)
Finance costs				(18,904)
Share of result of a jointly controlled entity				10,245
Share of result of an associate				9,952
Profit before taxation				83,283
Income tax expenses				(7,252)
Profit for the year				76,031
OTHER INFORMATION				
Capital expenditure	9,072	219	416	9,707
Depreciation	38,302	1,094	696	40,092
Allowance for bad and doubtful debts	1,223	601	–	1,824
Allowance for inventories	–	267	–	267
Loss (gain) on disposal of property, plant and equipment	70	5	(247)	(172)
At 31 December 2006				
BALANCE SHEET				
Assets				
Segment assets	812,736	102,940	19,439	935,115
Interests in a jointly controlled entity				54,452
Interests in an associate				49,148
Goodwill	41,672	–	–	41,672
Unallocated corporate assets				306,394
Consolidated total assets				1,386,781
Liabilities				
Segment liabilities	14,960	7,003	778	22,741
Unallocated corporate liabilities				406,686
Consolidated total liabilities				429,427

Notes to the Financial Statements

For the Year Ended 31 December 2007

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments

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

	Hong Kong		Other regions in the People's Republic of China (the "PRC")		Others		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**234,823**	261,924	**422,989**	400,489	**45,990**	15,687	**703,802**	678,100
Gross rental income	**472**	455	**442**	368	**–**	–	**914**	823
	235,295	262,379	**423,431**	400,857	**45,990**	15,687	**704,716**	678,923
Other segment information:								
Segment assets	**95,868**	117,069	**942,911**	818,046	**–**	–	**1,038,779**	935,115
Interests in a jointly controlled entity	**–**	–	**39,467**	54,452	**–**	–	**39,467**	54,452
Interests in an associate	**–**	–	**–**	49,148	**–**	–	**–**	49,148
Capital expenditure	**138**	131	**65,904**	9,576	**–**	–	**66,042**	9,707

7. OTHER INCOME, GAINS AND LOSSES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Gain on disposal of available-for-sale investments *(Note 24)*	**66,736**	–
Foreign exchange gains, net	**8,011**	3,710
Increase in fair value of investment properties *(Note 15)*	**4,120**	2,810
Recovery of (allowance for) bad and doubtful debts	**1,841**	(1,824)
Surplus on revaluation of leasehold land and buildings, net	**1,652**	140
(Loss) gain on disposal of property, plant and equipment	**(513)**	172
Changes in fair value of derivative financial instruments	**(290)**	340
Others	**563**	335
	82,120	5,683

Notes to the Financial Statements

For the Year Ended 31 December 2007

8. DILUTION LOSS ON SHARE REFORM OF AN ASSOCIATE

The completion of the share reform plan for the conversion of the non-freely transferable shares of Xinyu Iron & Steel Co., Ltd. ("Xinyu Iron", formerly known as Xinhua Metal Products Co., Ltd.), an associate of the Group, into shares freely transferable on the Shanghai Stock Exchange (the "Share Reform Plan") took place during 2006. Under the Share Reform Plan, the non-freely transferable shareholders of Xinyu Iron, including an indirect wholly owned subsidiary of the Company, would offer holders of freely transferable shares of Xinyu Iron 3.3 non-freely transferable shares for every 10 freely transferable shares held by such holders, in exchange for the consent by the holders of freely transferable shares of Xinyu Iron to the conversion of all non-freely transferable shares into freely transferable shares of Xinyu Iron. Followed by the completion of the Share Reform Plan, the Group's equity interest in Xinyu Iron was diluted from 16.75% to 14.49%. Under the Share Reform Plan, the shares of Xinyu Iron held by the Group would be subject to a lock-up period of 12 months ("Lock-up Period") upon such shares become freely transferable shares. The Group undertook not to sell the number of shares in Xinyu Iron not more than (i) 5% of the entire issued share capital of Xinyu Iron at the time of the Share Reform Plan for 12 months; and (ii) 10% of the entire issued share capital of Xinyu Iron at the time of the Share Reform Plan for 24 months, after the Lock-up Period. Following the 24 months after the Lock-up Period, the Group would be able to dispose of its shareholding in Xinyu Iron free from any restriction. A dilution loss on share reform of approximately HK$6,858,000 was recognised for the year ended 31 December 2006.

9. FINANCE COSTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**13,267**	17,849
Amortisation of borrowing costs	**1,170**	1,055
Total borrowing costs	**14,437**	18,904
Less: amount capitalised	**(2,651)**	–
	11,786	18,904

Notes to the Financial Statements

For the Year Ended 31 December 2007

10. INCOME TAX EXPENSES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**1,400**	1,773
PRC Enterprise Income Tax	**11,900**	5,216
	13,300	6,989
Underprovision in prior years:		
Hong Kong	**–**	1
PRC Enterprise Income Tax	**1,505**	29
	1,505	30
Deferred taxation *(Note 33)*:		
Current year	**(1,029)**	233
Attributable to change in tax rate	**(666)**	–
	(1,695)	233
Taxation attributable to the Company and its subsidiaries	**13,110**	7,252

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

Pursuant to the previous relevant laws and regulations in the PRC, a subsidiary in Zhejiang has qualified for tax concessions in the form of reduced tax rate to 15%. Accordingly, the PRC Enterprise Income Tax has been provided taking into account of these tax 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. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). The New Law and the Implementation Regulations would change the tax rate of the subsidiary from 15% to 25% gradually from 1 January 2008. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Notes to the Financial Statements

