



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

HIGHLIGHTS	For the six months ended 30 June		Changes %
	2004 HK\$'000	2003 HK\$'000	
Operations			
Turnover	192,003	137,354	+39.8
Profit from operations	45,592	39,289	+16.0
Net profit attributable to shareholders	44,412	28,233	+57.3
Earnings per share, basic (cents)	4.35	3.68	+18.2
	30/6/2004	31/12/2003	
Financial Position			
Total assets	898,901	726,221	+23.8
Shareholders' funds	614,714	593,870	+3.5

The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004. The interim results have been reviewed by the Company's Audit Committee and its Auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

		Six months ended 30 June	
		2004	2003
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	2	192,003	137,354
Cost of sales		(131,061)	(88,110)
Gross profit		60,942	49,244
Other operating income		368	191
Distribution costs		(716)	(592)
Administrative expenses		(13,525)	(13,386)
Other operating expenses		(1,056)	(48)
(Allowance for) recovery of bad and doubtful debts, net		(421)	3,880
Profit from operations	3	45,592	39,289
Finance costs	4	(1,544)	(807)
Share of results of jointly controlled entities		2,673	2,991
Share of result of an associate		1,681	2,871
Profit before taxation		48,402	44,344
Income tax expense	5	(3,990)	(4,867)
Profit before minority interests		44,412	39,477
Minority interests		–	(11,244)
Net profit for the period		44,412	28,233
Dividends	6	20,351	–
Earnings per share	7		
Basic		HK4.35 cents	HK3.68 cents
Diluted		HK3.90 cents	HK3.65 cents

Notes:

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Segment information

Business segments

Six months ended 30 June 2004

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment turnover	<u>112,377</u>	<u>79,242</u>	<u>384</u>	<u>192,003</u>
Segment results	<u>44,947</u>	<u>8,332</u>	<u>(6,638)</u>	<u>46,641</u>
Unallocated corporate income and expenses, net				<u>(1,049)</u>
Profit from operations				<u>45,592</u>
Finance costs				<u>(1,544)</u>
Share of results of jointly controlled entities	–	–	<u>2,673</u>	<u>2,673</u>
Share of result of an associate	–	–	<u>1,681</u>	<u>1,681</u>
Profit before taxation				<u>48,402</u>
Income tax expense				<u>(3,990)</u>
Profit before minority interests				<u>44,412</u>
Minority interests				<u>–</u>
Net profit for the period				<u><u>44,412</u></u>

Six months ended 30 June 2003

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i> (Restated)	Consolidated (Unaudited) <i>HK\$'000</i>
Segment turnover	<u>106,496</u>	<u>30,621</u>	<u>237</u>	<u>137,354</u>
Segment results	<u>44,685</u>	<u>(145)</u>	<u>(5,320)</u>	<u>39,220</u>
Unallocated corporate income and expenses, net				<u>69</u>
Profit from operations				<u>39,289</u>
Finance costs				<u>(807)</u>
Share of results of jointly controlled entities	–	–	<u>2,991</u>	<u>2,991</u>
Share of result of an associate	–	–	<u>2,871</u>	<u>2,871</u>
Profit before taxation				<u>44,344</u>
Income tax expense				<u>(4,867)</u>
Profit before minority interests				<u>39,477</u>
Minority interests				<u>(11,244)</u>
Net profit for the period				<u><u>28,233</u></u>

3. Profit from operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	12,556	12,150
Amortisation of land use rights	386	307
Amortisation of goodwill	1,111	–
Loss on disposal of property, plant and equipment	–	4
	<u>14,053</u>	<u>12,761</u>

4. Finance costs

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	1,520	771
Obligations under finance leases wholly repayable within five years	24	36
	<u>1,544</u>	<u>807</u>

5. Income tax expense

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
The People's Republic of China (the "PRC") Enterprise Income Tax	3,402	3,682
Deferred taxation	(160)	249
	<u>3,242</u>	<u>3,931</u>
Taxation attributable to the Company and its subsidiaries	428	623
Share of taxation attributable to a jointly controlled entity	320	313
Share of taxation attributable to an associate	–	–
	<u>3,990</u>	<u>4,867</u>

No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

No provision for Hong Kong Profits Tax was made as the Group did not have any assessable profits for the six months ended 30 June 2003.

