



SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2001

The board of directors of Shougang Concord Century Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2001 as follows:

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	2		
Continuing operations		187,139	142,422
Discontinued operations	3	–	26,695
		<u>187,139</u>	<u>169,117</u>
Cost of sales		(132,919)	(135,273)
		<u>54,220</u>	<u>33,844</u>
Other revenue and gains		2,066	10,195
Distribution costs		(659)	(882)
Administrative expenses		(25,435)	(29,845)
Other operating expenses		(7,649)	(5,910)
		<u>22,543</u>	<u>7,402</u>
PROFIT FROM OPERATING ACTIVITIES	2 & 4	22,543	7,402
Finance costs		(4,969)	(10,465)
		<u>17,574</u>	<u>(3,063)</u>
PROFIT/(LOSS) AFTER FINANCE COSTS			
Continuing operations		17,574	(4,686)
Discontinued operations	3	–	1,623
		<u>17,574</u>	<u>(3,063)</u>
Share of profits and losses of jointly controlled entities			
Continuing operations		7,198	9,558
Discontinued operations	3	–	(1,016)
		<u>7,198</u>	<u>8,542</u>
Share of profit of an associate		4,733	4,590
		<u>29,505</u>	<u>10,069</u>
PROFIT BEFORE TAX		29,505	10,069
Tax	5	(2,157)	(6,895)

PROFIT BEFORE MINORITY INTERESTS		27,348	3,174
Minority interests		<u>(7,287)</u>	<u>1,565</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>20,061</u>	<u>4,739</u>
EARNINGS PER SHARE – BASIC	6	<u>HK 2.62 cents</u>	<u>HK0.62 cent</u>

Notes:

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The Group has adopted the following recently-issued and revised SSAPs and related Interpretations which are effective for the first time for the current year’s financial statements. Accordingly, a prior year adjustment has been made and certain comparative amounts in the financial statements have been reclassified to conform with the current year’s presentation.

- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 18 (Revised): “Revenue”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated financial statements and accounting for investments in subsidiaries”
- Interpretation 12: “Business combinations – subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13: “Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

The prior year adjustment arising from the adoption of SSAP 30 and Interpretation 13 has no impact on the net profit from ordinary activities attributable to shareholders for the years ended 31 December 2001 and 2000.

2. TURNOVER AND SEGMENT INFORMATION

	2001		2000	
	Turnover <i>HK\$’000</i>	Operating profit/(loss) <i>HK\$’000</i>	Turnover <i>HK\$’000</i>	Operating profit/(loss) <i>HK\$’000</i> (Restated)
By business segments:				
Continuing operations:				
Manufacturing of steel cord	144,593	32,610	90,999	6,833
Processing and trading of copper and brass products	40,961	306	39,758	3,150
Property development and investment	1,452	(120)	11,416	540
Corporate and others	133	(8,872)	249	(12,725)
	<u>187,139</u>	<u>23,924</u>	<u>142,422</u>	<u>(2,202)</u>
Discontinued operations:				
Trading of industrial chemical products	–	–	25,659	(1,260)
Trading and processing of metallic ores and metals	–	–	1,036	2,184
	<u>–</u>	<u>–</u>	<u>26,695</u>	<u>924</u>
		<u>23,924</u>		<u>(1,278)</u>
Unallocated income less expenses		<u>(1,381)</u>		<u>8,680</u>
	<u>187,139</u>	<u>22,543</u>	<u>169,117</u>	<u>7,402</u>

By geographical segments:

The People's Republic of China (the "PRC")				
Hong Kong	41,263	(8,132)	63,723	(5,461)
Mainland	145,485	31,996	104,142	6,486
Others	391	60	1,252	(2,303)
		23,924		(1,278)
Unallocated income less expenses		(1,381)		8,680
	187,139	22,543	169,117	7,402

3. DISCONTINUED OPERATIONS

- (a) In prior years, the Group had a subsidiary (the "Subsidiary"), engaged in the trading and processing of metallic ores and metals, and certain jointly controlled entities (the "Entities"), engaged in ferroalloy processing and manufacturing activities in the PRC, (collectively the "Business"). The directors considered that the continued over-capacity and decrease in demand for ferroalloy products in Mainland China would have a profound and significant impact on the Business. The situation was expected to be further aggravated by China's entry into the World Trade Organisation ("WTO"), which was expected to intensify competition. The outlook for the Business was therefore considered gloomy and no sign of recovery were foreseen for the time being. As such, the directors cautiously reassessed the Group's strategy in respect of the Business and decided to discontinue the Group's financial and operating involvement in the Entities effective from 3 May 1999 and the operations of the Subsidiary effective from 1 February 2000, respectively.

The financial effects arising from the Business on the prior years' consolidated profit and loss account have been separately disclosed as discontinued operations.

The loss on discontinuance of the Business was insignificant.

