



SHOUGANG CONCORD  
CENTURY HOLDINGS LIMITED

INTERIM REPORT 2000



## INTERIM RESULTS

The board of directors of Shougang Concord Century Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2000 as follows:

	Notes	Six months ended 30th June,	
		2000 HK\$'000	1999 HK\$'000
<b>TURNOVER</b>			
Continuing operations		61,805	52,799
Discontinued and discontinuing operations	1(a),(b),(c),(d)	26,688	70,571
		<u>88,493</u>	<u>123,370</u>
Cost of sales		<u>(78,198)</u>	<u>(110,479)</u>
		10,295	12,891
Other revenue		10,304	3,372
Distribution costs		(324)	(1,191)
Administrative expenses		(16,350)	(23,822)
Other operating expenses		(504)	(3,740)
Gain on disposal of partial interest in a jointly controlled entity		<u>2,293</u>	<u>-</u>
<b>PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>		5,714	(12,490)
Finance costs		<u>(6,796)</u>	<u>(9,459)</u>
<b>PROFIT/(LOSS) AFTER FINANCE COSTS</b>			
Continuing operations		(4,223)	(19,290)
Discontinued and discontinuing operations	1(a),(b),(c),(d)	3,141	(2,659)
		<u>(1,082)</u>	<u>(21,949)</u>
Share of profits less losses of jointly controlled entities			
Continuing operations		5,502	4,709
Discontinued and discontinuing operations	1(b),(d)	(935)	72
		<u>4,567</u>	<u>4,781</u>
Share of profit of an associate		<u>1,274</u>	<u>1,901</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		4,759	(15,267)
Tax	2	<u>(5,305)</u>	<u>1,279</u>
<b>LOSS BEFORE MINORITY INTERESTS</b>		(546)	(13,988)
Minority interests		<u>886</u>	<u>1,810</u>
<b>NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u>340</u>	<u>(12,178)</u>
<b>EARNINGS/(LOSS) PER SHARE</b>			
- BASIC	3	<u>0.044 cents</u>	<u>(1.591 cents)</u>



*Notes:*

**1. Discontinued and discontinuing operations**

- (a) On 20th January, 1999, in view of the loss of a major customer, the prolonged economic recession and a contraction of the retail business in Hong Kong, the directors decided to terminate the Group's children's wear manufacturing and trading business in Hong Kong. The termination process was completed in September, 1999. The financial effects of these operations on the consolidated profit and loss account for the six months ended 30th June, 1999 have been separately disclosed as discontinued operations.
- (b) The Group has a subsidiary (the "Subsidiary") engaged in the trading of metallic ores and metals and three jointly controlled entities (the "Entities") engaged in ferroalloy processing and manufacturing activities in the People's Republic of China (the "PRC") (collectively the "Business"). The directors consider that the continued over-capacity situation and decrease in demand for ferroalloy products in the Mainland China will have a profound and significant impact on the Business. The situation will be further aggravated by China's entry into the World Trade Organisation in the near future, which is expected to intensify competition. The outlook for the Business therefore remains gloomy and there is no sign of recovery 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 3rd May, 1999 and the operations of the Subsidiary effective from 1st February, 2000 respectively.

The directors are of the opinion that the discontinuance of the Business is for and in the best interests of the Group. The financial effects arising from the Business on the current and prior periods' consolidated profit and loss account have been separately disclosed as discontinued operations.

- (c) On 10th December, 1999, in view of the gloomy prospects of 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 disposal. The directors are of the opinion that the Group is 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 10th January, 2000 and was completed on 14th January, 2000. The financial effects of these operations on the current and prior periods' consolidated profit and loss account have been separately disclosed as discontinued operations.
- (d) On 28th July, 2000, in view of the continuance of drop in the profit margin and severe market competition of 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 current and prior periods' consolidated profit and loss account have been separately disclosed as discontinuing operations.