For the Year Ended 31 December 2007

10. INCOME TAX EXPENSES (continued)

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

	2007		2006	
	HK$'000	%	HK$'000	%
Profit before taxation	118,872		83,283	
Tax at PRC Enterprise Income Tax of 15% (2006: 15%) *(Note i)*	17,831	15.00	12,492	15.00
Tax effect of expenses not deductible in determining taxable profit	2,325	1.96	1,771	2.13
Tax effect of income not taxable in determining taxable profit	(1,967)	(1.65)	(472)	(0.57)
Tax effect of tax losses not recognised	2,264	1.91	3,213	3.86
Tax effect of utilisation of tax losses previously not recognised	(179)	(0.15)	(2,295)	(2.76)
Tax effect of deferred tax assets not recognised	–	–	57	0.07
Tax effect of utilisation of deferred tax assets previously not recognised	(125)	(0.11)	–	–
Tax credit on qualified plant and machineries acquired *(Note ii)*	(2,969)	(2.50)	(3,664)	(4.40)
Tax effect of share of result of a jointly controlled entity	(452)	(0.38)	(1,537)	(1.85)
Tax effect of share of result of an associate	(1,113)	(0.94)	(1,492)	(1.79)
Effect of tax exemptions and concessions granted to subsidiaries	–	–	(1,166)	(1.40)
Effect of different tax rate in other jurisdiction	346	0.29	285	0.34
Effect of different tax rate for capital gain *(Note iii)*	(3,550)	(2.99)	–	–
Effect of change in tax rate	(666)	(0.56)	–	–
Underprovision in respect of prior years	1,505	1.26	30	0.04
Others	(140)	(0.11)	30	0.04
Tax expense and effective tax rate for the year	13,110	11.03	7,252	8.71

Notes to the Financial Statements

For the Year Ended 31 December 2007

10. INCOME TAX EXPENSES (continued)

Notes:

i The PRC Enterprise Income Tax rate of 15% is used as the PRC is where the operation of the Group is substantially based is used.

ii Pursuant to approvals issued by Jiaxing Country State Tax Bureau, a subsidiary of the Company can enjoy the tax credit of approximately RMB8,411,000 (2006: RMB7,777,000) against its enterprise income tax for purchasing domestically made plant and machineries. The Company recognised approximately RMB2,904,000 (2006: RMB3,687,000) equivalent to HK$2,969,000 (2006: HK$3,664,000) during the year ended 31 December 2007. The unutilized amount at year end is approximately RMB5,507,000 (2006: RMB4,090,000).

iii The withholding tax rate on the capital gain on disposal of available-for-sale investments in the PRC is 10%.

In addition to the amount charged or credited to the consolidated income statement, deferred tax relating to the revaluation of the Group's leasehold land and buildings and fair value changes of available-for-sale investments has been charged directly to equity (see note 33).

11. PROFIT FOR THE YEAR

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**612,479**	553,269
Staff costs, including directors' remuneration *(Note 12)*:		
– Salaries, wages and other benefits	**51,047**	36,512
– Retirement benefit scheme contributions	**2,626**	1,941
Total staff costs	**53,673**	38,453
(Reversal of) allowance for inventories	**(267)**	267
Depreciation for property, plant and equipment	**43,103**	40,092
Auditors' remuneration	**950**	630
Amortisation of prepaid lease payments (included in "Cost of sales")	**698**	432
Gross rental income from investment properties	**(914)**	(823)
Less: direct operating expenses for investment properties that generate rental income during the year	**108**	85
Net rental income	**(806)**	(738)
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**665**	1,913
Share of tax of an associate (included in "Share of result of an associate")	**143**	1,901

Notes to the Financial Statements

For the Year Ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2006: nine) directors were as follows:

For the year ended 31 December 2007

	Cao Zhong HK$'000	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Geert Johan Roelens HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Chu Kwok Tsu, Gilbert HK$'000	Total HK$'000
Fees	–	–	–	120	–	120	150	150	37	113	690
Other emoluments											
Salaries and other benefits	–	2,092	1,786	–	1,691	–	90	361	–	–	6,020
Retirement benefit scheme contributions	–	187	117	–	117	–	–	–	–	–	421
Discretionary bonus *(Note)*	2,000	1,800	650	–	650	–	–	–	–	–	5,100
Total emoluments	2,000	4,079	2,553	120	2,458	120	240	511	37	113	12,231

For the year ended 31 December 2006

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

Note: The discretionary bonus is determined with reference to the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition for the two years ended 31 December 2007.

No director waived any emoluments in the years ended 31 December 2007 and 2006.

Notes to the Financial Statements

For the Year Ended 31 December 2007

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(b) Employees' emoluments

Other than those directors who were also the five highest paid individuals of the Group (see above for their emoluments), the emoluments of the next five highest paid individuals for the year were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	4,173	3,190
Retirement benefit scheme contributions	60	60
Discretionary bonus	413	614
	4,646	3,864

Their emoluments were within the following bands:

	Number of employees	
	2007	2006
Nil to HK$1,000,000	4	4
HK$1,000,001 to HK$1,500,000	1	1

13. DIVIDENDS

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

The final dividend of HK1 cent (2006: HK1 cent) per share for the year ended 31 December 2007 has been proposed by the directors and is subject to approval by the shareholders of the Company at the forthcoming general meeting.

Notes to the Financial Statements

For the Year Ended 31 December 2007

14. EARNINGS PER SHARE

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit for the year for the purpose of calculation of basic and diluted earnings per share	**105,762**	76,031

	THE GROUP	
	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,286,288,035**	1,037,710,392
Effect of dilutive potential ordinary shares:		
Share options	**90,779,817**	58,949,314
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**1,377,067,852**	1,096,659,706

The computation of diluted earnings per share did not assume the exercise of (i) certain of the Company's outstanding share options as the exercsie price of these options is higher than the average market price of the Company's shares for the outstanding periods during both 2007 and 2006 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

Notes to the Financial Statements

For the Year Ended 31 December 2007

15. INVESTMENT PROPERTIES

	THE GROUP HK$'000
AT FAIR VALUE	
At 1 January 2006	10,340
Transfer to property, plant and equipment at fair value	(930)
Increase in fair value, net	2,810
At 1 January 2007	12,220
Increase in fair value	4,120
At 31 December 2007	16,340

The fair value of the Group's investment properties at 31 December 2007 have been arrived at on the basis of valuation carried out by Messrs. Vigers International Property Consultant ("Vigers International"), an independent professional valuer not connected with the Group. Vigers International are members of the Institute of Valuers and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

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

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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

	THE GROUP	
	2007 ***HK$'000***	2006 *HK$'000*
Long-term lease in Hong Kong	**12,100**	8,650
Medium-term lease in other regions in the PRC	**4,240**	3,570
	16,340	12,220