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

6. Dividends

	Six months ended 30 June	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Ordinary shares:		
Final dividend paid – HK2.0 cents per share (2003: Nil)	20,351	–
	<u>20,351</u>	<u>–</u>

The directors have declared that an interim dividend of HK2.0 cents per share in cash with a scrip option (2003: HK1.5 cents per share in cash) should be paid to the shareholders of the Company whose names appear in the Register of Members on 15 October 2004.

7. Earnings per share

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

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	<u>44,412</u>	<u>28,233</u>
	Six months ended 30 June	
	2004	2003
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,020,182,000	766,424,000
Effect of dilutive potential ordinary shares: Share options	<u>117,170,000</u>	<u>6,936,000</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,137,352,000</u>	<u>773,360,000</u>

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

Group results

Our core businesses had satisfactory performance during the six months ended 30 June 2004. During the period under review, the Group accomplished an increase in net profit attributable to shareholders of 57.3% over the same period last year to HK\$44,412,000.

Turnover of the Group amounted to HK\$192,003,000 for the period, representing a growth of 39.8% over the same period last year. Turnover of steel cord segment increased by 5.5% while copper and brass products segment achieved an increase of 158.8% over the same period last year.

Gross profit increased by 23.8% to HK\$60,942,000 for the period while gross profit margin dropped from 35.9% in the same period last year to 31.7% in the current period. As the gross profit margin of copper and brass products segment was relatively lower than the steel cord segment, hence the increased share of turnover by this segment caused the drop in overall gross profit margin of the Group. Details are illustrated below:

	2004			2003		
	% of turnover	Gross profit %	Weighted gross profit %	% of turnover	Gross profit %	Weighted gross profit %
Steel cord	58.5	43.6	25.5	77.5	44.4	34.4
Copper & brass products	41.3	14.6	6.1	22.3	5.8	1.3
Others	0.2	32.3	0.1	0.2	97.1	0.2
Total	<u>100.0</u>		<u>31.7</u>	<u>100.0</u>		<u>35.9</u>

Administrative expenses slightly rose by 1% to HK\$13,525,000 in the period under review.

The increase was much smaller than the 39.8% growth in turnover, reflecting our continuous control on operating costs. As such, administrative expenses as a percentage of turnover dropped from 9.7% in the same period last year to 7% in the period under review.

The Group's finance costs amounted to HK\$1,544,000 for the period under review, an increase of 91.3% over the same period last year, as the Group had raised additional bank borrowings since the fourth quarter of 2003 to finance the acquisition of approximately 28.24% equity interest in Online Investments Limited ("Online"), the investment holding company of Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern") and the expansion plan of Jiaxing Eastern. The Group's total bank borrowings (including obligations under finance leases) at 30 June 2004 amounted to HK\$262,386,000, as compared to HK\$21,291,000 at 30 June 2003.

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

The annual production capacity of Jiaxing Eastern remained at the 13,000 tonne level before the completion of the expansion plan to enlarge its annual production capacity to 30,000 tonnes in June 2004. During the period under review, Jiaxing Eastern was running at full production capacity and this segment had achieved turnover of HK\$112,377,000 for the period, an increase of 5.5% over the same period last year.

This segment's gross profit increased by 3.8% to HK\$49,034,000. Rising steel and energy prices did not have material impact on this segment during the current period as we had implemented measures to switch the purchases of core material, wire rods, to other relatively low cost suppliers in South Korea and the PRC. Hence, gross profit margin dropped by a mere 0.8% to 43.6% in the period under review.

Operating profit of this segment only increased by 0.6% to HK\$44,947,000. The increase was less than the 3.8% growth in gross profit as the operating profit for the same period last year included a specific bad debts recovery of HK\$2,823,000. Operating profit for the period under review would have increased by 7.4% when these non-recurring bad debts recovery were excluded.

