



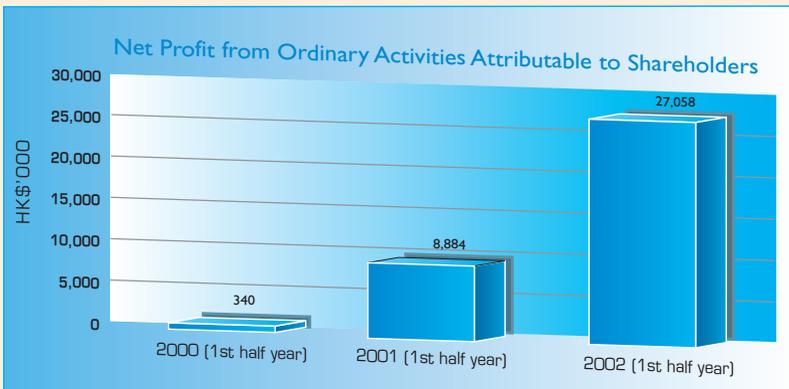
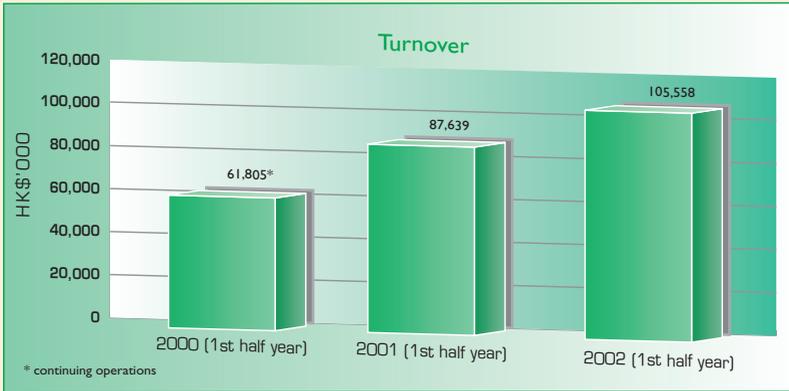
SHOUGANG CONCORD CENTURY
HOLDINGS LIMITED



INTERIM REPORT 2002



HIGHLIGHTS





The board of directors (the “Board”) of Shougang Concord Century Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 2002

	Notes	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER	2	105,558	87,639
Cost of sales		(72,464)	(64,883)
		33,094	22,756
Other revenue and gains	3	243	2,681
Distribution costs		(459)	(323)
Administrative expenses		(13,231)	(12,059)
Other operating expenses, net		(203)	(102)
Write back of provision/(provision) for bad and doubtful debts, net		13,876	(4,411)
PROFIT FROM OPERATING ACTIVITIES	4	33,320	8,542
Finance costs	5	(1,198)	(2,824)
		32,122	5,718
Share of profits less losses of jointly controlled entities		4,389	4,495
Share of profit of an associate		2,010	1,957
PROFIT BEFORE TAX		38,521	12,170
Tax	6	(844)	(900)
PROFIT BEFORE MINORITY INTERESTS		37,677	11,270
Minority interests		(10,619)	(2,386)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		27,058	8,884
EARNINGS PER SHARE – BASIC	7	3.54 cents	1.16 cents



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Total shareholders' equity at 1 January	393,659	370,784
Realisation of negative goodwill	–	(2,042)
Net profit for the period attributable to shareholders	<u>27,058</u>	<u>8,884</u>
Total shareholders' equity at 30 June	<u><u>420,717</u></u>	<u><u>377,626</u></u>



CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2002

	Notes	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
NON-CURRENT ASSETS			
Fixed assets		313,596	315,956
Land use rights		12,562	12,842
Interests in jointly controlled entities		51,579	47,690
Interests in associates		41,623	43,300
Golf club memberships		635	635
		419,995	420,423
CURRENT ASSETS			
Inventories		33,345	28,147
Trade receivables	8	54,859	41,137
Bills receivable		40,154	44,047
Prepayments, deposits and other receivables		9,242	15,537
Time deposits		69	3,865
Pledged time deposits		2,000	1,000
Cash and bank balances		33,982	20,717
		173,651	154,450
CURRENT LIABILITIES			
Trade payables	9	5,178	5,401
Bills payables		8,488	–
Tax payable		367	391
Other payables and accruals		14,071	17,469
Due to related companies		7,438	19,427
Interest-bearing bank loans, secured		35,138	43,210
		70,680	85,898
NET CURRENT ASSETS		102,971	68,552
TOTAL ASSETS LESS CURRENT LIABILITIES		522,966	488,975
NON-CURRENT LIABILITY			
Interest-bearing bank loans, secured		–	20
MINORITY INTERESTS		102,249	95,296
		420,717	393,659
CAPITAL AND RESERVES			
Issued capital	10	76,537	76,537
Reserves	11	344,180	317,122
		420,717	393,659