Notes to the Financial Statements

For the Year Ended 31 December 2007

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2006	61,179	2,155	574,037	5,422	8,624	1,391	652,808
Exchange realignment	1,867	10	20,375	117	148	50	22,567
Additions	–	72	606	276	542	8,211	9,707
Reclassification	–	–	6,242	–	–	(6,242)	–
Transfer from investment properties	930	–	–	–	–	–	930
Disposals	–	(141)	(32)	(530)	(323)	–	(1,026)
Surplus on revaluation, net	284	–	–	–	–	–	284
At 31 December 2006 and 1 January 2007	64,260	2,096	601,228	5,285	8,991	3,410	685,270
Exchange realignment	3,754	23	44,004	229	318	248	48,576
Additions	–	5	1,523	831	1,082	62,601	66,042
Reclassification	–	–	19,188	–	–	(19,188)	–
Disposals	–	–	(1,435)	(53)	(660)	–	(2,148)
Surplus on revaluation	3,724	–	–	–	–	–	3,724
At 31 December 2007	71,738	2,124	664,508	6,292	9,731	47,071	801,464
Comprising:							
At cost	–	2,124	664,508	6,292	9,731	47,071	729,726
At valuation	71,738	–	–	–	–	–	71,738
	71,738	2,124	664,508	6,292	9,731	47,071	801,464
ACCUMULATED DEPRECIATION							
At 1 January 2006	–	1,320	184,493	3,235	5,675	–	194,723
Exchange realignment	68	4	7,199	73	98	–	7,442
Provided for the year	3,416	219	35,088	637	732	–	40,092
Eliminated on disposals	–	(63)	(19)	(478)	(237)	–	(797)
Write back on revaluation	(3,484)	–	–	–	–	–	(3,484)
At 31 December 2006 and 1 January 2007	–	1,480	226,761	3,467	6,268	–	237,976
Exchange realignment	82	13	17,841	140	212	–	18,288
Provided for the year	3,882	224	37,290	590	1,117	–	43,103
Eliminated on disposals	–	–	(883)	(51)	(642)	–	(1,576)
Write back on revaluation	(3,964)	–	–	–	–	–	(3,964)
At 31 December 2007	–	1,717	281,009	4,146	6,955	–	293,827
NET BOOK VALUE							
At 31 December 2007	71,738	407	383,499	2,146	2,776	47,071	507,637
At 31 December 2006	64,260	616	374,467	1,818	2,723	3,410	447,294

Notes to the Financial Statements

For the Year Ended 31 December 2007

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
The carrying amount of leasehold land and buildings are located on:		
Land in Hong Kong under:		
Long-term leases	**1,900**	1,180
Medium-term leases	**7,000**	5,700
Land in other regions in the PRC under:		
Long-term lease	**3,877**	2,450
Medium-term lease	**58,961**	54,930
	71,738	64,260

All leasehold land and buildings of the Group were revalued at 31 December 2007 by Vigers International on an open market value basis. Vigers International is not connected with the Group.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of approximately HK$64,563,000 (2006: HK$63,007,000).

Notes to the Financial Statements

For the Year Ended 31 December 2007

17. PREPAID LEASE PAYMENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Medium-term leasehold land located in the PRC	**9,155**	7,930
Analysed for reporting purposes as:		
Current asset	**539**	441
Non-current asset	**8,616**	7,489
	9,155	7,930

18. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**15,182**	15,182
Capital contributions	**356,128**	350,467
	371,310	365,649
Advances to subsidiaries	**555,641**	415,593

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

Except for (i) balance with a subsidiary of HK$15,372,000 (2006: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2006: LIBOR plus 3%) per annum, (ii) balance with a subsidiary of HK$38,866,000 (2006: HK$9,587,000) which bears interest at Hong Kong Dollar Prime Rate (2006: Hong Kong Dollar Prime Rate) per annum and (iii) balance with a subsidiary of HK$87,000,000 (2006: Nil) which bears interest at 3-month Hongkong Interbank Offered Rate ("HIBOR") plus 1% per annum, the remaining balances are interest free. In the opinion of the directors, the Company will not demand repayment within one year from the balance sheet date and advances to subsidiaries are therefore considered as non-current. Such interest-free loans are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates. As at 31 December 2007, the effective interest rate used was 6.75% per annum (2006: 7.75% per annum), being the prevailing market borrowing rate of interest for a similar instrument.

Details of the Company's principal subsidiaries at 31 December 2007 are set out in note 45.

Notes to the Financial Statements

For the Year Ended 31 December 2007

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cost of investment in a jointly controlled entity	**19,500**	19,500
Share of post-acquisition profits and reserves, net of dividend received	**19,967**	34,952
	39,467	54,452

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Current assets	**69,733**	71,070
Non-current assets	**19,691**	19,860
Current liabilities	**(49,957)**	(36,478)
Income	**119,070**	114,712
Expenses	**(116,055)**	(104,467)

Particulars of the Group's jointly controlled entity are set out in note 46.

Notes to the Financial Statements

For the Year Ended 31 December 2007

20. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Cost of listed investment in an associate	–	5,282
Share of post-acquisition profits and reserves, net of dividend received	–	43,866
	–	49,148
Fair value of listed investments	–	112,875

As at 31 December 2006, the Group had the following associate:

Name of entity	Business structure	Place of incorporation and operation	Class of share held	Percentage of equity attributable to the Group	Principal activities
Xinhua Metal Products Co., Ltd. ("Xinhua Metal")	Incorporated	PRC	Ordinary	14.49%	Manufacturing of pre-stressed concrete strands and wires

As at 31 December 2006, the summarised financial information in respect of Xinhua Metal is set out below:

	THE GROUP
	HK$'000
Total assets	653,289
Total liabilities	(314,104)
Net assets	339,185
Group's share of net assets of an associate	49,148
Revenue	980,112
Profit for the year	63,905
Group's share of result of the associate for the year	9,952

Notes to the Financial Statements

For the Year Ended 31 December 2007

20. INTERESTS IN AN ASSOCIATE (continued)

Pursuant to the memorandum of association of Xinhua Metal, the Group was entitled to its equity share in the profits and losses and net assets upon its cessation and also entitled to nominate one representative in the board of directors of Xinhua Metal, and allowed to participate (but not control) in the financial and operating policy decision of Xinhua Metal, the Group was in a position to exercise significant influence over Xinhua Metal. Accordingly, Xinhua Metal had been accounted for as an associate at 31 December 2006.

