



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 2004

HIGHLIGHTS

Turnover increased by 43.9% to HK\$427,864,000 (2003: HK\$297,271,000)

Net profit increased by 124.1% to HK\$148,114,000 (2003: HK\$66,092,000)

Net profit (excluding non-recurring gain) increased by 28.4% to HK\$84,851,000 (2003: HK\$66,092,000)

Earnings per share (basic) increased by 93.7% to HK14.53 cents (2003: HK7.50 cents)

Earnings per share (basic)(excluding non-recurring gain) increased by 10.9% to HK8.32 cents (2003: HK7.50 cents)

Net asset value increased by 8.1% to HK\$642,157,000 (2003: HK\$593,870,000)

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 2004 as follows:

	<i>NOTES</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<i>1 & 2</i>	427,864	297,271
Cost of sales		(315,625)	(196,367)
Gross profit		112,239	100,904
Other operating income		5,758	3,126
Distribution costs		(2,011)	(1,307)
Administrative expenses		(29,660)	(26,115)
Other operating expenses		(2,379)	(1,044)
(Allowance for) recovery of bad and doubtful debts		(3,244)	7,714
Profit from operations	<i>3</i>	80,703	83,278
Finance costs		(4,463)	(3,178)
Gain on disposal of subsidiaries		76,651	–
Loss on disposal of interest in a jointly controlled entity		(9,410)	–
Share of results of jointly controlled entities		7,833	6,847
Share of result of an associate		4,562	5,251
Profit before taxation		155,876	92,198
Income tax expenses	<i>4</i>	(7,762)	(8,468)
Profit before minority interests		148,114	83,730
Minority interests		–	(17,638)
Net profit attributable to shareholders		148,114	66,092
Dividends	<i>5</i>	40,702	15,238
Earnings per share	<i>6</i>		
Basic		HK14.53 cents	HK 7.50 cents
Diluted		HK13.19 cents	HK 7.00 cents

Notes:

1. TURNOVER

Turnover 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 turnover is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of goods		
Manufacturing of steel cord	266,262	218,463
Processing and trading of copper and brass products	159,674	77,715
Others	1,511	791
	427,447	296,969
Rental income	417	302
	427,864	297,271

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For the year ended 31 December 2004

	Steel cord <i>HK\$'000</i>	Copper and brass products <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	266,262	159,674	1,928	427,864
Other operating income	751	1,157	3,850	5,758
Total	<u>267,013</u>	<u>160,831</u>	<u>5,778</u>	<u>433,622</u>
Result				
Segment result	<u>82,650</u>	<u>10,196</u>	<u>(10,079)</u>	82,767
Unallocated corporate income and expenses, net				<u>(2,064)</u>
Profit from operations				80,703
Finance costs				(4,463)
Gain on disposal of subsidiaries	-	-	76,651	76,651
Loss on disposal of interest in a jointly controlled entity	-	-	(9,410)	(9,410)
Share of results of jointly controlled entities	-	-	7,833	7,833
Share of result of an associate	-	-	4,562	4,562
Profit before taxation				155,876
Income tax expenses				(7,762)
Profit before minority interests				148,114
Minority interests				-
Net profit attributable to shareholders				<u>148,114</u>

For the year ended 31 December 2003

	Steel cord <i>HK\$'000</i>	Copper and brass products <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue				
External sales	218,463	77,715	1,093	297,271
Other operating income	(287)	1,851	1,562	3,126
Total	<u>218,176</u>	<u>79,566</u>	<u>2,655</u>	<u>300,397</u>
Result				
Segment result	<u>92,186</u>	<u>3,590</u>	<u>(12,286)</u>	83,490
Unallocated corporate income and expenses, net				<u>(212)</u>
Profit from operations				83,278
Finance costs				(3,178)
Share of results of jointly controlled entities	-	-	6,847	6,847
Share of result of an associate	-	-	5,251	5,251
Profit before taxation				92,198
Income tax expenses				(8,468)
Profit before minority interests				83,730
Minority interests				(17,638)
Net profit attributable to shareholders				<u>66,092</u>