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000 (Restated)
NET CASH INFLOW FROM OPERATING ACTIVITIES	36,221	7,903
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(5,660)	2,593
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(26,475)	(3,837)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,086	6,659
Cash and cash equivalents at beginning of period	17,699	23,318
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,785	29,977
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances, excluding pledged bank balances	33,982	18,585
Non-pledged time deposits with original maturity of less than three months when acquired	69	11,837
Pledged time deposits with original maturity of less than three months when acquired, pledged as security for trust receipt loans	2,000	5,473
Trust receipt loans with original maturity of less than three months when advanced	(14,266)	(5,918)
	21,785	29,977



NOTES TO INTERIM FINANCIAL STATEMENTS

30 June 2002

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.

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 2001, except that the Group has changed certain of its accounting policies following the adoption of the following new/revised SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commenced on or after 1 January 2002:

SSAP 1 (Revised):	Presentation of financial statements
SSAP 11 (Revised):	Foreign currency translation
SSAP 15 (Revised):	Cash flow statements
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this revised SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries, associate and jointly controlled entities operating in Mainland China are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This revised SSAP is required to be applied retrospectively. This revised SSAP has not had any material impact on these interim financial statements.



1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for current interim period and the comparative figures have been presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has not had any material impact on these interim financial statements.

2. SEGMENT INFORMATION

(a) *Business segments*

The following tables present revenue and profit/(loss) for the Group's business segments.

Group

Six months ended 30 June 2002

	Steel cord (Unaudited) <i>HK\$'000</i>	Copper and brass products (Unaudited) <i>HK\$'000</i>	Property development and investment (Unaudited) <i>HK\$'000</i>	Corporate and others (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	79,572	25,734	252	-	105,558
Unallocated revenue	-	-	-	167	167
Total	<u>79,572</u>	<u>25,734</u>	<u>252</u>	<u>167</u>	<u>105,725</u>
Segment results	<u>39,574</u>	<u>907</u>	<u>168</u>	<u>(7,405)</u>	<u>33,244</u>
Unallocated income less expenses					<u>76</u>
Profit from operating activities					<u>33,320</u>



2. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Six months ended 30 June 2001

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Property development and investment (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:					
Sales to external customers	66,292	20,151	1,196	–	87,639
Unallocated revenue	–	–	–	168	168
Total	66,292	20,151	1,196	168	87,807
Segment results	12,314	139	29	(6,454)	6,028
Unallocated income less expenses					2,514
Profit from operating activities					8,542

(b) Geographical segments

The following table presents revenue and profit/(loss) for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Others		Consolidated	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	25,986	20,230	79,572	67,099	–	310	105,558	87,639
Segment results	(7,064)	(7,456)	40,308	13,451	–	33	33,244	6,028



3. OTHER REVENUE AND GAINS

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	66	472
Others	177	2,209
	<u>243</u>	<u>2,681</u>

4. PROFIT FROM OPERATING ACTIVITIES

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

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	72,356	64,812
Depreciation	11,371	11,268
Amortisation of land use rights	280	279
Gain on disposal of fixed assets	–	(15)
Provision for bad and doubtful debts	1,027	5,741
Write back of provision for bad and doubtful debts	(14,903)	(1,330)

5. FINANCE COSTS

	For the six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	1,198	2,824



6. TAX

	For the six months ended 30 June	
	2002	2001
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Group:		
Mainland China		
Provision for the period	8	140
Share of tax attributable to jointly controlled entities:		
Mainland China	500	466
Share of tax attributable to an associate:		
Mainland China	336	294
	844	900

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 2001: 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. In accordance with the relevant tax rules and regulations in Mainland China, certain of the Company's subsidiary, jointly controlled entities and associate in Mainland China enjoy income tax exemptions and reductions.