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

Our Dongguan plant started to bring fruitful results to the Group's copper & brass products segment during the first half year of 2004, while the plant in Hong Kong also recorded increased sales, largely because of the continued improvement in global economy which brought rising demand for copper materials. Besides, huge rise in international copper price since late 2003 had also provided significant profit contribution to this segment during the period under review.

Turnover sharply increased by 158.8% to HK\$79,242,000 for the period under review. Sales volume increased by 81% while another 77.8% was attributable to the rise in copper price. LME 3-month copper price climbed from US\$2,327, equivalent to approximately HK\$18,151 per tonne at the beginning of 2004 to the highest level (since 1994) of US\$3,029, equivalent to approximately HK\$23,626 per tonne on 2 April 2004, then fell back to US\$2,617, equivalent to approximately HK\$20,413 per tonne at 30 June 2004, still 12.5% higher than the level at the start of 2004. As we increased our inventory level at a relatively low price during late 2003, we fully enjoyed the benefit of rising copper price during the period under review. Boosted by the increase in sales volume and copper price, gross profit sharply increased by 555.3% to HK\$11,560,000 for the period under review. Gross profit margin was 14.6%, an increase of 8.8 percentage points as compared to 5.8% for the same period last year.

Attributable to the huge rise in gross profit, operating profit of this segment reached to HK\$8,332,000 for the current period, representing a significant turnaround as compared to an operating loss of HK\$145,000 for the same period last year.

Jointly controlled entity's and associate's business

Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") recorded a turnover of HK\$224,278,000 during the period under review, representing an increase of 45.3% over the same period last year. However, due to depressed gross profit margin, its profit before tax dropped by 10.3% to HK\$10,909,000. As such, the Group's share of the profit before tax of Shanghai Shenjia also dropped by the same margin to HK\$2,727,000.

Turnover of Xinhua Metal Products Co., Ltd. ("Xinhua Metal") increased by 32.7% to HK\$314,908,000, however, because of lowered gross profit margin and increased provisions for bad and doubtful debts during the period, its profit before tax dropped by 41.4% to HK\$10,038,000. The Group's share of the profit before tax of Xinhua Metal also dropped by the same margin to HK\$1,681,000.

LIQUIDITY AND FINANCIAL RESOURCES

During the first half year of 2004, the Group had incurred capital expenditure of HK\$125,000,000, mainly for the expansion plan of Jiaxing Eastern. Additional bank borrowings were raised during the period and as a result total bank borrowings (including obligations under finance leases), which bear interest at floating interest rate, reached to HK\$262,386,000 at 30 June 2004. Thus the Group's gearing ratio (total bank borrowings less cash/shareholders' equity) increased from 13.2% at 31 December 2003 to 36.1% at 30 June 2004, still a manageable level. On the other hand, the Group's current ratio (current assets/current liabilities) dropped from 2.64 times at 31 December 2003 to 1.85 times at 30 June 2004. The increased gearing ratio and lowered current ratio were in anticipation of our business expansion plans, however, we will remain cautious in our cashflow and liquidity management.

FOREIGN CURRENCY EXPOSURES

The Group's source of income is principally denominated in Renminbi ("RMB") and Hong Kong dollars ("HKD"), while bank borrowings are mainly in HKD, RMB and United States dollars ("USD"). The currency mix of our bank borrowings at 30 June 2004 was approximately 39.6% denominated in HKD and 60.4% in USD, as opposed to 57.6% in HKD and 42.4% in USD at 31 December 2003. As there were no changes in the benchmark interest rate for these three currencies over the first half year, we continued to deploy the tactics to take advantage of the relatively cheaper interest rates of HKD and USD borrowings. Although the Group did not have USD income, insofar as the exchange rate peg between HKD and USD is maintained, we believe the Group will not be exposed to any significant risk from exchange rate fluctuations amongst HKD, USD and RMB.