(b) Geographical segments

	Hong Kong		Other regions in the People's Republic of China (the "PRC")		Others		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	60,370	43,525	365,633	253,444	1,444	-	427,447	296,969
Gross rental income	417	302	-	-	-	-	417	302
	<u>60,787</u>	<u>43,827</u>	<u>365,633</u>	<u>253,444</u>	<u>1,444</u>	<u>-</u>	<u>427,864</u>	<u>297,271</u>

3. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Cost of inventories sold	307,858	190,813
Depreciation	25,434	24,814
Amortisation of land use rights	791	614
Amortisation of goodwill	2,222	556
Loss on disposal of property, plant and equipment, net	-	33
	<u>-</u>	<u>33</u>

4. INCOME TAX EXPENSES

	2004 HK\$'000	2003 HK\$'000
Current tax:		
Hong Kong	-	-
Other regions in the PRC	6,361	6,397
	<u>6,361</u>	<u>6,397</u>
Under (over) provision in prior years:		
Hong Kong	16	-
Other regions in the PRC	(311)	-
	<u>6,066</u>	<u>6,397</u>
Deferred taxation:		
Current year	(80)	71
Attributable to change in tax rate	-	78
	<u>(80)</u>	<u>149</u>
Taxation attributable to the Company and its subsidiaries	5,986	6,546
Share of taxation attributable to a jointly controlled entity	1,068	1,214
Share of taxation attributable to an associate	708	708
	<u>7,762</u>	<u>8,468</u>

No tax is payable on profit for the year arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward. Tax losses carried forward amounted to approximately HK\$57,425,000 (2003: HK\$51,695,000).

Taxation in the PRC is calculated at the rates prevailing in the PRC. Certain subsidiaries, jointly controlled entities and associate of the Group operating in the PRC are eligible for certain tax exemptions and concessions. Accordingly, PRC income tax has been provided taking into account of these tax exemptions and concessions.

5. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Ordinary shares:		
Interim dividend paid – HK2.0 cents per share with scrip option (2003: HK1.5 cents per share)	20,351	15,238
Final dividend paid - HK2.0 cents per share in respect of previous financial year	20,351	-
	<u>40,702</u>	<u>15,238</u>

The final dividend of HK1.5 cents (2003: HK2.0 cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

6. EARNINGS PER SHARE

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

	2004 HK\$'000	2003 HK\$'000
Profit for the year for the purpose of calculation of basic and diluted earnings per share	<u>148,114</u>	<u>66,092</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,019,614,692	881,110,017
Effect of dilutive potential ordinary shares: Share options	<u>103,108,012</u>	<u>63,319,274</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>1,122,722,704</u>	<u>944,429,291</u>

MANAGEMENT DISCUSSION & ANALYSIS BUSINESS REVIEW

Jiaxing Eastern Steel Cord Co., Ltd. (“Jiaxing Eastern”), our principal subsidiary engaged in the manufacturing of steel cord for radial tyres, had successfully completed its expansion plan in the second half year, which increased its production capacity from 13,000 tonnes to 30,000 tonnes per annum. Furthermore, demand for our products, including steel cord and copper and brass products increased amid growing economy both in the People’s Republic of China (the “PRC”) and overseas. As such, the Group had achieved a growth of 43.9% in turnover to HK\$427,864,000 for the year ended 31 December 2004. However, increased competition in the steel cord industry and rising raw material prices had negatively affected the gross profit margin of this business. Nonetheless, the Group still delivered a double digit growth in profit attributable to shareholders for the current year, ascribing to the fourth consecutive growth in profit since year 2000.

Manufacturing of steel cord for radial tyres (“Steel cord”)

The implementation of austerity measures by the PRC Government during 2004 had caused the slowdown in the development of the automobile industry, notwithstanding, the production of motor vehicles in the current year still managed to grow by 14.2% to 5,074,000 units. Total number of motor vehicles for civilian use as at 31 December 2004 reached to 27,420,000 units, up by 15% as compared to 31 December 2003. Moreover, 4,476 kilometres of freeway were added to the freeway network in the PRC in 2004 (Source: National Bureau of Statistics of China), these spurred the continuous grow in demand for radial tyres and hence, steel cord.