- (b) On 10 December 1999, in view of the expected gloomy prospects for the electrical wire and accessories processing business due to intense price competition, the directors decided to discontinue the Group's business segment of electrical wire and accessories processing through the disposal thereof. The directors were of the opinion that the Group would be able to streamline its business and improve its financial health through the disposal. The disposal was approved by the Company's shareholders at an extraordinary general meeting held on 10 January 2000 and was completed on 14 January 2000. The financial effects of these operations on the prior year's consolidated profit and loss account have been separately disclosed as discontinued operations.

The gain on disposal of the electrical wire and accessories processing business segment amounted to approximately HK\$641,000.

- (c) On 28 July 2000, in view of the continuing decline in profit margin and severe market competition experienced in the trading of industrial chemical products, the directors decided to terminate this business and dispose of the subsidiary and the equity interest in its jointly controlled entity which engaged in this business to an independent third party. The financial effects of these operations on the prior year's consolidated profit and loss account have been separately disclosed as discontinued operations.

The loss on disposal of the trading of industrial chemical products business segment was insignificant.

4. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK\$'000	HK\$'000
Depreciation	22,553	22,662
Amortisation	558	455
Gain on disposal of an investment property	-	(223)
Gain on disposal of interests in jointly controlled entities, net (including realisation of goodwill)	-	(2,287)
Gain on disposal of a long term investment	-	(3,430)
Loss/(gain) on disposal of fixed assets (excluding investment properties), net	(83)	243
Loss/(gain) on disposal of subsidiaries, net (including realisation of goodwill and negative goodwill)	2,152	(590)

5. TAX

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong		
Underprovision in prior years	49	–
Mainland China		
Provision for the year	187	1,077
Arising from the disposal of partial interest in a jointly controlled entity	–	4,165
Arising from the disposal of a subsidiary	356	–
	<u>592</u>	<u>5,242</u>
Jointly controlled entities:		
Mainland China	798	1,095
Associate:		
Mainland China	767	558
	<u>2,157</u>	<u>6,895</u>

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the year. The income tax in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's jointly controlled entities and associate in Mainland China enjoy income tax exemptions and reductions.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$20,061,000 (2000: HK\$4,739,000) and 765,372,000 shares in issue during the years ended 31 December 2001 and 2000.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2001 and 2000.

MANAGEMENT DISCUSSION & ANALYSIS

Review of Operations

Group Results

2001 was a remarkable year for the Group. Driven by the satisfactory performance of our core business of steel cord manufacturing, the Group achieved a net profit attributable to shareholders of HK\$20 million, equivalent to 4.2 times of the net profit attributable to shareholders of HK\$4.7 million for the corresponding year of 2000.

Turnover increased by 10.7% to HK\$187.1 million during the year under review. The Group had discontinued certain business operations during 2000, when turnover of these discontinued operations was excluded, turnover of the Group increased by 31.4% when compared to the corresponding year of 2000. The strong growth was coming from our core business of steel cord manufacturing, which reported an increment of 58.9% for the year.

Gross profit for the year amounted to HK\$54.2 million, an increase of 60% as compared to the corresponding year of 2000. Gross profit margin also jumped from 20% to 28.9%, attributable to the significant increase in turnover of continuing operations and costs reductions of our steel cord manufacturing business during the year.

With relevance to expenses, distribution costs and administrative expenses dropped by 25.3% and 14.8% to HK\$659,000 and HK\$25.4 million respectively. Both the disposals and discontinuation of certain business operations during 2000 and our continuous implementation of cost control measures during 2001 contributed to the drop of expenses; while finance costs decreased by 52.5% to HK\$4.9 million, primarily the result of the reduction of interest bearing loans during the year.

Principal Businesses

Manufacturing of Steel Cord

The Group's steel cord manufacturing division had a successful year of operations in 2001. It achieved an operating profit of HK\$32.6 million for the year ended 31 December 2001, an increase of 3.8 times as compared to HK\$6.8 million for the corresponding year of 2000.

Turnover for the year reached to HK\$144.6 million, an increase of 58.9% as compared to HK\$91 million for the corresponding year of 2000. The significant growth in turnover was attributable to improving quality of steel cord products that spurred additional demand from our customers.

Driven by the increase in turnover, gross profit also significantly increased by 135.3% to HK\$50.6 million. Gross profit margin jumped from 23.6% in 2000 to 35% in 2001, attributable to lowering production and selling costs resulted from greater economies of scale.

Processing and Trading of Copper and Brass Products

Our business of processing and trading of copper and brass products was affected by the sluggish economic development of the major Western countries, including the United States and Europe, during 2001. Exports and re-exports of industrial and consumable products from Hong Kong to overseas countries fell sharply during the year, this lowered the demand from our customers that are mainly manufacturers and exporters of these products in Hong Kong. The situation was further aggravated by the September 11 Tragedy and the volume of customers' orders and sales had shown a setback in growth during the fourth quarter. Furthermore, the amount of non-recurrent bad debt recovery was much less than that of 2000, these caused the operating profit of this business dropped by 90.3% to HK\$306,000.

