



SHOUGANG CONCORD
CENTURY HOLDINGS LIMITED

INTERIM REPORT 2001



The board of directors (the "Board") of Shougang Concord Century Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2001 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2001

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

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES****For the six months ended 30 June 2001**

		For the six months ended 30 June	
		2001	2000
	<i>Notes</i>	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	12	<u>–</u>	<u>(1,036)</u>
Net losses not recognised in the profit and loss account		–	(1,036)
Net profit for the period attributable to shareholders		<u>8,884</u>	<u>340</u>
Total recognised gains and losses		<u>8,884</u>	<u>(696)</u>
<i>Note on prior period adjustment</i>	2		
Total recognised gains and losses related to the current period as above		8,884	
Prior period adjustment: – given effect as to restatement of reserves brought forward at 1 January 2000		<u>(13,886)</u>	
Total recognised gains and losses since the last annual report		<u>(5,002)</u>	



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2001

		30 June 2001	31 December 2000 (Audited and restated)
	<i>Notes</i>	(Unaudited) HK\$'000	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets		324,594	335,280
Land use rights		13,121	13,400
Interests in jointly controlled entities		40,399	36,370
Interests in associates		40,997	39,334
Golf club memberships		635	635
		419,746	425,019
CURRENT ASSETS			
Inventories		32,369	38,891
Trade receivables	9	47,232	50,541
Bills receivable		31,990	23,606
Prepayments, deposits and other receivables		8,074	8,335
Time deposits		11,837	11,357
Pledged bank balances		5,473	3,517
Cash and bank balances		18,585	13,579
		155,560	149,826
CURRENT LIABILITIES			
Trade payables	10	7,182	14,719
Tax payable		809	1,036
Other payables and accruals		9,154	5,344
Due to related companies		–	4,055
Interest-bearing bank borrowings		46,455	50,076
		63,600	75,230
NET CURRENT ASSETS		91,960	74,596
TOTAL ASSETS LESS CURRENT LIABILITIES		511,706	499,615
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,857	2,983
Due to a related company	15(iii)	39,466	35,477
		41,323	38,460
Minority interests		92,757	90,371
		377,626	370,784
CAPITAL AND RESERVES			
Issued capital	11	76,537	76,537
Reserves	12	301,089	294,247
		377,626	370,784

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT****For the six months ended 30 June 2001**

	For the six months ended 30 June 2001 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,770
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	217
TAX	(367)
INVESTING ACTIVITIES	<u>(1,080)</u>
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	8,540
FINANCING ACTIVITIES	<u>(3,837)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	4,703
Cash and cash equivalents at beginning of period	<u>19,801</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>24,504</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Cash and bank balances	18,585
Time deposits	11,837
Trust receipt loans	<u>(5,918)</u>
	<u><u>24,504</u></u>



NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2001

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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

SSAP 28: Provisions, Contingent Liabilities and Contingent Assets

SSAP 30: Business Combinations

SSAP 31: Impairment of Assets

SSAP 32: Consolidated Financial Statements and Accounting for Investments in Subsidiaries

The Group has complied with SSAP 14 (revised) "Leases" for the first time in this interim reporting period. As a result, total future minimum operating lease commitments are disclosed instead of annual operating lease commitments under non-cancellable operating leases. Figures for the year ended 31 December 2000 are extracted from the Group's audited financial statements for that year.

The prior period adjustment arising from the adoption of SSAP 30 is detailed in note 2 below.

Comparative amounts in respect of the Condensed Consolidated Balance Sheet for the year ended 31 December 2000 are extracted from the Group's audited financial statements for that year and adjusted in respect of the prior period adjustment as further explained in note 2 below.

2. PRIOR PERIOD ADJUSTMENT

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. In previous years, goodwill was eliminated against reserves in the year in which it arose. Following the introduction of SSAP 30, goodwill arising on acquisitions on or after 1 January 2001 is capitalised in the balance sheet and is amortised to the profit and loss account over its estimated useful life. In accordance with the transitional provisions of SSAP 30, goodwill arising from earlier acquisitions before 1 January 2001 will continue to be held in reserves and no reinstatement has been made. However, any impairment arising on such goodwill previously eliminated against reserves is recognised in the profit and loss account in the year to which the impairment is related.

In accordance with the requirements of SSAP 31 and the transitional provisions of SSAP 30, an adjustment has been made concerning the impairment of goodwill arising prior to the adoption of SSAP 30 which was eliminated against capital reserve and retained profits/accumulated losses. The adjustment, which represents a change in accounting policy, has been applied retrospectively in accordance with SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Accordingly, goodwill in the amount of HK\$13,886,000, which was impaired in prior periods and eliminated to the extent of HK\$9,841,000 and HK\$4,045,000 against capital reserve and retained profits, respectively, has been recognised directly in the prior periods' accumulated losses as brought forward at 1 January 2000.