Jiaxing Eastern’s production of steel cord gradually increased during the second half year since its expansion plan to 30,000 tonnes per annum was completed in June 2004. Turnover increased to HK\$266,262,000, up by 21.9% over the previous year. However, faced with pricing pressure from increased competition and rising material and energy costs, especially during the second half year, gross profit remained the same level as previous year at HK\$95,041,000. Gross profit margin dropped from 43.5% in the previous year to 35.7% in the current year.

Operating profit decreased by 10.3% to HK\$82,650,000 in the current year. However, operating profit for the previous year included recovery of bad and doubtful debts of HK\$5,754,000, when adjusted for these recovery of bad and doubtful debts, operating profit for the current year would drop by 4.4% over the previous year.

Processing and trading of copper and brass products (“Copper & brass products”)

This business segment started to bring fruitful results to the Group for the year under review, justifying the management’s decision to establish the production plant in Dongguan in 2002 which was aimed to enlarge the production capacity and to reduce costs. The growing worldwide economy and weaker United States Dollar had stimulated the demand for copper materials, and hence, mounting copper price in 2004. This segment was able to generate significant growth in profit contribution to the Group. Turnover of this segment advanced by 105.5% to HK\$159,674,000 for the current year, sales volume increased by 44.5% while another 61% growth was contributed by 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 US\$3,025, equivalent to HK\$23,595 per tonne at end of 2004, represented a rise of 30% over the previous year. As we increased our inventory level at a relatively low price during late 2003, this segment fully enjoyed the benefit of rising copper price especially during the first half year of 2004. Hence, this segment achieved a 202.9% increase in gross profit to HK\$16,580,000 for the current year, while gross profit margin increased from 7% in the previous year to 10.4% in the current year. In addition to the increase in sales volume and rising copper price, the higher gross profit margin was also contributed by reduced operating costs from greater economies of scale.

Operating profit of this segment reached to HK\$10,196,000 for the current year, represented a remarkable increase of 184% as compared to HK\$3,590,000 for the previous year.

FINANCIAL REVIEW

The Group recorded net profit attributable to shareholders of HK\$148,114,000 for the current year, an increase of 124.1% over previous year's net profit attributable to shareholders of HK\$66,092,000. During the current year, the Group disposed several subsidiaries and jointly controlled entities to certain independent third parties and recorded net gain of HK\$76,651,000 and net loss of HK\$9,410,000 on the disposal respectively (further details set out under "Disposals of subsidiaries and jointly controlled entities" section herebelow), which included the realization of HK\$82,041,000 of negative goodwill and HK\$18,778,000 of exchange loss in translation reserve. When these negative goodwill and exchange loss, with net gain of HK\$63,263,000 were excluded, net profit attributable to shareholders for the current year would be HK\$84,851,000, increased by 28.4% over the previous year.

Turnover

The Group recorded a growth in turnover of 43.9% to HK\$427,864,000 in the current year. The breakdown of turnover by business segments is as follows:

	2004 HK\$'000	% of total turnover	2003 HK\$'000	% of total turnover	% change
Steel cord	266,262	62.2	218,463	73.5	+21.9
Copper & brass products	159,674	37.3	77,715	26.1	+105.5
Others	1,928	0.5	1,093	0.4	+76.4
Total	<u>427,864</u>	<u>100.0</u>	<u>297,271</u>	<u>100.0</u>	<u>+43.9</u>

Gross profit

The Group's gross profit was up by 11.2% to HK\$112,239,000. However, gross profit margin dropped from 33.9% in the previous year to 26.2% in the current year, breakdown as follows:

	2004 HK\$'000	Gross profit %	2003 HK\$'000	Gross profit %	% change
Steel cord	95,041	35.7	95,033	43.5	-
Copper & brass products	16,580	10.4	5,474	7.0	+202.9
Others	618	32.1	397	36.3	+55.7
Total	<u>112,239</u>	<u>26.2</u>	<u>100,904</u>	<u>33.9</u>	<u>+11.2</u>