During the year, Xinhua Metal announced the plan (the "Plan") to acquire the assets and businesses of its major shareholder, Xinyu Iron & Steel Co., Ltd. (新余鋼鐵有限責任公司). All necessary approvals were obtained on 22 October 2007 and the Plan became unconditional. Further to the completion of the Plan, Xinhua Metal changed its name to Xinyu Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司) ("Xinyu Iron"). Since then, the representative of the Group could not participate in major financial and operating policy decision of Xinyu Iron, and accordingly, the Group considers that its significant influence in Xinyu Iron was lost. The Group has since reclassified the investment in Xinyu Iron as available-for-sale investments. The profit and translation reserve of Xinyu Iron for the period from 1 January 2007 to 22 October 2007 was approximately HK$51,230,000 and HK$14,810,000, respectively. Share of this profit and translation reserve by the Group for the year ended 31 December 2007 was approximately HK$7,423,000 and HK$2,146,000 respectively. (See note 24 for details of the available-for-sale investments).

21. GOODWILL

The carrying amount of goodwill at the balance sheet date is approximately HK$41,672,000 (2006: HK$41,672,000).

Particulars regarding impairment testing on goodwill are disclosed in note 22.

22. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to a subsidiary in the steel cord business segment, Jiaxing Eastern Steel Cord Co., Ltd. ("JESC").

During the year ended 31 December 2007, management of the Group determined that there was no impairment of the cash-generating unit ("CGU") containing goodwill.

Notes to the Financial Statements

For the Year Ended 31 December 2007

22. IMPAIRMENT TESTING ON GOODWILL (continued)

The recoverable amount of the above CGU have been determined on the basis of value in use calculations. The recoverable amounts are based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 7.47% (2006: 7.60%) and zero growth rate (2006: Nil). The cashflow of the CGU beyond the 5-year period are extrapolated for twelve years using 0% growth rate. Cash flow projections during the budget period for the CGU are based on the expected gross revenue, gross margins and other direct costs during the budget period. Budgeted gross revenue, gross margins and other direct costs have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU inclusive of the goodwill to exceed the recoverable amount of the above CGU.

23. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships, at cost	**2,010**	2,010	**820**	820
Less: impairment losses	**(1,335)**	(1,335)	**(505)**	(505)
	675	675	**315**	315

24. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Available-for-sale investments comprise:		
Equity securities listed in the PRC, at fair value *(Note i)*	**357,657**	–
Unlisted equity investment, at cost *(Note ii)*	**1,123**	1,123
Less: impairment losses	**(1,123)**	(1,123)
	–	–
	357,657	–

Notes to the Financial Statements

For the Year Ended 31 December 2007

24. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

i. At 31 December 2007, the amount represented the Group's investment in 23,917,961 A-shares of Xinyu Iron, being 1.72% equity interest of Xinyu Iron at the reporting date, of which 18,339,660 "A" shares are restricted for selling on the Shanghai Stock Exchange, 9,661,018 shares and 8,678,642 shares will become non-restricted on 24 October 2008 and 24 October 2009 respectively. The non-restricted "A" shares of Xinyu Iron were stated at fair values by reference to bid price quoted on the Shanghai Stock Exchange. For those restricted "A" shares of Xinyu Iron which are not quoted on an active market, the directors estimate the fair value by reference to market prices and lack of marketability discounts based on restricted stock study results. The adopted lack of marketability discounts were approximately 20% and 26% respectively for shares subject to restrictions till 24 October 2008 and 24 October 2009 (See also notes 8 and 20 for details of interest in Xinyu Iron). Fair value change in available-for-sale investments has a net impact on equity amounting to HK$344,967,000 with the gross amount of HK$376,058,000 netting off the relevant deferred tax liabilities amounting to HK$31,091,000.

   During the year, the Group disposed of 4,082,718 "A" shares of Xinyu Iron on the Shanghai Stock Exchange. The net sales proceeds from the disposal in aggregate were approximately HK$72,723,000 (net of brokerage commission, expenses and stamp duty), resulting in a gain of approximately HK$66,736,000.

ii. The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The unlisted investments were fully impaired in prior years.

25. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**39,488**	34,599
Work in progress	**16,546**	11,656
Finished goods	**54,667**	41,576
	110,701	87,831

During the year, there was an increase in the net realisable value of raw materials due to increase in price in the market. As a result, a reversal of write-down of raw materials of approximately HK$267,000 (2006: Nil) has been recognised and included in cost of sales in the current year.

Notes to the Financial Statements

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26. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**179,096**	183,302
Less: allowance for bad and doubtful debts	**(3,682)**	(5,306)
	175,414	177,996
Bills receivable	**203,661**	186,272
	379,075	364,268

Included in bills receivable at 31 December 2006, HK$44,272,000 have been discounted to banks (2007: Nil).

The Group normally allows credit periods of 30 – 90 days to its trade customers.

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**271,466**	249,344
91 – 180 days	**107,609**	106,378
Over 180 days	**–**	8,546
	379,075	364,268

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. About 90% of the trade receivables that are neither past due nor impaired have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivables balances are debtors with an aggregate carrying amount of HK$23,115,000 (2006: HK$75,696,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

For the Year Ended 31 December 2007

26. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

The aged analysis of trade receivables which are past due but not impaired:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**19,981**	40,577
91 – 180 days	**3,134**	26,704
Over 180 days	**–**	8,415
Total	**23,115**	75,696

Other than the above trade receivables which are past due but not impaired, the Group has provided fully for all receivables over 180 days because historical experience is such that receivables that are past due beyond 180 days are generally not recoverable.

Movement in the allowance for bad and doubtful debts

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,306**	3,356
Exchange realignment	**217**	126
Amounts recovered during the year	**(2,087)**	–
Impairment losses recognised on receivables	**246**	1,824
Balance at end of the year	**3,682**	5,306

Notes to the Financial Statements

For the Year Ended 31 December 2007

27. AMOUNTS DUE FROM RELATED COMPANIES/AMOUNT DUE TO A RELATED COMPANY

The amounts due from subsidiaries of Shougang Concord Technology Holdings Limited (the "Shougang TECH"), collectively referred to as the "Shougang TECH Group", are trading in nature, unsecured and non-interest bearing.

The Group normally allows credit periods of 60-90 days to the Shougang TECH Group.