## 2. Tax

	Six months ended	
	30th June,	
	2000	1999
	HK\$'000	HK\$'000
Group:		
- Hong Kong Special Administrative Region		
Provision for the period	-	170
Overprovision in prior periods	-	(3,594)
- Mainland China		
Provision for the period	405	273
Underprovision in prior periods	-	1,181
Arising from the disposal of partial interest in a jointly controlled entity	4,165	-
	<u>4,570</u>	<u>(1,970)</u>
Jointly controlled entities:		
- Mainland China	550	405
Associate:		
- Mainland China	185	286
Tax charge/(credit) for the period	<u>5,305</u>	<u>(1,279)</u>

No provision for Hong Kong profits tax has been made as there are sufficient tax losses brought forward to offset the assessable profits of the Group arising in Hong Kong during the six months ended 30th June, 2000. Whereas Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong for the six months ended 30th June, 1999. Income tax in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the period 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 associates in Mainland China enjoy income tax reductions.

## 3. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders of HK\$340,000 (1999: loss of HK\$12,178,000) and 765,372,000 shares (1999: 765,372,000 shares) in issue during the period.

Diluted earnings/(loss) per share is not presented as there were no dilutive potential ordinary shares outstanding during the periods ended 30th June, 2000 and 1999.

## 4. Change in accounting policy

The policy for accounting for deferred pre-operating expenses which, in prior periods were capitalised and amortised over periods not exceeding ten years on a straight-line basis, beginning when the related production commenced, was changed during the year ended 31st December, 1999. These deferred pre-operating expenses are now recognised as expenses in the period in which they are incurred. In restating the financial statements for the six months ended 30th June, 1999 on the basis of the new policy, the net loss from ordinary activities attributable to shareholders for the six months ended 30th June, 1999 decreased by HK\$592,000.



## INTERIM REVIEW

Along with restructuring effort, tightening cost control in administrative expenses and finance costs and exertion in the pursuit of receivable collection, the Group has returned to profitability of approximately HK\$340,000 during the six months ended 30th June, 2000. As regards turnover, it was approximately HK\$88.5 million for the six months ended 30th June, 2000 when compared to HK\$123.4 million for the corresponding period last year, representing a decrease of 28.3% as a result of the discontinuance of certain business segments during the period under review.

During the six months ended 30th June, 2000, the financial position has been strengthened and improved. The finance costs of the Group decreased by 28.2% to approximately HK\$6.8 million.

## PRINCIPAL BUSINESSES

### Manufacturing of Steel Cord

This business achieved a turnaround for the period ended 30th June, 2000. It recorded an operating profit of HK\$4.5 million for the period under review as compared to an operating loss of HK\$113,000 for the corresponding period last year. The turnover of this business was HK\$43.1 million for the period under review, representing a substantial increase of 64% when compared to the same period for the six months ended 30th June, 1999. After putting discernible effort on raising the technical standard on manufacturing steel cords, the consistency of product quality has been satisfactorily improved, sales have been gradually increased and on the other hand, operating costs have been tightened on various perspectives, this business achieved a positive outcome to the Group as a result.

### Trading of Copper and Brass Products

Following the restructuring of the subsidiaries which are engaged in trading of this copper business since the end of last year, the earning ability was significantly improved and the gross profit margin has been returned to a reasonable level, together with reduction in operating costs and the recovery of provision of certain bad debts, this business recorded an operating profit of HK\$796,000 during the period under review when compared to an operating loss of approximately HK\$5 million for the six months ended 30th June, 1999. Turnover amounted to HK\$15 million for the period under review, representing a decrease of 38.5% over the same period last year, as it was still affected by the lack of credit facilities. Nevertheless, its sales during the second quarter have been greatly improved and the directors believe that this business will maintain a stable growth during the remaining of year 2000.

### Trading of Metallic Ores and Metals

During the period under review, the Group recorded a substantial decrease in turnover to HK\$1 million as compared to HK\$26.3 million in respect of this business for the same period last year. The market condition of ferroalloy remains to be gloomy and the directors anticipate that no favourable condition will be provided for its further development in the foreseeable future, therefore, the Group had decided to desist this area. However, it generated an operating profit of approximately HK\$4 million as a result of written back of over provision in certain accounts payable during the period under review.



