SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 103)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

HIGHLIGHTS

Revenue increased by 14.5% to HK$678,923,000 (2005: HK$592,889,000)

Net profit increased by 22.2% to HK$76,031,000 (2005: HK$62,228,000)

Net profit increased by 33.2% to HK$82,889,000 after excluding one-off dilution loss on share reform of an associate (2005: HK$62,228,000)

Earnings per share (basic) increased by 21% to HK7.33 cents (2005: HK6.06 cents)

Net asset value increased by 38% to HK$957,354,000 (31 December 2005: HK$693,753,000)

The board of directors of Shougang Concord Century Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 and that final results was reviewed by the Audit Committee of the Company and agreed with the auditors:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	**2006** **HK$'000**	2005 *HK$'000*
Revenue	2 & 3	**678,923**	592,889
Cost of sales		**(553,269)**	(497,034)
Gross profit		**125,654**	95,855
Other operating income		**9,185**	8,328
Distribution and selling costs		**(6,133)**	(3,748)
Administrative expenses		**(38,374)**	(33,556)
Fair value changes on derivative financial instruments		**340**	(46)
(Allowance for) recovery of bad and doubtful debts		**(1,824)**	1,939
Dilution loss on share reform of an associate	4	**(6,858)**	–
Finance costs	5	**(18,904)**	(14,468)
Share of result of a jointly controlled entity		**10,245**	9,133
Share of result of an associate		**9,952**	4,781
Profit before taxation	6	**83,283**	68,218
Income tax expenses	7	**(7,252)**	(5,990)
Profit for the year		**76,031**	62,228
Dividends	8	**–**	15,391
Earnings per share	9		
Basic		**HK7.33 cents**	HK6.06 cents
Diluted		**HK6.93 cents**	HK5.84 cents

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Investment properties		**12,220**	10,340
Property, plant and equipment		**447,294**	458,085
Prepaid lease payments		**7,489**	7,658
Interests in a jointly controlled entity		**54,452**	49,025
Interests in an associate		**49,148**	48,234
Goodwill		**41,672**	41,672
Club memberships		**675**	675
Available-for-sale investment		**–**	–
		612,950	615,689
Current assets			
Inventories		**87,831**	84,160
Trade receivables	10	**177,996**	140,172
Bills receivable	10	**186,272**	71,448
Prepayments, deposits and other receivables		**14,438**	10,808
Prepaid lease payments		**441**	426
Amount due from a related company		**4,295**	1,497
Derivative financial instruments		**294**	–
Pledged bank deposits		**3,000**	3,000
Bank balances and cash		**297,566**	37,378
		772,133	348,889
Asset classified as held for sale		**–**	2,637
		772,133	351,526
Current liabilities			
Trade payables	11	**9,920**	9,284
Other payables and accruals		**16,791**	17,878
Derivative financial instruments		**–**	46
Tax payable		**86**	668
Amount due to a related company		**34,837**	–
Bank borrowings – due within one year	12	**238,499**	200,415
		300,133	228,291
Net current assets		**472,000**	123,235
Total assets less current liabilities		**1,084,950**	738,924
Non-current liabilities			
Bank borrowings – due after one year	12	**124,476**	42,598
Other payable		**1,528**	1,638
Deferred tax liabilities		**1,592**	935
		127,596	45,171
		957,354	693,753
Capital and reserves			
Share capital	13	**127,607**	102,607
Reserves		**829,747**	591,146
		957,354	693,753

Notes:

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

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

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

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

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

2. REVENUE

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

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

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

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

(a) Business segments
For the year ended 31 December 2006

	Steel cord	**Copper and brass products**	**Others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
External sales	**393,726**	**283,695**	**1,502**	**678,923**
Result				
Segment results	**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**

For the year ended 31 December 2005 (restated)

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

(b) Geographical segments

	Hong Kong		**Other regions in the People's Republic of China (the "PRC")**		**Others**		**Consolidated**	
	2006 ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*	**2006** ***HK$'000***	2005 *HK$'000*
Segment revenue:								
Sales to external customers	**261,924**	67,203	**400,489**	521,178	**15,687**	3,953	**678,100**	592,334
Gross rental income	**455**	450	**368**	105	**–**	–	**823**	555
	262,379	67,653	**400,857**	521,283	**15,687**	3,953	**678,923**	592,889