Apart from the drop in gross profit margin of steel cord segment, as affected by depressed selling price and rising material costs mentioned in 'Manufacturing of steel cord for radial tyres' section above, the increased share of turnover of copper and brass products segment, whose gross profit margin was relatively lower, also caused the drop in overall gross profit margin of the Group, as illustrated in the table below:

	% of Group turnover	Gross profit %	2004 Weighted gross profit %	% of Group turnover	Gross profit %	2003 Weighted gross profit %
Steel cord	62.2	35.7	22.2	73.5	43.5	32.0
Copper & brass products	37.3	10.4	3.9	26.1	7.0	1.8
Others	0.5	32.1	0.1	0.4	36.3	0.1
Total	<u>100.0</u>		<u>26.2</u>	<u>100.0</u>		<u>33.9</u>

Administrative expenses

The current year's administrative expenses amounted to HK\$29,660,000, an increase of 13.6% over the previous year. The rise in administrative expenses was largely because of the expansion of the Group's business that increased overall costs. However, administrative expenses as a percentage of turnover further dropped from 8.8% in the previous year to 6.9% in the current year.

Other operating expenses

Other operating expenses increased by 127.9% to HK\$2,379,000 as compared to previous year as amortization of goodwill amounted to HK\$2,222,000 was accounted for in the current year while it was HK\$556,000 in the previous year. Goodwill arising on the acquisition of approximately 28.24% interests in Jiaying Eastern in 2003 was amortised for full year as compared to just three months in the previous year.

Disposals of subsidiaries and jointly controlled entities

During the current year, the Company disposed of several non-core subsidiaries and jointly controlled entities to certain independent third parties with a view to further streamline the structure of the Group and to concentrate resources on the development of the Group's core businesses. Total consideration for the disposals amounted to HK\$12,770,000, which were arrived at fair and reasonable terms.

Gain on disposal of subsidiaries

The Company sold the entire shareholdings in Meta Company Limited ("Meta"), an investment holding company, Bogay Investment Limited ("Bogay") which ceased business in 2000, and the 25% interest in Shanxi Shengjia Real Estate Developing Co., Ltd. ("Shanxi Shengjia") which was held through Bogay, on 10 November and 23 December 2004 respectively. The total consideration of these disposals was approximately HK\$4,580,000 and as a result a loss of HK\$4,194,000 was incurred. However, after realization of negative goodwill of HK\$82,041,000, arising on acquisitions of Meta and Bogay and the exchange loss on translation of Shanxi Shengjia's net assets of HK\$1,196,000 in the past, the disposals recorded a net gain of HK\$76,651,000.

Loss on disposal of interest in a jointly controlled entity

Further to the above, the Company also disposed of the 25% interest in Shanghai Shenjia Ferroalloy Co., Ltd ("Shanghai Shenjia Ferroalloy"), whose net book value had been fully written off in previous years as we had ceased to participate in the trading of ore and ferroalloy in 1999. The interest was disposed of at a consideration of approximately HK\$8,190,000, and recorded a net loss of HK\$9,410,000 after expenses and realization of exchange loss of HK\$17,582,000 arising on the translation of Shanghai Shenjia Ferroalloy's net assets in previous years.

Profit from operations

Profit from operations dropped by 3.1% to HK\$80,703,000 for the current year. When allowance for recovery of bad and doubtful debts were excluded, profit from operations would increase by 11.1% over the previous year. The breakdown of profit from operations is as follows:

	2004 HK\$'000	2003 HK\$'000	% change
Steel cord	82,650	92,186	-10.3
Copper and brass products	10,196	3,590	+184.0
Corporate and others	(10,079)	(12,286)	-18.0
Unallocated corporate income and expenses, net	(2,064)	(212)	+873.6
Profit from operations	<u>80,703</u>	<u>83,278</u>	-3.1

Finance costs

The Group's finance costs were HK\$4,463,000 for the current year, up by 40.4% over the previous year. Increased finance costs were primarily because of increased bank borrowings during the year to finance Jiaying Eastern's expansion plan. Total bank borrowings of the Group rose from HK\$110,658,000 at 31 December 2003 to HK\$279,653,000 at 31 December 2004.