7. 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\$27,058,000 (six months ended 30 June 2001: HK\$8,884,000) and 765,372,000 (30 June 2001: 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 2002 and 2001.



8. 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 2002		31 December 2001	
	Balance (Unaudited) <i>HK\$'000</i>	Percentage (Unaudited) %	Balance (Audited) <i>HK\$'000</i>	Percentage (Audited) %
0 – 90 days	52,170	95	34,415	84
91 – 180 days	2,207	4	4,812	12
181 – 365 days	482	1	1,910	4
	<u>54,859</u>	<u>100</u>	<u>41,137</u>	<u>100</u>

9. TRADE PAYABLES

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

	30 June 2002		31 December 2001	
	Balance (Unaudited) <i>HK\$'000</i>	Percentage (Unaudited) %	Balance (Audited) <i>HK\$'000</i>	Percentage (Audited) %
0 – 90 days	4,174	80	4,273	79
91 – 180 days	17	1	132	2
181 – 365 days	–	–	9	1
Over 1 year	987	19	987	18
	<u>5,178</u>	<u>100</u>	<u>5,401</u>	<u>100</u>



10. SHARE CAPITAL

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid		
765,372,000 ordinary shares of HK\$0.1 each	<u>76,537</u>	<u>76,537</u>

Share options

The Group adopted a share option scheme on 11 March 1992 ("1992 Scheme"). Under 1992 Scheme, the Board may exercise its discretion to grant share options to any director and employee of the Group to subscribe for shares in the capital of the Company. During the period, 1992 Scheme expired on 10 March 2002. The adoption of a new share option scheme was approved by the shareholders of the Company at the annual general meeting held on 7 June 2002 ("2002 Scheme"). Pursuant to 2002 Scheme, the Board shall, subject to and in accordance with its provisions 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 who may make a contribution to the Group to subscribe for shares in the capital of the Company. 2002 Scheme will remain in force for a 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 2002.



10. SHARE CAPITAL (Continued)

Subsequent to the balance sheet date, the Company granted certain eligible participants under 2002 Scheme totalling 49,740,000 share options to subscribe for shares in the capital of the Company on 23 August 2002. Details of the grant of share options are set out below:

Eligible participant	No. of shares over which options were granted	Exercise period	Exercise price per share (HK\$)
<i>Directors</i>			
Cao Zhong	7,652,000	23/8/2002 to 22/8/2012	0.295
Tong Yihui	7,652,000	23/8/2002 to 22/8/2012	0.295
Li Shaofeng	7,652,000	23/8/2002 to 22/8/2012	0.295
Xu Xianghua	7,652,000	23/8/2002 to 22/8/2012	0.295
Leung Shun Sang, Tony	4,592,000	23/8/2002 to 22/8/2012	0.295
Tang Kwok Kau	2,296,000	23/8/2002 to 22/8/2012	0.295
Lai Kam Man	382,000	23/8/2002 to 22/8/2012	0.295
Yip Kin Man, Raymond	382,000	23/8/2002 to 22/8/2012	0.295
<i>Employees and others</i>	11,480,000	23/8/2002 to 22/8/2012	0.295

11. 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 2002	357,181	54,098	463	1,491	3,101	7,352	22,306	(128,870)	317,122
Net profit for the period	-	-	-	-	-	-	-	27,058	27,058
Transfer	-	-	-	-	-	-	1,106	(1,106)	-
At 30 June 2002	357,181	54,098	463	1,491	3,101	7,352	23,412	(102,918)	344,180



12. COMMITMENTS

At 30 June 2002, the Group had capital commitments amounting to HK\$32,506,000 (31 December 2001: HK\$39,109,000). The Group had no share of capital commitments in respect of its interests in jointly controlled entities at 30 June 2002 (31 December 2001: HK\$839,000).