### **Trading of Industrial Chemical Products**

The Group's turnover from this business reported HK\$25.7 million for the six months ended 30th June, 2000 (1999: HK\$23.8 million). Despite a moderate increase in turnover, this business recorded an operating loss of approximately HK\$883,000 as compared to an operating profit of HK\$1.1 million for the six months ended 30th June, 1999. Owing to the drop in profit margin and fierce competition in this market leading to the continuous drop in the operating profit in recent years, the directors are of the opinion that such competition will continue to be severe. In addition, this business is peripheral business to the Group, therefore the directors decided to terminate this business and disposed of this business to an independent third party subsequent to the period ended 30th June, 2000 under review. This disposal does not constitute a notifiable transaction and relevant disclosure requirement pursuant to Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Processing of Electrical Wires and Accessories**

As disclosed in our 1999 Annual Report, the Directors had decided to discontinue this business segment and had exercised a disposal of the entire equity interest in those companies which engaged in this kind of business in January 2000. The details of this disposal had been disclosed in accordance with the Listing Rules.

### **Jointly Controlled Entity's and Associate's Business**

We shared a net profit before tax of HK\$5.5 million, representing an increase of 16.8% over the corresponding period last year from a jointly controlled entity, Shanghai Shenjia Metal Products Company Limited. As regards Xinhua Metal Products Company Limited, an associate, we shared a net profit before tax of HK\$1.3 million from it for the six months ended 30th June, 2000 as compared to that of HK\$1.9 million for the corresponding period last year.

## **BUSINESS OUTLOOK**

After the exercise of restructuring and concentrating our management efforts and financial resources on our core businesses, the Group's performance has been improved as a result.

Further strengthening of the financial position of the Group is the main strategy in the remaining half year of 2000. In the opinion of the directors, a strong financial foundation can help the development of the Group. The board of directors (the "Board") will continue to adopt prudent and cautious operating strategy. More importantly, the Board will selectively participate in any new project or opportunity which will provide attractive return and stable income.

Barring unforeseen circumstances, the Board expects that the prospects of the Group and growth of its core businesses will be satisfactory at the year-end of 2000.



## YEAR 2000 COMPLIANCE

No problems have been experienced in relation to Year 2000 related issue as the Group has monitored this issue throughout the period under review. Nevertheless, the Group will continue to prepare for any related problem in respect of this issue once arises.

No further cost has been incurred during the six months ended 30th June, 2000 under review.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AND ITS RESPECTIVE ASSOCIATED CORPORATIONS

As at 30th June, 2000, the interests of the directors, chief executives and their associates in the share capital of the Company and its associated corporations as recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

**(a) Interests in the share capital of Shougang Concord International Enterprises Company Limited ("Shougang International"):**

Name of director	Nature of Interest	Number of shares
Lai Kam Man	Personal	250,000

**(b) Rights to acquire shares in Shougang International:**

Name of director	Options to subscribe for shares of Shougang International		
	Number of shares over which options were granted	Exercise period	Exercise price per share (HK\$)
Leung Shun Sang, Tony	2,600,000	10/7/1997 to 10/4/2001	1.355

Save as disclosed above, none of the directors, chief executives or their respective associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2000, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following parties were, directly or indirectly, beneficially interested in 10% or more of the issued share capital of the Company:

<b>Name of shareholder</b>	<b>Notes</b>	<b>Number of shares held</b>
Shougang Holding (Hong Kong) Limited ("Shougang HK")	(1)	279,797,400
Shougang Concord International Enterprises Company Limited ("Shougang International")	(2)	279,797,400
Fair Union Holdings Limited ("Fair Union")		279,797,400
Richson Limited ("Richson")	(3)	144,984,400

*Notes:*

- (1) Shougang HK was deemed to be interested in those shares by virtue of its controlling interest in Shougang International.
- (2) Shougang International was deemed to be interested in those shares by virtue of its 100% shareholding in Fair Union.
- (3) Richson is a wholly owned subsidiary of Fair Union and the interest in the 144,984,400 shares held is included in the interest in 279,797,400 shares reported by Fair Union.

Save as disclosed above, no other person had registered an interest in the share capital of the Company under section 16(1) of the SDI Ordinance.

## AUDIT COMMITTEE

The Audit Committee has met on 31st August, 2000 to review the interim results for the six months ended 30th June, 2000, the management reporting system and internal control system of the Company in accordance with the terms of reference set up in 1998.

## 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 Listing Rules throughout the accounting period under review, except in relation to guideline 7, where the non-executive directors are not appointed for specific terms. Non-executive directors 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.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 30th June, 2000.

By Order of the Board

**Su Genqiang**

*Chairman*

Hong Kong, 7th September, 2000