Share of results of jointly controlled entities and an associate

The operating environment of the pre-stressed concrete strands and wires industry in the PRC slightly improved during the current year. Demand for these products remained strong as infrastructure developments in the PRC continued; furthermore, their selling prices were able to increase in line with rocketing raw material prices.

Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") recorded an increase in turnover of 26% to HK\$465,648,000 for the current year. Its operating profit before tax for the current year increased by 14.3% to HK\$31,809,000 while the Group's share of its operating profit before tax increased by the same margin to HK\$7,952,000.

For Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), its turnover increased by 40.1% to HK\$709,844,000. Because of additional provision for bad and doubtful debts and provision for diminution in value of investments of HK\$3,770,000 made during the year, its operating profit before tax dropped by 13.1% to HK\$27,236,000 for the current year. In corollary, the Group's share of its operating profit before tax dropped by the same margin to HK\$4,562,000.

Dividend

We declared and paid an interim dividend of HK2.0 cents per share with scrip option for the six months ended 30 June 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly financed its operations by cash generated from its business activities and ongoing banking facilities provided by its principal bankers. During the current year, the Group had generated net cash inflow of HK\$13,852,000 from its operating activities, far below that of HK\$47,864,000 for previous year as additional cash was needed to finance increased inventories and trade receivables to support growing businesses, in particular since Jiaxing Eastern had completed its expansion plan during the second half year of 2004.

Capital expenditure for the current year amounted to HK\$154,080,000, mainly incurred on the expansion plan of Jiaxing Eastern. Additional bank borrowings of HK\$127,206,000 were raised to partially finance the expansion plan and together with HK\$41,789,000 increase in trust receipt loans, total bank borrowings (including obligations under finance leases), which are interest bearing at floating rates, reached to HK\$279,653,000 at 31 December 2004. Out of the total bank borrowings of HK\$279,653,000, HK\$176,590,000 (including HK\$79,148,000 of trust receipt loans) are repayable within one year, HK\$94,321,000 are repayable in the second year and HK\$8,742,000 are repayable in the third year.

As a result of the increased bank borrowings, gearing ratio (total bank borrowings less cash and bank balances/shareholders' equity) of the Group at 31 December 2004 was 37.7%, as compared to 13.2% at 31 December 2003. While the Group's current ratio dropped from 2.6 times at 31 December 2003 to 1.5 times at 31 December 2004. The higher gearing ratio and the lowered current ratio were in anticipation of our business expansion; however, we will remain cautious in our cashflow and liquidity management.

FOREIGN CURRENCY EXPOSURES

The Group's source of revenue is principally denominated in Renminbi ("RMB") and Hong Kong dollars ("HKD"), while we mainly borrow in HKD, RMB and United States dollars ("USD"). The currency mix of our bank borrowings at 31 December 2004 was approximately 31.5% denominated in HKD and 68.5% in USD, as compared to 57.6% in HKD and 42.4% in USD at 31 December 2003. 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 against approximately USD1.3625 in December 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 hedge against the Euro payments to be made in 2004. All hedging positions were closed in the current year with net gain of HK\$4,572,000 recorded to reduce the cost of expansion plan of Jiaxing Eastern.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Manufacturing of steel cord for radial tyres

In the year 2004, China recorded an economic growth of 9.5% over 2003; it is expected that China will continue to maintain a high single digit growth in Gross Domestic Products in the coming years ahead. Such persistent and robust economic growth driving rise in personal disposable income and increasing number of middle class, which will push up the demand for motor vehicles. On the other hand, more and more highways and expressways in the PRC are needed to cope with the demand associated with increasing business activities, fast growth in the number of motor vehicles and better living standard. China is planning to build a 85,000 kilometre expressway network in the coming 30 years. Given the above factors, it is foreseeable that demand for radial tyres as well as steel cord will continue to grow in the longer term, despite the negative impact brought by the implementation of austerity measures by the PRC Government. In view of the growing demand, the Group plans for a further expansion by introducing a new production line so as to increase the production capacity of Jiaxing Eastern from existing 30,000 tonnes to 45,000 tonnes per annum by 2007. Total costs of the expansion will be approximately HK\$200,000,000 (excluding working capital requirement), to be financed by internal resources of the Group and bank loans.