Despite the downturn in the second half year of 2001, turnover of this business was still able to maintain a growth of 3% to HK\$41 million for the year, this was attributable to the strong demand in the first half year as compared to the corresponding period in 2000.

During the year under review, gross profit decreased by 15.8% to HK\$2.98 million, while the gross profit margin also dropped by 1.6% to 7.3% when compared to the corresponding year of 2000. However, this was acceptable when considering the sharp fluctuation in the copper price as quoted by the London Metal Exchange from a level of US\$1,800 per tonne in early 2001 to as low as US\$1.400 per tonne during the year.

Property Development and Investment

The Group's property development and investment business comprise property development business in Shanxi Province, the PRC which is operated by Shanxi Shengjia Real Estate Developing Co., Ltd. ("Shanxi Shengjia") and the letting of properties in Hong Kong.

The performance of this business was relatively sluggish during the year under review because it was affected by the slowdown of operations of Shanxi Shengjia, which contributed a major portion of turnover of this division. Turnover for the year amounted to HK\$1.5 million which represented a sharp decrease of 87.3% as compared to the corresponding year of 2000. It recorded an operating loss of HK\$120,000.

In line with our strategy to concentrate the Group's financial resources to develop our core businesses that are more promising, we had disposed of 63% interest in Shanxi Shengjia in August 2001 (the "Disposal"). The Disposal constituted a connected transaction of the Group and was approved by the Company's shareholders at the extraordinary general meeting held on 28 September 2001. The Group's interest in Shanxi Shengjia was reduced to 25% after the Disposal and is accounted for as a jointly controlled entity in the Group's financial statements. As already mentioned in the circular dated 30 August 2001 to our shareholders, we intend to continue to look for other opportunities to dispose of our remaining 25% interest in Shanxi Shengjia. However, we have no intention at present to dispose of our portfolio of properties in Mainland China and Hong Kong.

Jointly Controlled Entity's and Associate's Business

The operating environment of the pre-stressed concrete strands and wires industry in the PRC remained intense. Fierce competition forced the price of pre-stressed concrete strands and wires to drop further during the year. However, our jointly controlled entity and associate engaged in this business were still able to record satisfactory profits through increasing production capacity, enhancing operational efficiency, and the development of new product lines.

Shanghai Shenjia Metal Products Co., Ltd., our 25% owned jointly controlled entity, recorded a turnover of HK\$291.7 million for the year under review, representing a drop of 5.9% as compared to the corresponding year of 2000. Its profit before tax was also dropped by 13.7% to HK\$28.8 million as compared to the corresponding year of 2000. As such, the Group's share of its profit before tax was dropped by 24.8% to HK\$7.2 million during the year.

Xinhua Metal Products Co., Ltd., our 16.75% owned associate, recorded a turnover of HK\$276 million for the year under review, representing an increase of 15.1% over the corresponding year of 2000, while its profit before tax slightly increased by 3.1% to HK\$28.3 million. We shared HK\$4.7 million of the profit before tax for the year ended 31 December 2001, a 3.1% increase as compared to 2000.

Capital Structure, Liquidity and Financial Resources

Net asset value of the Group at 31 December 2001 amounted to HK\$393.7 million, an increase of 6.2% as compared to HK\$370.8 million at 31 December 2000. The Company had a total issued share capital of 765,372,000 shares at 31 December 2001 and hence the net asset value per share was HK\$0.51, up HK\$0.03 when compared to HK\$0.48 at 31 December 2000.

The Group held liquid cash and bank balances of HK\$24.6 million at the year end. Current assets amounted to HK\$154.4 million and current liabilities was HK\$85.9 million, while long term liabilities was just HK\$20,000. The current ratio (current assets/current liabilities) was 1.8 times (2000: 2 times) and the gearing ratio (total bank borrowings/shareholders' equity) further dropped to 11% at 31 December 2001 (2000: 14.3%). This low gearing provides a solid ground for the Group to expand its core business operations.

Total bank borrowings of the Group at 31 December 2001 amounted to HK\$43.2 million, of which 69.8% was denominated in Renminbi ("RMB"), 5.4% in Hong Kong Dollars ("HKD") and 24.8% in United States Dollars ("USD"), the relevant portion at 31 December 2000 was 62.2%, 13.1% and 24.7% respectively. Although the Group does not have any USD income to meet the repayment of USD loans in the normal circumstances, however, 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 amongst RMB, HKD and USD.