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	30 June	31 December
	2002	2001
	HK\$'000	HK\$'000
Within one year	<u>388</u>	<u>47</u>



13. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	30 June 2002 HK\$'000	31 December 2001 HK\$'000
Within one year	927	134
In the second to fifth years, inclusive	734	–
	<u>1,661</u>	<u>134</u>

14. CONTINGENT LIABILITIES

As at 30 June 2002, the Group has given guarantees amounting to approximately HK\$24,540,000 (31 December 2001: HK\$24,540,000) 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”) and a jointly controlled entity. Shougang International is the controlling shareholder of the Company and Shougang HK is the controlling shareholder of Shougang International.

	<i>Notes</i>	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Consultancy fees paid to Shougang HK Group	<i>(i)</i>	60	360
Management fees paid to Shougang International Group	<i>(i)</i>	300	300
Rental expenses paid to:			
Shougang HK Group	<i>(ii)</i>	382	557
Shougang International Group	<i>(ii)</i>	78	78
Interest paid to Shougang HK Group	<i>(iii)</i>	126	853
Corporate guarantees given to a jointly controlled entity	<i>(iv)</i>	24,540	24,540

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 the 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.



15. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

- (iii) The loans advanced from the Shougang HK Group are secured by the Group's interest in a jointly controlled entity with interest payable at HIBOR per annum.

- (iv) 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 2002, the Group's fixed assets with an aggregate net book value of HK\$36,472,000 (31 December 2001: HK\$36,562,000), land use rights amounting to HK\$12,562,000 (31 December 2001: HK\$12,842,000) and time deposits amounting to HK\$2,000,000 (31 December 2001: HK\$1,000,000) 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\$46,733,000 (31 December 2001: HK\$42,779,000) was pledged to a related company for loans advanced to the Group.



INDEPENDENT AUDITORS' REVIEW REPORT

ERNST & YOUNG

安永會計師事務所

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 2 to 17.

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 2002.

Ernst & Young

Certified Public Accountants

Hong Kong

25 September 2002



MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

Group Results

The Group had a satisfactory performance in the first half of 2002, our core businesses recorded a growth in turnover and profit in various degree, which was primarily brought by the increased sales, enhanced cost efficiencies and persistent economic growth in the PRC. The Group achieved a net profit attributable to shareholders of HK\$27,058,000 for the six months ended 30 June 2002, representing an increase of 2 times as compared to the corresponding net profit of HK\$8,884,000 for the six months ended 30 June 2001.

Turnover for the period under review amounted to HK\$105,558,000, representing an increase of 20.4% as compared to the corresponding period last year. Our principal businesses of manufacturing of steel cord and processing and trading of copper and brass products recorded an increase of 20% and 27.7% respectively, while the property development and investment business reported a drop of 78.9% in turnover due to the partial disposal of equity interest in a subsidiary engaged in this business during the second half of 2001.

Boosted by the rise in turnover and gross profit margin, gross profit increased by 45.4% to HK\$33,094,000 for the period under review. Gross profit margin further rose to 31.4% from 26% in the same period last year, primarily attributable to the further lowering of production costs of our steel cord manufacturing business as a result of the increased production.

Despite a 20.4% increase in turnover during the period, expenses of the Group remained steady as compared to the corresponding period last year. Total expenses, including distribution costs, administrative expenses and finance costs, were down by 2.1% to HK\$14,888,000 for the period under review.

Besides the rise in turnover and gross profit, the significant increase in profit from operating activities was also contributed by specific bad debts recovery of HK\$14,903,000 (the portion attributable to the Group was HK\$10,954,000 after deducting minority interests' portion of HK\$3,949,000) reflecting the relentless pursuit of the management to safeguard the interest of the Group. Net profit attributable to shareholders for the period under review would be HK\$16,104,000 when these specific bad debts recovery were excluded which represented a 81.3% increase from corresponding period last year.



PRINCIPAL BUSINESSES

Manufacturing of Steel Cord

Driven by the increasing demand of steel cord which was brought about by the fast pace development of the radial tire industry in the PRC, Jiaxing Eastern Steel Cord Co., Ltd. (“Jiaxing Eastern”), our 71.8% owned subsidiary, continued to generate a significant growth in turnover and profit during the first half of 2002. Operating profit for the period under review amounted to HK\$39,574,000, representing an increase of 2.2 times over the same period in 2001.

Turnover rose to HK\$79,572,000, 20% higher than the same period in 2001, while its gross profit increased by 44.8% to HK\$30,274,000. Increased production during the period gave rise to lower production costs and hence the gross profit margin advanced from 31.5% in the corresponding period last year to 38% in the current period.

