



SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2001

The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001. The interim results have been reviewed by the Company's Audit Committee and its Auditors.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	2		
Continuing operations		87,639	61,805
Discontinued operations		-	26,688
		<u>87,639</u>	<u>88,493</u>
Cost of sales		(64,883)	(73,473)
		<u>22,756</u>	<u>15,020</u>
Other revenue	3	2,681	6,527
Distribution costs		(323)	(324)
Administrative expenses		(12,059)	(16,350)
Other operating expenses, net		(4,513)	841
PROFIT FROM OPERATING ACTIVITIES	4	8,542	5,714
Finance costs	5	(2,824)	(6,796)
		<u>5,718</u>	<u>(1,082)</u>
PROFIT/(LOSS) AFTER FINANCE COSTS			
Continuing operations		5,718	(4,223)
Discontinued operations		-	3,141
		<u>5,718</u>	<u>(1,082)</u>
Share of profits less losses of jointly controlled entities			
Continuing operations		4,495	5,502
Discontinued operations		-	(935)
		<u>4,495</u>	<u>4,567</u>
Share of profit of an associate		1,957	1,274
PROFIT BEFORE TAX		12,170	4,759
Tax	6	(900)	(5,305)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		11,270	(546)
Minority interests		(2,386)	886
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		8,884	340
EARNINGS PER SHARE - BASIC	7	1.16 cents	0.04 cents

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA"), except that the comparative amounts for the Condensed Consolidated Cash Flow Statement have not been presented as the Company has taken advantage of the transitional provision set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and basis of preparation adopted are the same as those used in the Group's audited financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following the adoption of the following new SSAPs issued by the HKSA which are effective for accounting periods commenced on or after 1 January 2001:

SSAP 28: Provisions, Contingent Liabilities and Contingent Assets
SSAP 30: Business Combinations
SSAP 31: Impairment of Assets
SSAP 32: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The prior period adjustment arising from the adoption of SSAP 30 has no impact on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2000.

2. TURNOVER AND OPERATING PROFIT/(LOSS) BY PRINCIPAL ACTIVITY AND GEOGRAPHICAL SEGMENT

The Group is principally engaged in the manufacturing of steel cord, processing and trading of copper and brass products, and property development and investment. An analysis of the Group's turnover and profit/(loss) from operating activities by principal activity and geographical area of operations is as follows:

	Turnover	Profit/(loss)		
		For the six months ended 30 June	from operating activities	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
By principal activity:				
Continuing operations:				
Manufacturing of steel cord	66,292	43,103	12,311	4,544
Processing and trading of copper and brass products	20,151	14,950	151	796
Property development and investment	1,196	3,618	147	836
Others	-	134	2,028	2,175
	<u>87,639</u>	<u>61,805</u>	<u>14,637</u>	<u>8,351</u>
Discontinued operations:				
Trading of industrial chemical products	-	25,659	-	(883)
Trading of metallic ores and metals	-	1,029	-	4,010
Processing of electrical wires and accessories	-	-	-	549
Trading and manufacturing of children's wear	-	-	-	(5)
	-	26,688	-	3,671
Less: Corporate overheads			(6,095)	(6,308)
	<u>87,639</u>	<u>88,493</u>	<u>8,542</u>	<u>5,714</u>
By geographical area:				
The People's Republic of China (the "PRC"):				
Mainland	67,099	48,563	12,185	5,637
Hong Kong S. A. R.	20,230	38,759	(3,677)	609
Others	310	1,171	34	(532)
	<u>87,639</u>	<u>88,493</u>	<u>8,542</u>	<u>5,714</u>

3. OTHER REVENUE

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest income	472	1,679
Others	2,209	4,848
	<u>2,681</u>	<u>6,527</u>

4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Cost of inventories sold	64,812	73,356
Depreciation	11,268	11,368
Amortisation of land use rights	279	226
Gain on disposal of properties	(15)	-
Gain on disposal of subsidiaries, net (including realisation of goodwill)	-	(641)
Gain on disposal of partial interest in a jointly controlled entity (including realisation of goodwill)	-	(2,293)

5. FINANCE COSTS

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	2,824	6,657
Interest on bank loans wholly repayable after five years	-	89
Interest on finance leases	-	50
	<u>2,824</u>	<u>6,796</u>

6. TAX

	For the six months ended 30 June	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Group:		
Mainland China		
Provision for the period	140	405
Arising from the gain on disposal of partial interest in a jointly controlled entity	-	4,165
	<u>140</u>	<u>4,570</u>
Jointly controlled entities:		
Mainland China	466	550
Associate:		
Mainland China	294	185
	<u>900</u>	<u>5,305</u>

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2000: Nil). Taxes on profits assessable elsewhere have been provided at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$8,884,000 (six months ended 30 June 2000: HK\$3,400,000) and the 765,372,000 (30 June 2000: 765,372,000) ordinary shares in issue during the period.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2001 and 2000.