In restating the financial statements for 2000, on the basis of the new accounting policy, the cumulative effect on prior periods was to increase the capital reserve and the accumulated losses at 1 January 2000 by approximately HK\$9,841,000. There was no impact on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2000.



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

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

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

4. OTHER REVENUE

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



5. PROFIT FROM OPERATING ACTIVITIES

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

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

6. FINANCE COSTS

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

7. TAX

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

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

**8. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period of HK\$8,884,000 (six months ended 30 June 2000: HK\$340,000) and the 765,372,000 (30 June 2000: 765,372,000) ordinary shares in issue during the period.

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

9. TRADE RECEIVABLES

The Group normally allows a credit period of 30-120 days to its trade customers. The aged analysis of trade receivables at the balance sheet date is as follows:

	30 June 2001		31 December 2000	
	Balance (Unaudited) HK\$'000	Percentage (Unaudited) %	Balance (Audited) HK\$'000	Percentage (Audited) %
0 – 90 days	42,041	89	31,521	62
91 – 180 days	5,191	11	11,718	23
181 – 365 days	–	–	7,302	15
	<u>47,232</u>	<u>100</u>	<u>50,541</u>	<u>100</u>

10. TRADE PAYABLES

The aged analysis of trade payables at the balance sheet date is as follows:

	30 June 2001		31 December 2000	
	Balance (Unaudited) HK\$'000	Percentage (Unaudited) %	Balance (Audited) HK\$'000	Percentage (Audited) %
0 – 90 days	4,421	62	12,036	82
91 – 180 days	253	4	369	2
181 – 365 days	249	3	90	1
Over 1 year	2,259	31	2,224	15
	<u>7,182</u>	<u>100</u>	<u>14,719</u>	<u>100</u>

11. SHARE CAPITAL

	30 June 2001 (Unaudited) HK\$'000	31 December 2000 (Audited) HK\$'000
Authorised 1,000,000,000 ordinary shares of HK\$0.10 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid 765,372,000 ordinary shares of HK\$0.10 each	<u>76,537</u>	<u>76,537</u>



11. SHARE CAPITAL (continued)

Share options

On 11 March 1992, a share option scheme (the "Scheme") was approved by the shareholders. In accordance with the scheme, the directors may, at their discretion, grant share options to executives and/or employees of the Group to subscribe for shares in the capital of the Company. The Scheme will remain in force for the period of ten years from the date of its adoption.

No share options were granted during the period, and there were no share options outstanding as at 30 June 2001.

12. RESERVES

	Share premium account (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Land use rights revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2001									
As previously reported	357,181	38,770	463	1,491	3,101	8,118	21,177	(136,054)	294,247
Prior period adjustment – note 2	–	9,841	–	–	–	–	–	(9,841)	–
As restated	357,181	48,611	463	1,491	3,101	8,118	21,177	(145,895)	294,247
Realisation of negative goodwill upon strike off of a subsidiary	–	(2,042)	–	–	–	–	–	–	(2,042)
Net profit for the period	–	–	–	–	–	–	–	8,884	8,884
At 30 June 2001	357,181	46,569	463	1,491	3,101	8,118	21,177	(137,011)	301,089

13. COMMITMENTS

(a) Capital commitments

At 30 June 2001, the Group had capital commitments amounting to HK\$5,941,000 (31 December 2000: Nil). The Group's share of capital commitments in respect of its interests in jointly controlled entities at 30 June 2001 was approximately HK\$471,000 (31 December 2000: HK\$246,000).

(b) Commitments under operating leases

At 30 June 2001, the total of future minimum lease payments under non-cancellable operating leases for not later than one year amounted to approximately HK\$533,000. At 31 December 2000, the annual commitments payable in the following year under non-cancellable operating leases expiring within one year amounted to approximately HK\$1,310,000.

14. CONTINGENT LIABILITIES

At 30 June 2001, the Group has given guarantees amounting to approximately HK\$24,540,000 (31 December 2000: HK\$34,205,000) for banking facilities granted to a jointly controlled entity.

**15. RELATED PARTY TRANSACTIONS**

During the period, the Group had the following transactions with Shougang Concord International Enterprises Company Limited ("Shougang International") and its subsidiaries (collectively the "Shougang International Group"), Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group"), an associate and a jointly controlled entity. Shougang International is the controlling shareholder of the Company and Shougang HK is the controlling shareholder of Shougang International.