Further to the above, a specific net bad debt recovery of HK\$14,004,000 (the portion attributable to the Group was HK\$10,055,000) during the period also brought forth the significant increase in operating profit which amounted to HK\$27,260,000 for the period ended 30 June 2002, an increase of 2.2 times over the corresponding period last year.

Processing and Trading of Copper and Brass Products

Our business of processing and trading of copper and brass products achieved a satisfactory growth both in turnover and profit during the period, attributable to its expanded sales force and lowered cost of sales. This division had generated an operating profit of HK\$907,000 during the period under review, representing an increase of 5.5 times as compared to the same period last year.

Turnover rose by 27.7% to HK\$25,734,000 during the period, while sales volume increased by 49.7% as compared to the same period last year. Growth in turnover lagged behind sales volume growth was primarily the result of the fluctuation in copper price. The LME (London Metals Exchange) three-month copper price fell from a level of US\$1,800 per tonne at the beginning of 2001 to its lowest price of approximately US\$1,340 per tonne in November 2001, though it gradually rebounded to the US\$1,600 level in June 2002. Due to the fluctuation of copper price, this division’s average selling price dropped from HK\$21,900 per tonne in the same period last year to HK\$18,700 per tonne in the current period.



**PRINCIPAL BUSINESSES** *(Continued)***Processing and Trading of Copper and Brass Products** *(Continued)*

Gross profit increased by twofold to HK\$2,575,000 for the period under review. Besides the contribution from sales growth, gross profit margin rose from 6.4% in the same period in last year to 10% in the current period. Lower cost of sales was resulted from increased portion of materials procurement from direct manufacturers rather than intermediaries and rebound of international copper price since November 2001.

Jointly Controlled Entity's and Associate's Business

Despite severe market environment and fierce competition, the Group's jointly controlled entity, Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") and associate, Xinhua Metal Products Co., Ltd. ("Xinhua Metal"), the two leading pre-stressed concrete strands and wires manufacturers in the PRC, were able to maintain stable profits through their measures in persistent cost efficiencies and enlarged production.

Turnover of Shanghai Shenjia for the period under review amounted to HK\$149,177,000, a slight increase of 0.1% as compared to the same period last year, while its profit before tax was slightly dropped by 0.9% to HK\$17,816,000. Hence, the Group's share of its profit before tax was also dropped by 0.9% to HK\$4,454,000 during the period.

Xinhua Metal recorded a turnover of HK\$164,621,000 during the period under review, increased by 25.4% over the same period in last year. Its profit before tax was moderately increased by 2.7% to HK\$11,999,000. The Group shared a profit before tax of HK\$2,010,000, also a 2.7% increase over the same period last year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

Net asset value of the Group increased by 6.9% to HK\$420,717,000 at 30 June 2002. The net asset value per share was up from HK\$0.51 at 31 December 2001 to HK\$0.55 at 30 June 2002.

The Group mainly financed its operations by cash generated from its business activities and ongoing banking facilities provided by its bankers. During the period under review, the Group had generated a net cash inflow of HK\$36,221,000 from its operating activities, while it had utilized a net cash of HK\$5,660,000 for its investing activities and repaid a net amount of HK\$26,475,000 of its bank loans and a loan from a related company. Bank borrowings at 30 June 2002 further reduced to HK\$35,138,000 and therefore the gearing ratio (total bank borrowings/shareholders' equity) was lowered from 11% at 31 December 2001 to 8.4% at 30 June 2002. Besides the lower gearing, the Group's current ratio (current assets/current liabilities) was also increased to 2.5 times from 1.8 times at 31 December 2001.

**CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES** *(Continued)*

Total bank borrowings as at 30 June 2002 amounted to HK\$35,138,000, of which 42.9% was denominated in Renminbi ("RMB"), 2.9% in Hong Kong Dollars ("HKD") and 54.2% in United States Dollars ("USD"). Although the Group did not have any USD income, but 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.