An aged analysis of amounts due from the Shougang TECH Group as at the balance sheet date based on sales invoice date, is as follows:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**1,111**	1,551
91 – 180 days	**1,070**	2,744
Over 180 days	**3,694**	–
	5,875	4,295

Included in the amounts due from the Shougang TECH Group, an aggregate carrying amount of HK$4,764,000 (2006: HK$2,744,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aged analysis of amounts due from the Shougang TECH Group which are past due but not impaired:

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
91 – 180 days	**1,070**	2,744
Over 180 days	**3,694**	–
	4,764	2,744

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

28. PLEDGE OF ASSETS

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

(i) the Group's investment properties amounting to HK$4,240,000 (2006: HK$3,570,000) and certain of the leasehold land and buildings with an aggregate net book value of HK$11,913,000 (2006: HK$43,934,000);

(ii) the Group's leases with a net book value at 31 December 2006 of HK$7,280,000 (2007: Nil);

(iii) the Group's bills receivable at 31 December 2006 of HK$44,272,000 (2007: Nil);

(iv) the bank deposits of the Group and the Company amounting to HK$3,000,000 (2006: HK$3,000,000); and

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

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

Bank balances carry interest at market rates which range from 0.5% to 2.7% per annum (2006: 0.5% to 3.7% per annum). The pledged bank deposits, which are pledged to banks to secure short-term banking facilities granted to the Group therefore classified as current, carry fixed interest rates ranging from 3% to 3.36% per annum (2006: 2.875% to 3.58% per annum). At the balance sheet date, the bank balances and cash that are denominated in currencies other than the functional currencies of respective group entities are set out below:

	Denominated in		
	HKD	**USD**	**Others**
	HK$'000	*HK$'000* Equivalent	*HK$'000* Equivalent
As at 31 December 2007	274,360	58,588	37
As at 31 December 2006	84,689	139,774	323

The Company

Bank balances carry interest at market rates which range from 0.75% to 2.25% per annum (2006: 1.9% to 3% per annum). The pledged deposits carry fixed interest rates of 3% to 3.36% per annum (2006: 2.875% to 3.58% per annum). At the balance sheet date, the bank balances and cash that are denominated in currencies other than the functional currency of the Company are set out below:

	Denominated in	
	HKD	**USD**
	HK$'000	*HK$'000* Equivalent
As at 31 December 2007	106,921	45,996
As at 31 December 2006	39,605	2,385

Notes to the Financial Statements

For the Year Ended 31 December 2007

30. TRADE PAYABLES

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**37,529**	8,861
91 – 180 days	**2,060**	555
Over 180 days	**139**	504
	39,728	9,920

The average credit period on purchases of good is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

31. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts due from (to) subsidiaries are unsecured, interest free and repayable on demand. Except for an amount due from a subsidiary of HK$13,000,000 (2006: Nil) which bears interest at 3-month HIBOR plus 1% per annum and repayable within one year.

32. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trust receipt loans	**49,316**	55,382	**–**	–
Bank loans	**223,830**	263,321	**223,830**	173,905
Discounted bills with recourse	**–**	44,272	**–**	–
	273,146	362,975	**223,830**	173,905
Secured	**154,189**	271,200	**124,476**	173,905
Unsecured	**118,957**	91,775	**99,354**	–
	273,146	362,975	**223,830**	173,905

Notes to the Financial Statements

For the Year Ended 31 December 2007

32. BANK BORROWINGS (continued)

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**186,542**	238,499	**137,226**	49,429
In the second year	**26,750**	124,476	**26,750**	124,476
In the third to fifth year inclusive	**59,854**	–	**59,854**	–
	273,146	362,975	**223,830**	173,905
Less: Amount due for settlement within one year (shown under current liabilities)	**(186,542)**	(238,499)	**(137,226)**	(49,429)
Amount due for settlement after one year but not exceeding five years	**86,604**	124,476	**86,604**	124,476

Bank loans include approximately HK$113,946,000 fixed-rate borrowings and expose the Group to fair value interest rate risk at 31 December 2006 (2007: Nil). The fixed-rate borrowings are repayable within one year. The remaining bank loans are variable-rate borrowings thus exposing the Group to cash flow interest rate risk.

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

	2007	2006
Effective interest rate per annum:		
Fixed-rate borrowings	**–**	4.3% to 4.9%
Variable-rate borrowings	**4.5% to 7.8%**	6.2% to 7.9%

Notes to the Financial Statements

For the Year Ended 31 December 2007

32. BANK BORROWINGS (continued)

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

	Denominated in	
	HKD	USD
	HK$'000	*HK$'000*
		Equivalent
As at 31 December 2007	265,397	7,749
As at 31 December 2006	222,349	26,680

33. DEFERRED TAX

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

THE GROUP	Accelerated tax depreciation	Allowance for bad and doubtful debts	Allowance for inventories	Revaluation of properties	Tax loss	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	1,080	(434)	(30)	846	(458)	(69)	935
Exchange realignment	17	(14)	(1)	14	–	–	16
Charge (credit) to income statement for the year	267	(253)	(1)	172	(66)	114	233
Charge to equity for the year	–	–	–	408	–	–	408
At 31 December 2006 and 1 January 2007	1,364	(701)	(32)	1,440	(524)	45	1,592
Exchange realignment	31	(27)	(1)	44	–	–	47
Charge (credit) to income statement for the year	(2,199)	301	(7)	557	(299)	(48)	(1,695)
Charge to equity for the year	–	–	–	1,352	–	31,091	32,443
At 31 December 2007	(804)	(427)	(40)	3,393	(823)	31,088	32,387

Notes to the Financial Statements

For the Year Ended 31 December 2007

33. DEFERRED TAX (continued)

At the balance sheet date, the Group has unused tax losses of approximately HK$67,324,000 (2006: HK$51,724,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$4,701,000 (2006: HK$2,994,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$62,623,000 (2006: HK$48,734,000) due to the unpredictability of future profit streams. These losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$8,493,000 (2006: HK$5,715,000). A deferred tax asset has been recognised in respect of approximately HK$8,493,000 (2006: HK$4,880,000) of temporary differences. No deferred tax asset has been recognised in respect of the remaining approximately HK$835,000 as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised at 31 December 2006 (2007: Nil).