MANAGEMENT DISCUSSION & ANALYSIS

Review Of Operations

Group Results

The satisfactory performance of our core business of manufacturing of steel cord in the first half of 2001 had brought forth an encouraging results to the Group for the six months ended 30 June 2001. The Group had achieved a net profit attributable to shareholders of HK\$8,884,000, an increase of 25.1 times over the corresponding period in last year.

Turnover for the period under review amounted to HK\$87,639,000, representing a slight decrease of 1% when compared to the same period in last year. However, turnover for the comparative period included business operations that had discontinued during 2000. When these discontinued operations are excluded, turnover increased by 41.8% as compared to the same period in last year. The Group's profit from operating activities after finance costs had turned from loss to profit as a result of the increase in turnover, significant improvement in gross profit margin and reduction in administrative expenses and finance costs. Furthermore, our jointly controlled entity and associate were able to provide stable profit to the Group, all these factors contributed to the increase in profit.

Principal Businesses

Manufacturing of Steel Cord

Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern") had recorded a significant growth in turnover and profit during the first half of 2001. The demand for steel cord remained strong during the period. On the other hand, Jiaxing Eastern was able to provide stable quality steel cords to fulfill customers' requirements with reduced costs arising from increased production and efficiency. These external and internal factors had enabled Jiaxing Eastern to make a significant profit contribution to the Group.

Turnover for the period under review amounted to HK\$66,292,000, representing an increase of 53.8% over the corresponding period in last year while its operating profit had increased by 171% to HK\$12,311,000.

Processing and Trading of Copper and Brass Products

The slowdown of economy in the United States and Europe together with the drop of international copper price had affected the Group's business of processing and trading of copper and brass products during the first half of 2001. Turnover had increased by 34.8% to HK\$20,151,000 during the period under review but its gross profit margin had decreased from 8.7% in the corresponding period in last year to 6.4% in the current period. In addition, the amount of bad debt recovery for the period under review was much less than the same period in last year. As such, its operating profit had decreased by 81% to HK\$151,000.

Property Development and Investment

The performance of the Group's property development and investment business was relatively sluggish during the period under review. Turnover for the period amounted to HK\$1,196,000, representing a decrease of 67% over the corresponding period in last year. This business recorded an operating profit of HK\$147,000, representing a decrease of 82.4% over the same period in last year.

As we had adopted a strategy to concentrate the Group's financial resources to develop our core businesses that look more promising, the Group exercised a disposal (the "Disposal") of a 63% equity interest in a subsidiary (the "Subsidiary") which was involved in the business of real estate development in the People's Republic of China (the "PRC"). After the Disposal, the Group's interest in the Subsidiary will reduce to 25%. Details of the Disposal were set out in the Company's announcement dated 10 August 2001 and the Company's circular to shareholders dated 30 August 2001. The Disposal will require the approval of shareholders of the Company at an extraordinary general meeting to be convened and held on 28 September 2001 and the obtaining of the necessary approval from the relevant authorities in the PRC.

Jointly Controlled Entity's and Associate's Business

Our jointly controlled entity, Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") and associate, Xinhua Metal Products Co., Ltd. ("Xinhua Metal") had satisfactory performance during the first half of 2001. Both companies were able to maintain growth in turnover and profit despite the downward pressure on market price of pre-stressed concrete strands and wires caused by increasing competition.

Shanghai Shenjia's turnover for the period under review amounted to HK\$148,977,000, an increase of 5.2% over the corresponding period in last year, and its operating profit before tax was also increased by 5.1% to HK\$17,982,000. However, the Group's share of its operating profit before tax was decreased by 18.3% to HK\$4,495,000 as our share of the results of Shanghai Shenjia was decreased from 51% to 25% following the disposal of 26% equity interest in March 2000.