Apart from the above, the Group had signed several contracts totaling Euro13,922,000 for the acquisitions of plant and machineries in respect of the expansion plan of Jiaxing Eastern in 2003. In view of the significant fluctuations in the exchange rate of Euro, which had once climbed to its record peak level of Euro1 to approximately USD1.2924 in February 2004, and in order to limit the exposure of adverse fluctuations of Euro exchange rate to the cost of the expansion plan, the Group had executed several forward contracts to substantially hedge against the Euro payments due in 2004. The average exchange rate for the Euro13,922,000 of foreign exchange exposure, after taking into account payments already made and the outstanding forward contracts, is approximately USD1.1651, approximately 4.4% lower than the exchange rate of USD1.2187 as at the preceding business day of the date of this announcement.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Jiaxing Eastern's plan to enlarge its production capacity to 30,000 tonnes of steel cord per annum was completed in June 2004 and will be operational in stages in the second half of the year. Total capital expenditure is estimated to be approximately HK\$232,400,000, and an accumulated expenditure of HK\$181,000,000 was spent up to 30 June 2004.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

At 30 June 2004, the Group had a total of 578 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 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 current period amounted to HK\$550,000. 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.

In addition, the Group had adopted a share option scheme on 7 June 2002 (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 (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. During the current period, no share options were granted, while 3,478,000 share options have been exercised by the directors and employees of the Company.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2004, 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\$40,024,000;
2. Land use rights amounting to HK\$16,595,000;
3. Plant and machinery with an aggregate net book value of HK\$87,029,000;
4. 100% equity interests in Everwinner Investments Limited, Online and Jiaying Eastern; and
5. Bank deposits amounting to HK\$4,000,000.

Further, the Group had also executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees are provided in proportion to the Group's interest in the jointly controlled entity and are renewable on an annual basis. The amount of guarantees granted as at 30 June 2004 amounted to approximately HK\$10,721,000.

BUSINESS OUTLOOK

Although we have accomplished an encouraging results during the first half year of 2004, we anticipate that the operating environment will be more challenging in the second half year. We are uncertain as to the development of the Central Government's macro-economic measures, while we will be facing more pressure on increasing costs from rising wire rod, copper/brass and electricity prices. On the other hand, the demand for copper products might be weakened by sustainability of global economic growth in the second half year which is clouded by mounting oil price. At this moment, these economic uncertainties do not have substantial impact on our performance, but we will continue to explore more ways to control our operating costs and improve our operating efficiency to maintain our profit margin. Simultaneously, we will strike for maintaining our market share by further increasing

our production capacity in the steel cord segment in order to remain as one of the market leaders in the PRC. With the gradual enlarging in steel cord production capacity, we will endeavor to attain satisfactory results for the second half year.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK2 cents per share (2003: HK1.5 cents per share in cash) with an option to receive the dividend in the form of new shares to shareholders registered on 15 October 2004 for the six months ended 30 June 2004.

Full details of the interim scrip dividend will be set out in a circular to be sent to shareholders together with a form of election on or about 29 October 2004. The scrip dividend scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") granting listing of and permission to deal in the new shares to be issued.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 11 October 2004 to 15 October 2004, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed interim dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on 8 October 2004.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2004, the Company repurchased a total of 5,500,000 shares in the Company on the Stock Exchange pursuant to the general mandate granted by the shareholders at the annual general meeting held on 25 June 2003, details of which were as follows:

Month/Year	Number of shares repurchased	Price per share		Total consideration (Before expense)
		Lowest	Highest	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
05/2004	5,500,000	0.73	0.80	4,231,300

All shares repurchased were cancelled and destroyed and accordingly the Company's issued share capital was reduced by the nominal value of those shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the Company's earnings per share and the value of its shares.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2004.

INTERIM RESULTS PUBLISHED ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46(1) to 46(6) of the Appendix 16 of the Listing Rules in force prior to 31 March 2004 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 thank our shareholders, customers, suppliers and our employees for their support, cooperation and encouragement during the period.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 20 September 2004

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. Lai Kam Man (Independent Non-executive Director), Mr. Yip Kin Man, Raymond (Independent Non-executive Director) and Mr. Chen, Kelvin Siu Min (Independent Non-executive Director).

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