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

34. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 ***HK$'000***	2006 *HK$'000*
Interest rate swaps	**4**	294

Major terms of the interest rate swaps are as follows:

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

For the interest rate swap with contract sum of HK$60,000,000, the interest rate will swap from 3-month HIBOR to 3.48% if the 3-month HIBOR is equal to or less than 4.12% at each quarterly rate fixing date or the interest rate will swap to 3-month HIBOR less 0.64% if the 3-month HIBOR is greater than 4.12% at each quarterly rate fixing date.

For interest rate swap with contract sum of HK$40,000,000, the interest rate will swap from 3-month HIBOR to 3.58% if the 3-month HIBOR is equal to or less than 4.28% at each quarterly rate fixing date or the interest rate will swap to 3-month HIBOR less 0.7% if the 3-month HIBOR is greater than 4.28% at each quarterly rate fixing date.

The above derivatives are not designated as hedging instruments.

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35. SHARE CAPITAL

	2007 Number of shares '000	2007 Nominal value HK$'000	2006 Number of shares '000	2006 Nominal value HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January and at 31 December *(Note i)*	**2,000,000**	**200,000**	2,000,000	200,000
Issued and fully paid:				
At 1 January	**1,276,067**	**127,607**	1,026,067	102,607
Issued on subscription of new shares *(Note ii)*	**–**	**–**	250,000	25,000
Issued on placing of new shares *(Note iii)*	**100,000**	**10,000**	–	–
Exercise of share options	**8,280**	**828**	–	–
At 31 December	**1,384,347**	**138,435**	1,276,067	127,607

Notes:

i. The authorised share capital of the Company was increased from HK$200,000,000 comprising 2,000,000,000 shares of HK$0.1 each to HK$500,000,000 comprising 5,000,000,000 shares of HK$0.1 each by creation of an additional 3,000,000,000 shares of HK$0.1 each on 10 January 2008 and that each of the new shares, upon issue, ranked pari passu in all respects with the existing shares of the Company.

ii. In order to finance the expansion plan of JESC, the Company entered into a subscription agreement and a supplementary agreement on 22 and 27 September 2006 respectively, pursuant to which the Company issued and allotted 250,000,000 ordinary shares of HK$0.1 each in the Company at a cash price of HK$0.65 per share to NV Bekaert SA. The new shares ranked pari passu with existing shares in all aspects.

iii. In order to finance the expansion plan of JESC, the Company entered into a placing agreement on 29 November 2007, pursuant to which the Company issued and allotted 100,000,000 ordinary shares of HK$0.1 each in the Company at a cash price of HK$1.03 per share to independent placees. The new shares ranked pari passu with existing shares in all aspects.

iv. In order to expedite the progress of the expansion plan of JESC, reduce finance cost, and generate general working capital of the Group, the Company entered into subscription agreements on 29 November 2007, pursuant to which the Company issued and allotted 400,000,000 and 100,000,000 ordinary shares of HK$0.1 each in the Company at a cash price of HK$1.03 per share to Shougang Concord International Enterprises Company Limited, a substantial shareholder of the Company, and Li Ka Shing Foundation Limited, an independent third party, respectively. The new shares were issued on 18 January 2008 and ranked pari passu with existing shares in all aspects.

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For the Year Ended 31 December 2007

36. RESERVES

THE COMPANY	Share premium	Capital reserve	Capital redemption reserve	Translation reserve	Share options reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	287,024	23,990	1,013	–	–	31,518	343,545
Issue of shares	137,500	–	–	–	–	–	137,500
Share issue expenses	(1,089)	–	–	–	–	–	(1,089)
Profit for the year	–	–	–	–	–	32,505	32,505
At 31 December 2006 and 1 January 2007	423,435	23,990	1,013	–	–	64,023	512,461
Issue of shares	98,299	–	–	–	–	–	98,299
Share issue expenses	(1,585)	–	–	–	–	–	(1,585)
Share options granted	–	–	–	–	451	–	451
Translation adjustment	–	–	–	19,880	–	–	19,880
Dividend paid	–	–	–	–	–	(12,761)	(12,761)
Profit for the year	–	–	–	–	–	86,042	86,042
At 31 December 2007	520,149	23,990	1,013	19,880	451	137,304	702,787

The capital reserve of the Company represents the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 32, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing borrowings.

Notes to the Financial Statements

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38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables				
(including cash and cash equivalents)	**791,047**	671,630	**721,813**	479,615
Derivative financial instruments	**4**	294	**4**	294
Available-for-sale investments	**357,657**	–	**–**	–
	1,148,708	671,924	**721,817**	479,909
Financial liabilities				
Amortised cost	**319,892**	412,359	**251,734**	206,314

b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, available-for-sale investments, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances, trade and other receivables, trade and other payables and bank borrowings of the Group are denominated in HKD and United States Dollar ("USD"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rates.

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	Equivalent	Equivalent	**Equivalent**	Equivalent
Monetary assets denominated in				
HKD	**325,383**	149,216	**675,711**	477,525
USD	**70,634**	163,701	**46,106**	2,384
Others	**37**	323	**–**	–
Monetary liabilities denominated in				
HKD	**268,649**	225,142	**251,734**	206,313
USD	**15,607**	28,654	**–**	–
Others	**23**	19	**–**	–

Sensitivity analysis

The Group is mainly exposed to the fluctuations in HKD and USD against RMB.

The following table details the Group's sensitivity to a 5% appreciation and depreciation in HKD and USD against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A negative number below indicates a decrease in profit for the year where RMB appreciates 5% against the relevant currency. For a 5% depreciation of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis (continued)

	THE GROUP		THE COMPANY	
	HKD		HKD	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
(Decrease) increase in profit (i)	**(2,837)**	3,796	**(21,199)**	(13,506)

	THE GROUP		THE COMPANY	
	USD		USD	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decrease in profit (i)	**(2,751)**	(6,752)	**(2,305)**	(119)

(i) This is mainly attributable to the exposure to outstanding HKD and USD denominated bank balances, receivables and payables at year end.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate deposits and fixed-rate borrowings (see note 32 for details of these borrowings). The Group currently does not have any fair value interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 32 for details of these borrowings). The Company is exposed to cash flow interest rate risk in relation to variable-rate advances to subsidiaries (see note 18 for details of these advances) and variable-rate bank borrowings (see note 32 for details of these borrowings). It is the Group's policy to minimise its exposure to cash flow interest rate risk for borrowings by hedging should the need arise. As at 31 December 2007, the Group entered into some interest rate swaps to partially hedge its cash flow interest rate risk (see note 34 for details).