4. DILUTION LOSS ON SHARE REFORM OF AN ASSOCIATE

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

5. FINANCE COSTS

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

6. PROFIT BEFORE TAXATION

	2006 ***HK$'000***	2005 *HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**553,269**	497,034
Depreciation	**40,092**	38,794
Amortisation of prepaid lease payments (included in "Cost of sales")	**432**	421
Loss on disposal of property, plant and equipment	**167**	299
Gain on disposal of property held for sale	**(339)**	–
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**1,913**	1,700
Share of tax of an associate (included in "Share of result of an associate")	**1,901**	1,563

7. INCOME TAX EXPENSES

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

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

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

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

8. DIVIDENDS

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

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

9. EARNINGS PER SHARE

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

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

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

10. TRADE RECEIVABLES/BILLS RECEIVABLE

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

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

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

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

11. TRADE PAYABLES

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

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

12. BANK BORROWINGS

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

13. SHARE CAPITAL

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

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

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

FINANCIAL REVIEW

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

Revenue

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

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

Gross profit

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

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

Other operating income

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

Administrative expenses

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

Dilution loss on share reform of an associate

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

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

Segment results

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

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

Finance costs

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

Share of results of a jointly controlled entity and an associate

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

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

Income tax expenses

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

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

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

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

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

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

During the year under review, we engaged an external consultancy firm (the "External Consultancy Firm") to conduct a review and give suggestions for improvement on the internal control of the Group's hedging activities in respect of foreign currencies, interest rates and raw materials. The recommendations by the External Consultancy Firm had been put in place as part of the Group's internal control policies. Details in this regard were set out under the Corporate Governance Report of our 2006 Annual Report.

We would keep monitoring the currency composition of our bank borrowings under the guidance of our policy and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Manufacturing of steel cord for radial tyres

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

Processing and trading of copper and brass products

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

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2006, the Group had a total of 738 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund scheme, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund scheme stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the year amounted to HK$1,941,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation. On the other hand, the emoluments of the directors of the Company are decided by the Remuneration Committee of the Company, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the board of directors of the Company (the "Board") shall, subject to and in accordance with the provisions of the Scheme and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), grant share options to any eligible participant to subscribe for shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. No share options were granted or exercised during the year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2006, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK$47,504,000;
2. Prepaid lease payments amounted to HK$7,280,000;
3. Bills receivable amounted to HK$44,272,000;
4. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaxing Eastern; and
5. Bank deposits amounted to HK$3,000,000.

Further, the Group had also executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees were provided in proportion to the Group's interest in the jointly controlled entity and are renewable on an annual basis. The amount of guarantees granted as at 31 December 2006 amounted to approximately HK$7,465,000.

BUSINESS OUTLOOK

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

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

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

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

FINAL DIVIDEND

The directors are pleased to recommend to shareholders the payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2006 and the balance of the profit will be retained. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the final dividend will be payable on or about 29 June 2007 to the shareholders whose names appear at the Register of Members of the Company at the close of business on 31 May 2007.

CLOSURE OF REGISTER OF MEMBERS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Compliance with the Code on Corporate Governance Practices of the Listing Rules

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has applied the principles and compiled with all code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2006, except for the following deviations:

Code Provision A.1.1

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

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

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

Code Provision C.2.1
The Company has implemented our internal management and control system since 1999 and also has reviewed and approved the system from time to time, if appropriate. The approval and adoption of the Company's internal management and control manual has been passed by a written resolution of all directors during the financial year of 2006. In addition, the Board has endeavoured to improve the internal control system, in particular, on the greatest risk areas and therefore has engaged the External Consultancy Firm rendering the internal audit services for hedging activities of metal prices, foreign exchange and interest rate in August 2006. Notwithstanding, the Board has not convened a regular meeting to review the effectiveness of the internal control system during the financial year of 2006.

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU
The figures in respect of this preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 December 2006 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES
Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

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

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

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 19 April 2007

As at the date of this announcement, the Board comprises the following directors:
Mr. Cao Zhong (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Tong Yihui (Deputy Managing Director), Mr. Leung Shun Sang, Tony, Mr. Tang Cornor Kwok Kau (Deputy Managing Director), Mr. Geert Johan Roelens, Mr. Yip Kin Man, Raymond (Independent Non-executive Director), Mr. Law, Yui Lun (Independent Non-executive Director) and Mr. Chu, Kwok Tsu Gilbert (Independent Non-executive Director).

The announcement can also be accessed through the internet at the Company's website http://www.shougangcentury.com.hk or http://www.irasia.com/listco/hk/sccentury/index.htm.