Regarding the nature and maturity of these bank borrowings, HK\$8.7 million was trust receipt loans whose repayments would be covered by the ongoing business receipts of the Group, while approximately HK\$33.2 million was working capital loans which were revolving in nature and could be rolled over under normal circumstances. The directors do not foresee any difficulties in meeting these financial obligations during the year ending 31 December 2002.

Business Development Plan and Capital Commitment

Manufacturing of Steel Cord

The production of Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern") which engaged in the manufacturing of steel cord was near to its capacity at the end of 2001, and we expect that it will reach full production capacity during 2002. To cater for increasing customers' demand and to enhance, operational efficiency, we have scheduled to enlarge the capacity of Jiaxing Eastern's production line from existing 9,000 tonnes per annum to 12,000 tonnes per annum by the end of 2002. Total investment costs for the expansion is approximately HK\$37 million, which will be financed by the Group's working capital and bank loans.

Processing and Trading of Copper and Brass Products

Our Hong Kong operations of copper and brass products business is very dependent on the performance of the exterior economy, especially those matured and developed region such as North America and Europe. In contrast, the PRC is one of the fastest growth developing countries and is one of the biggest markets of copper consumption. We anticipate the demand for copper will accelerate after its entry into the WTO. In view of this, we have planned to spend approximately HK\$2 million of internal cash to establish a production plant in the Pearl River Delta Region to develop the PRC market. The plant is scheduled to commence operation during the third quarter of 2002.

Employees and Remuneration Policies

At 31 December 2001, the Group had a total of 395 (2000: 396) 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, Mandatory Provident Fund Scheme and other retirement scheme or similar defined contribution provident fund stipulated by the State Regulations of the PRC which provide retirement benefits to employees in Hong Kong and the PRC respectively. Contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated profit and loss account for the year amounted to HK\$740,000.

In addition, the Group had adopted a share option scheme on 11 March 1992 (the “Existing Scheme”). The board of directors (the “Board”) may exercise its discretion to grant share options to any director and employee as an incentive to the contribution to the Group under the Existing Scheme. However, the Existing Scheme would expire after the balance sheet date. As such, an ordinary resolution will be proposed at the forthcoming annual general meeting of the Company for the approval of the adoption of a new share option scheme (the “New Scheme”). A circular containing details and conditions of the New Scheme and a summary of the principal terms of the rules of the New Scheme will be despatched to the shareholders together with the annual report of the Company.

No share options were issued under the Existing Scheme during the year, nor any share options outstanding at 31 December 2001.

Charge on Assets and Contingent Liabilities

As an ongoing practice, the Group pledged part of the assets to its principal bankers as securities for granting of banking facilities (which comprise trade facilities and working capital loans) to the Group. At 31 December 2001, assets with total value of HK\$50.4 million had been pledged to bankers, details as follows:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK\$36.6 million;
2. Land use rights with a net book value of HK\$12.8 million; and
3. Time deposits amounting to HK\$1 million.

Furthermore, the Group’s interest in a jointly controlled entity with a carrying value of HK\$42.8 million 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 31 December 2001 amounted to approximately HK\$24.5 million.

Business Outlook

The business environment in the PRC will be more opened to foreign investors after its entry into the WTO. It is anticipated that the influx of foreign investments covering a wide variety of industries will speed up in the foreseeable future which will bring both positive and negative impact to the Group’s businesses. We believe the PRC market will be full of opportunities and potential for business development. As mentioned in the “Business Development Plan and Capital Commitment” section above, the Group planned to further develop its core businesses of manufacturing of steel cord and processing and trading of copper and brass products through the expansion of production capacity and the establishment of distribution network in the mainland in a cautious manner. In view of the above expansion together with a stable income and return provided by our jointly controlled entity and associate engaged in the manufacturing of pre-stressed concrete strands and wires, the Board has committed the Group to maintain stable growth in profits and is confident that the Group will provide a satisfactory return to shareholders in 2002.

DIVIDEND

The directors do not recommend the payment of final dividend in respect of the year ended 31 December 2001 (2000: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (“Audit Committee”) since 1998 with reference to “A Guide for the Formation of an Audit Committee” issued by the Hong Kong Society of Accountants in December 1997. Two meetings of the Audit Committee were held during the year to review and advise the Board on the Group’s financial reporting process and the internal controls. The Audit Committee also reviewed the interim and the final results of the Group before their submission to the Board for approval.

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.

CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except in relation to guideline 7, where the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")'S WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) inclusive of Appendix 16 to the Listing Rules will be subsequently published on the website of the Stock Exchange in due course.

APPRECIATION

Finally, on behalf of the Group, we would like to extend our heartfelt thanks to our shareholders, our staff, partners and all parties who have rendered their long-term support and contribution to the Group.

By order of the Board

Cao Zhong

Chairman

Hong Kong, 22 April 2002

This announcement can also be accessed through the internet at the Company's website www.shougangcentury.com.hk.