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

The Group's and the Company's exposure to interest rate risk on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest rate risk are mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings denominated in HKD. The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of market rates arising from the Company's advances to subsidiaries and borrowings denominated in HKD.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate advances to subsidiaries and variable-rate bank borrowings at the balance sheet date. For variable-rate advances to subsidiaries and variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the balance sheet date if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$1,365,000 and HK$1,815,000 for the years ended 31 December 2007 and 2006 respectively.

At the balance sheet date if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year would decrease/increase by HK$348,000 and HK$745,000 for the years ended 31 December 2007 and 2006 respectively.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counter parties is arising from:

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

- the amount of contingent liabilities disclosed in note 41.

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Credit risk (continued)

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

The Group has concentration risks on trade receivables as it is largely dependent on a small number of customers for a substantial portion of its business. The largest 5 customers accounted for a total of 56.1% and 55.2% of the Group's trade receivables as at 31 December 2007 and 2006 respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profit. The Group manages this risk by applying a limit on the credit to these customers.

The credit risk on bank balances and bills receivable are limited because the counterparties are reputable banks in the PRC and Hong Kong.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 74.9% (2006: 66.2%) of the total trade receivables as at 31 December 2007.

The Company's concentration of credit risk is on advances to subsidiaries. The Company manages this risk by monitoring the cash flow position of the subsidiaries.

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2007, the Group has available undrawn borrowing facilities of approximately HK$209,084,000 (2006: HK$297,018,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest rate risk tables

THE GROUP

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	–	46,746	–	–	–	46,746	46,746
Bank borrowings							
–variable rate	5.04	163,655	12,481	13,393	98,350	287,879	273,147
		210,401	12,481	13,393	98,350	334,625	319,893

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

THE GROUP

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2006 HK$'000
2006							
Non-derivative financial liabilities							
Trade and other payables	–	14,547	–	–	–	14,547	14,547
Due to a related company	–	34,837	–	–	–	34,837	34,837
Bank borrowings							
– fixed rate	4.54	54,840	58,023	3,122	–	115,985	113,946
– variable rate	5.65	51,610	46,147	30,682	138,542	266,981	249,029
		155,834	104,170	33,804	138,542	432,350	412,359

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the balance sheet dates.

THE COMPANY

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2007 HK$'000
2007							
Non-derivative financial liabilities							
Other payables	–	1,066	–	–	–	1,066	1,066
Due to a subsidiary	–	26,838	–	–	–	26,838	26,838
Bank borrowings							
– variable rate	4.91	126,004	–	13,376	98,047	237,427	223,830
		153,908	–	13,376	98,047	265,331	251,734

Notes to the Financial Statements

For the Year Ended 31 December 2007

38. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

THE COMPANY

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31 December 2006 HK$'000
2006							
Non-derivative financial liabilities							
Other payables	–	680	–	–	–	680	680
Due to a subsidiary	–	31,728	–	–	–	31,728	31,728
Bank borrowings							
– variable rate	5.46	–	25,521	25,928	138,069	189,518	173,905
		32,408	25,521	25,928	138,069	221,926	206,313

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the balance sheet dates.

c. Fair value

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

- the fair value of financial assets (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model); and
- the fair values of derivative instruments are determined with reference to estimated cash flows with appropriate yield curve for equivalent instruments at balance sheet date.

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

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For the Year Ended 31 December 2007

39. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Minimum lease payments under operating leases in respect of land and buildings during the year	2,805	1,960

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

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	3,854	942
In the second to fifth year inclusive	7,493	4,778
Over five years	2,341	2,886
	13,688	8,606

Notes to the Financial Statements

For the Year Ended 31 December 2007

39. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was HK$914,000 (2006: HK$823,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for an average term of two years.

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

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**406**	513
In the second to fifth year inclusive	**49**	425
	455	938

The Company had no commitment under operating leases at the balance sheet dates.

40. CAPITAL COMMITMENTS

	THE GROUP	
	2007	2006
	HK$'000	*HK$'000*
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	**95,754**	25,174
– authorised but not contracted for	**238,102**	375,633
	333,856	400,807

The Company did not have any significant commitments at the balance sheet dates.

Notes to the Financial Statements

For the Year Ended 31 December 2007

41. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in respect of banking facilities utilised by subsidiaries	–	–	**79,933**	156,633
Guarantee for bank loans utilised by a jointly controlled entity	–	7,465	–	–
	–	7,465	**79,933**	156,633

42. RETIREMENT BENEFIT SCHEMES

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

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

43. SHARE-BASED PAYMENT TRANSACTIONS

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme is 187,800 shares which represented approximately 0.01% of the issued share capital of the Company as at the date of approval of this annual report. The maximum number of shares issuable under the share options to each eligible participant in the 2002 Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue under the 2002 Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	Number of share options for 2007								
Grantees	At 1.1.2007	Granted during the year	Cancelled during the year	Exercised during the year	Date of exercise	At 31.12.2007	Date of grant *(Note a)*	Exercise period	Exercise price per share *HK$*
Directors of the Company	27,930,000	–	–	–	–	27,930,000	23/8/2002	23/8/2002 – 22/8/2012	0.295
	3,060,000	–	–	–	–	3,060,000	12/3/2003	12/3/2003 – 11/3/2013	0.325
	68,882,000	–	–	–	–	68,882,000	25/6/2003	25/6/2003 – 24/6/2013	0.365
	5,974,000	–	–	–	–	5,974,000	25/8/2003	25/8/2003 – 24/8/2013	0.740
	57,350,000	–	–	–	–	57,350,000	2/10/2003	2/10/2003 – 1/10/2013	0.780
	–	1,268,000	–	–	–	1,268,000	26/1/2007	26/1/2007 – 25/1/2017	0.656
	163,196,000	1,268,000	–	–	–	164,464,000			
Employees other than directors of the Company	23,500,000	–	–	(1,000,000)	7/6/2007	15,220,000	25/8/2003	25/8/2003 – 24/8/2013	0.740
		–	–	(500,000)	11/6/2007				
		–	–	(6,000,000)	15/6/2007				
		–	–	(780,000)	1/8/2007				
	23,500,000	–	–	(8,280,000)		15,220,000			
All other eligible participants	7,652,000	–	–	–	–	7,652,000 *(Note c)*	23/8/2002	23/8/2002 – 12/4/2009	0.295
	9,948,000	–	–	–	–	9,948,000	23/8/2002	23/8/2002 – 22/8/2012	0.295
	20,660,000	–	–	–	–	20,660,000	12/3/2003	12/3/2003 – 11/3/2013	0.325
	38,260,000	–	–	–		38,260,000			
	224,956,000	1,268,000	–	(8,280,000)		217,944,000			