		For the six months ended 30 June	
		2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Consultancy fees paid to Shougang HK Group	(i)	360	90
Management fees paid to Shougang International Group	(i)	300	300
Rental expenses paid to:			
Shougang HK Group	(ii)	557	835
Shougang International Group	(ii)	78	78
Interest paid to Shougang HK Group	(iii)	853	1,392
Sales to an associate of Shougang International Group	(iv)	2,363	2,627
Corporate guarantees given to a jointly controlled entity	(v)	24,540	46,842

Notes:

- (i) The Group paid consultancy fees to the Shougang HK Group and paid management fees to the Shougang International Group in relation to business and strategic development services provided at rates determined between both parties.
- (ii) The Group paid rental expenses to the Shougang HK Group and Shougang International Group for the leasing of properties in Hong Kong as office premises and staff quarters. The rental was calculated by reference to market rentals.
- (iii) The loans advanced from the Shougang HK Group are secured by the Group's interest in a jointly controlled entity and are interest free except for an amount of US\$544,000 with interest payable at LIBOR plus 2.5% per annum and an amount of HK\$24,815,000 with interest payable at HIBOR per annum.
- (iv) The sales to an associate of Shougang International Group were made according to prices and conditions similar to those offered to other third party customers of the Group.
- (v) The Group has executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These guarantees were provided in proportion to the Group's equity interest in the jointly controlled entity and are normally renewable on an annual basis.

16. PLEDGE OF ASSETS

At 30 June 2001, the Group's fixed assets with an aggregate net book value of HK\$68,676,000, land use rights amounting to HK\$13,121,000, inventories amounting to HK\$3,770,000 and bank balances amounting to HK\$5,473,000 were pledged to banks to secure banking facilities granted to the Group. The Group's interest in a jointly controlled entity with a carrying value of HK\$40,399,000 was pledged to a related company for loans advanced to the Group.

17. POST BALANCE SHEET EVENT

On 10 August 2001, a wholly owned subsidiary of the Company entered into an agreement with a PRC enterprise (the "Purchaser") for the disposal of a 63% equity interest (the "Disposal") in a 88% owned subsidiary (the "Subsidiary"), which was involved in the business of property development in the PRC, for a consideration of approximately HK\$13,080,000 (RMB13,860,000). The Purchaser is owned as to 45% by the minority shareholder of the Subsidiary. After the Disposal, the Group's interest in the Subsidiary will be reduced to 25%. Details of the Disposal were set out in the Company's announcement dated 10 August 2001 and the Company's circular to shareholders dated 30 August 2001. The Disposal is subject to the approval of shareholders of the Company at an extraordinary general meeting to be convened and held on 28 September 2001 and the obtaining of the necessary approval from the relevant authorities in the PRC.



INDEPENDENT AUDITORS' REVIEW REPORT

To the board of directors

Shougang Concord Century Holdings Limited

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 1 to 10.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Group's interim financial report for the six months ended 30 June 2001.

Without modifying our review conclusion above, we draw attention to the fact that:

- (i) the comparative condensed consolidated profit and loss account and the comparative condensed consolidated statement of recognised gains and losses for the six months ended 30 June 2000 have not been reviewed in accordance with SAS 700; and
- (ii) as disclosed in note 1 to the interim financial report, a comparative condensed consolidated cash flow statement in respect of the six months ended 30 June 2000 has not been prepared.

Ernst & Young

Certified Public Accountants

Hong Kong
20 September 2001



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

Group Results

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

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

Principal Businesses

Manufacturing of Steel Cord

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

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

Processing and Trading of Copper and Brass Products

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

Property Development and Investment

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



Property Development and Investment (continued)

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

Jointly Controlled Entity's and Associate's Business

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

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

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

The Group's total bank borrowings at 30 June 2001 amounted to HK\$48,312,000, of which 11% was denominated in Hong Kong dollars ("HKD"), 68.3% in Renminbi ("RMB") and 20.7% in United States dollars ("USD"). The portion of USD borrowings



CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES (Continued)

had been further lowered from 24.7% at 31 December 2000 to 20.7% at 30 June 2001. In so far as the exchange rate peg between HKD and USD is maintained, the directors believe the Group will not be exposed to any significant risk from exchange rate fluctuations between HKD, RMB and USD.

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

EMPLOYEES AND REMUNERATION POLICIES

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

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

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

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

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

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



BUSINESS OUTLOOK

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

INTERIM DIVIDEND

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

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 six months ended 30 June 2001.

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

As at 30 June 2001, 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:

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

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 30 June 2001, 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:

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



SUBSTANTIAL SHAREHOLDERS' INTERESTS (Continued)

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 reviewed the interim report and oversees the financial reporting process and the effectiveness of the Company's system of internal control. It had reported its findings and recommendation to the Board at the Audit Committee meeting held on 6 September 2001.

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.

APPRECIATION

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

By Order of the Board

Su Genqiang
Chairman

Hong Kong
20 September 2001

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