Xinhua Metal's turnover for the period under review amounted to HK\$131,306,000, an increase of 33.2% over the same period in last year, this was attributable to the gradual growth in sales of new products launched during 2000. Its operating profit before tax for the year amounted to HK\$11,682,000, an increase of 53.6% as compared to the same period last year, and therefore the Group's share of its operating profit before tax also increased from HK\$1,274,000 in the same period last year to HK\$1,957,000.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Net asset value of the Group at 30 June 2001 amounted to HK\$377,626,000, net asset value per share was HK\$0.493.

The Group mainly financed its operations by cash generated from its business activities and ongoing banking facilities provided by the Group's principal bankers. During the period, the Group generated a cash inflow of HK\$9,770,000 from its operating activities and it had repaid a net amount of HK\$4,747,000 of bank borrowings, further reducing the amount of bank borrowings to HK\$48,312,000 at 30 June 2001. As such, the gearing ratio (bank borrowings/shareholders' equity) decreased from 14.3% at 31 December 2000 to 12.8% at 30 June 2001. Furthermore, the liquidity (current assets/current liabilities) of the Group was also improved from 2.0 times at 31 December 2000 to 2.4 times at 30 June 2001.

The Group's total bank borrowings at 30 June 2001 amounted to HK\$48,312,000, of which 11% was denominated in Hong Kong dollars ("HKD"), 68.3% in Renminbi ("RMB") and 20.7% in United States dollars ("USD"). The portion of USD borrowings had been further lowered from 24.7% at 31 December 2000 to 20.7% at 30 June 2001. In so far as the exchange rate peg between HKD and USD is maintained, the directors believe the Group will not be exposed to any significant risk from exchange rate fluctuations between HKD, RMB and USD.

Regarding the maturity profile of these bank borrowings, HK\$46,455,000 is due to be repaid within one year of which approximately HK\$38,425,000 was revolving in nature and can be rolled over under normal circumstances. The Group has been able to meet its financial obligations in the past and the directors anticipate that the Group will have sufficient financial resources to meet these obligations following the improvement of the Group's financial and liquidity position.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2001, the Group had a total of 400 employees located in Hong Kong and the PRC. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other staff benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund scheme. Mandatory Provident Fund Scheme which provides retirement benefits to employees in Hong Kong. The Group has adopted a share option scheme. The Board may exercise its discretion to grant share options to the directors and employees as an incentive to their contribution to the Group. No share options were issued under the share option scheme during the period, nor any share options outstanding as at 30 June 2001.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

At 30 June 2001, the following assets have been pledged to the Group's bankers as securities for granting of banking facilities to the Group:

- (i) Fixed assets with a net book value of HK\$68,676,000;
- (ii) Land use rights amounting to HK\$13,121,000;
- (iii) Inventories amounting to HK\$3,770,000; and
- (iv) Bank deposits amounting to HK\$5,473,000.

The Group's interest in a jointly controlled entity with a carrying value of HK\$40,399,000 was also pledged to a related company for loans advanced to the Group.

In addition to above, the Group also executes corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees are provided in proportion to the Group's interest in the jointly controlled entity and are renewable on an annual basis. The amount of guarantees granted at 30 June 2001 amounted to approximately HK\$24,540,000.

BUSINESS OUTLOOK

In contrast to the economic slowdown in other territories of the world, the economic growth of Mainland China remained strong during the first half of 2001. We foresee that this growth will persist in the foreseeable future with the support of China's entry into the World Trade Organization and the gradual development of the Northwestern provinces of the PRC. Competition in our principal businesses is expected to be heightening. However, the Group has plans to enlarge its production capacity and explore new markets to counter any negative effect on its profitability. The Group will continue to benefit from this growth with its business mainly conducted in Mainland China. Barring unforeseen circumstances, the Board is confident that the Group will provide a palpable improvement in the second half of 2001.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2001 (six months ended 30 June 2000: Nil).

INTERIM RESULTS PUBLISHED ON THE STOCK EXCHANGE OF HONG KONG LIMITED (the "Stock Exchange")'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of the Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> as soon as practicable.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to all management and staff members for their perseverance and dedication to the Group throughout the period. Last but not least, I would also thank for the shareholders' continual long-term support.

By Order of the Board
Su Genqiang
Chairman

Hong Kong, 20 September 2001

This announcement can also be accessed through the internet at the Company's website <http://www.shougangcentury.com.hk>.