Notes to the Financial Statements

For the Year Ended 31 December 2007

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

	Number of shares options for 2006					
Grantees	At 1.1.2006	Cancelled during the year	At 31.12.2006	Date of grant (*Note a*)	Exercise period	Exercise price per share HK$
Directors of the Company	27,930,000	–	27,930,000	23/8/2002	23/8/2002 – 22/8/2012	0.295
	3,060,000	–	3,060,000	12/3/2003	12/3/2003 – 11/3/2013	0.325
	68,882,000	–	68,882,000	25/6/2003	25/6/2003 – 24/6/2013	0.365
	5,974,000	–	5,974,000	25/8/2003	25/8/2003 – 24/8/2013	0.740
	57,350,000	–	57,350,000	2/10/2003	2/10/2003 – 1/10/2013	0.780
	163,196,000	–	163,196,000			
Employees other than directors of the Company	27,500,000	(4,000,000) (*Note b*)	23,500,000	25/8/2003	25/8/2003 – 24/8/2013	0.740
	27,500,000	(4,000,000)	23,500,000			
All other eligible participants	7,652,000	–	7,652,000 (*Note c*)	23/8/2002	23/8/2002 – 12/4/2008	0.295
	9,948,000	–	9,948,000	23/8/2002	23/8/2002 – 22/8/2012	0.295
	20,660,000	–	20,660,000	12/3/2003	12/3/2003 – 11/3/2013	0.325
	38,260,000	–	38,260,000			
	228,956,000	(4,000,000)	224,956,000			

Notes to the Financial Statements

For the Year Ended 31 December 2007

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

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

b. The 4,000,000 options were held by an employee of the Group who resigned on 25 December 2006, which were cancelled during the year ended 31 December 2006.

c. The 7,652,000 outstanding options were held by Ms. Xu Xianghua ("Ms. Xu") who resigned as director of the Company on 13 April 2004 and the exercise period were changed from 23/8/2002 – 22/8/2012 to 23/8/2002 – 12/4/2006 by the approval of the board of directors on 8 April 2004. In view of the great contribution provided by Ms. Xu during her tenure of her service for the Company, the exercise period was subsequently extended to 12/4/2008 and 12/4/2009 by the approval of the board of directors on 12 April 2006 and 20 March 2008 respectively.

d. 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.

e. 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, 15/6/2007 and 1/8/2007) on which the share options were exercised was HK$1.145.

During the year ended 31 December 2007, 1,268,000 share options were granted on 26 January 2007. The fair value of such options determined at the date of grant using the Binomial Optional Pricing Model (the "Binomial Model") was approximately HK$0.356 per option.

The following assumptions were used to calculate the fair value of the Company's share options:

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

Notes to the Financial Statements

For the Year Ended 31 December 2007

43. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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 recognise 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.

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

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

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 assumption.

Notes to the Financial Statements

For the Year Ended 31 December 2007

44. RELATED PARTY TRANSACTIONS/BALANCES

Trading transactions/balances

In addition to balances detailed in note 27 to the financial statements. During the year, the Group had the following material transactions with (i) Shougang HK and its subsidiaries (collectively the "Shougang HK Group"), (ii) Linksky Limited, a subsidiary of Shougang Concord Grand (Group) Limited which is an associate of Shougang HK, (iii) Shougang TECH Group and (iv) a jointly controlled entity.

	2007 HK$'000	2006 HK$'000
Consultancy fees paid to Shougang HK Group	960	960
Interest paid to Shougang HK Group	–	965
Rental expenses paid to Shougang HK Group	1,608	1,392
Rental expenses paid to Linksky Limited	142	130
Sales to Shougang TECH Group	8,997	9,554
Corporate guarantees given to a jointly controlled entity	–	7,465

Compensation of key management personnel

The key management of the Group comprises all directors of the Company, details of their emoluments and share-based payment transactions are disclosed in notes 12 and 43. The emoluments of the directors of the Company are decided by the Remuneration Committee having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

Notes to the Financial Statements

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45. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet dates are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital/ registered capital	Attributable equity interest of the Group 2007	2006	Principal activities
Bigland Investment Limited	Hong Kong/ PRC	2 ordinary shares of HK$1 each	100%	100%	Property investment
Eastern Century Metal Products Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%	100%	Trading of metals and investment holding
Everwinner Investments Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%	100%	Investment holding
Fair Win Development Limited	Hong Kong/ PRC	500,000 ordinary shares of HK$1 each	100%	100%	Property investment
Heroland Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	100%	100%	Property investment
Hing Cheong Metals (China & Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	100%*	100%*	Processing and trading of copper and brass products
Jiaxing Eastern Steel Cord Co., Ltd.# 嘉興東方鋼簾線有限公司	PRC	US$70,000,000	100%	100%	Manufacturing of steel cord
Meta International Limited	Hong Kong/ PRC	2 ordinary shares of HK$1 each	100%*	100%*	Processing and trading of copper and brass products
Online Investments Limited	British Virgin Islands/ Hong Kong	31,000,000 ordinary shares of US$1 each	100%	100%	Investment holding
Vicwah Metal Products Company Limited	Hong Kong	4,000 ordinary shares of HK$100 each	100%	100%	Investment holding

\#   A wholly foreign owned enterprise.

*   Directly held by the Company.

Notes to the Financial Statements

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45. PRINCIPAL SUBSIDIARIES (continued)

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

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

46. PARTICULARS OF THE JOINTLY CONTROLLED ENTITY

Particulars of the jointly controlled entity at the balance sheet date are as follows:

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

Summary of Investment Properties

Particulars of the investment properties held by the Group as at 31 December 2007 are as follows:

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