Processing and trading of copper and brass products

According to the information from International Copper Association Limited of China, PRC has replaced the United States of America as the largest copper consumption market in the world, and we believe PRC's copper consumption will see continuous growth in the future. Hence, the Group is planning to establish an additional production plant in the PRC for domestic sales of copper and brass products, schedule to commence operations in the fourth quarter of 2005. Total investment will be approximately HK\$4,000,000 which will be financed by internal resources of the Group.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

At 31 December 2004, the Group had a total of 638 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 year amounted to HK\$1,133,000. 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 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. During the current year, no share options were granted, while 4,924,000 share options had been exercised by the directors and employees of the Company.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 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\$41,996,000;
2. Land use rights with net book value of HK\$16,981,000;
3. Plant and machinery with net book value of HK\$146,404,000;
4. 100% equity interests in Everwinner Investments Limited, Online Investments Limited 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 31 December 2004 amounted to approximately HK\$10,721,000.

BUSINESS OUTLOOK

We expect the PRC's economy will sustain to achieve an encouraging growth in 2005, while the external economic growth will remain steady, despite hiking US interest rates and volatile oil prices. We are confident on the long-term prospect of the PRC economy, and we will continue to invest in our core businesses as mentioned in "**BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS**" section above.

However, we see the operating environment is still challenging in 2005. At present, there is no clear sign that raw material prices will fall back from their high levels since 2004 which had put pressure on our gross profit margin. Notwithstanding, the production capacity of steel cord had increased to 30,000 tonnes per annum since the second half of 2004 and we will enlarge the production capacity of copper and brass products business as well. We expect the Group will achieve larger economies of scale through these expansions of production capacities. On the other hand, we will keep on improving our operating efficiency and cost control, and diversify our customer base both domestically and abroad to mitigate the negative impact on our profit margin. We remain confident that we can deliver satisfactory return to our shareholders in 2005.

FINAL DIVIDEND

The directors recommended to shareholders the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2004 and the balance of the profit will be retained. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable on or about 4 July 2005 to the shareholders whose names appear at the Register of Members of the Company at the close of business on 13 June 2005.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 8 June 2005 to 13 June 2005, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfer accompanied by the relevant share certificates must be lodged with the Company's share registrars, 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 7 June 2005.

AUDIT COMMITTEE

During the year under review, the Audit Committee of the Company is composed of three independent non-executive directors. One of the independent non-executive directors is experienced professional in the accounting, finance, corporate management and development, and corporate and investment banking. Meetings are held to review with the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the financial statements; and the scope of external audit work. The Committee members also review the effectiveness of internal control procedures of the Company. The Audit Committee held two meetings during 2004. The Committee will have occasional meetings informally meet with the management to discuss matters in relation to financial reporting quality and reliability of the internal control systems.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, the Company repurchased a total of 5,500,000 shares in the Company on the Stock Exchange of Hong Kong Limited (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) HK\$
		Lowest HK\$	Highest HK\$	
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 year.

CODE OF BEST PRACTICE AND THE MODEL CODE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005 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.

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Code of Conduct regarding directors' securities transactions.

During the year under review, none of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with the Model Code.

PUBLICATION OF FINAL RESULTS ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report containing all the information required by paragraphs 45(1) to 45(3) inclusive of the Appendix 16 of the Listing Rules in force prior to 1 January 2005 will be published on the website of the Stock Exchange at <http://www.hkex.com.hk> as soon as practicable.

ACKNOWLEDGEMENTS

On behalf of the Board, we wish to thank all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable service and contribution throughout the year.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 18 April 2005

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

As at the date of the announcement, the directors of the Company are Messrs. Cao Zhong (Chairman), Li Shaofeng (Managing Director), Tong Yihui (Deputy Managing Director), Leung Shun Sang, Tony, Tang Cornor Kwok Kau (Deputy Managing Director), Yip Kin Man, Raymond (Independent Non-executive Director), Chen, Kelvin Siu Min (Independent Non-executive Director), Hui, Hung Stephen (Independent Non-executive Director) and Law, Yui Lun (Independent Non-executive Director).