The Group's bank borrowings were granted under ongoing banking facilities provided by its bankers, which bear interest at floating interest rate and are repayable within one year. These bank loans can be renewable under the normal circumstances. Given the ongoing banking facilities, together with our robust operating cash inflow and solid financial position, the directors do not foresee any difficulties in meeting these financial obligations during the second half of 2002.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENT

Whilst the operating results in the first half of 2002 are encouraging, the directors will continue to adhere to a prudent expansion program on our core businesses with an acute control to keep the Group's expenses at bay. Further, the directors will consider having capital reorganization exercise which is in the best interest of the Company and its shareholders for the purpose of strengthening and reflecting the real value of the shares of the Company.

Manufacturing of Steel Cord

The plan to enlarge annual production capacity by 20% to 12,000 tonnes of Jiaying Eastern, the company that engaged in the manufacturing of steel cord, was under way. It is expected that the construction and installation of the additional production line will be completed at end of 2002 and commencement of operations to be scheduled in 2003. HK\$9,191,000 was expended on the expansion plan as at 30 June 2002, it is anticipated that an additional investment of approximately HK\$31,000,000 will be required, which will be financed by the Group's internal working capital and bank loans.

Processing and Trading of Copper and Brass Products

The establishment of the new production plant in Dongguan, the PRC was completed in July 2002 and commenced operations in August 2002. At 30 June 2002, HK\$1,106,000 was expended on the establishment of the plant, and a further HK\$881,000 will be spent subsequent to the balance sheet date.



EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2002, the Group had a total of 418 (31 December 2001: 395) 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 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 period under review amounted to HK\$331,000.

In addition, the Group adopted a share option scheme on 11 March 1992 ("1992 Scheme"). Under 1992 Scheme, the Board may exercise its discretion to grant share options to any director and employee as an incentive to his/her contribution to the Group. However, 1992 Scheme expired on 10 March 2002. Hence, the adoption of a new share option scheme was approved by the shareholders of the Company at the annual general meeting held on 7 June 2002 ("2002 Scheme"). The Board shall, subject to and in accordance with the provisions of 2002 Scheme and 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.

No share options were granted during the period, and there were no share options outstanding as at 30 June 2002.

Subsequent to the balance sheet date, the Company granted certain eligible participants under 2002 Scheme totalling 49,740,000 share options to subscribe for shares in the capital of the Company on 23 August 2002.



CHARGE ON ASSETS AND CONTINGENT LIABILITIES

The following assets, totalling HK\$51,034,000 had been pledged to the Group's bankers as securities for banking facilities provided to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK\$36,472,000;
2. Land use rights with a net book value of HK\$12,562,000; and
3. Time deposits amounting to HK\$2,000,000.

Furthermore, the Group's interest in a jointly controlled entity with a carrying value of HK\$46,733,000 was also pledged to a related company for loans advanced to the Group. This security was released subsequent to 30 June 2002, on 29 July 2002, upon full repayment of the loans.

In addition to above, the Group also has executed corporate guarantees for bank loans granted to a jointly controlled entity to finance its working capital. These corporate guarantees are provided in proportion to the Group's interest in the jointly controlled entity and are renewable on an annual basis. The amount of guarantees granted as at 30 June 2002 amounted to approximately HK\$24,540,000.

BUSINESS OUTLOOK

The PRC recorded an economic growth of over 7% in the first half year of 2002, while the radial tire industry in the mainland had also enjoyed a rapid growth during the period. The directors believe that this strong growth will continue to sustain in the second half year of 2002 and in the foreseeable future given its huge development potential as compared to other developed countries in the world. Nevertheless, China's entry into the World Trade Organization has begun to intensify competition on the Group's principal businesses. However, the directors are confident that the Group can withstand to these competitions through its competitive advantages of cost efficiencies and stable product quality, and the Group will continue to generate satisfactory profits in the second half year of 2002.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2002 (six months ended 30 June 2001: 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 2002.

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

As at 30 June 2002, 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 recorded in the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2002, 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 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

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 of the Company acts in an advisory capacity, review and make recommendations to the Board in respect of the Company's financial reporting matters (including interim financial statements for the six months ended 30 June 2002 before the Board's approval) and internal control at the Audit Committee meeting held on 9 September 2002.

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 express my sincere thanks for the shareholders, the management team and the employees of the Company for their support and consistent hard work respectively.

By Order of the Board

Tong Yihui

Managing Director

Hong Kong

25 September 2002

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

