

2005 INTERIM REPORT

forward



SHOUGANG CONCORD
CENTURY
HOLDINGS LIMITED

Enquire Contact

Tel No.: (852) 2527 2218

Fax No.: (852) 2861 3527

Email Address: business_link@shougangcentury.com.hk

ir@shougangcentury.com.hk

scchl@shougangcentury.com.hk



CONTENTS

	<i>Pages</i>
Corporate Information	2
Financial Highlights	4
Independent Review Report	5
Condensed Consolidated Income Statement	6
Condensed Consolidated Balance Sheet	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Cash Flow Statement	10
Notes to the Condensed Financial Statements	11
Management Discussion and Analysis	26
Purchase, Redemption or Sale of Listed Securities	31
Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures	31
Interests and Short Positions or Underlying Shares of the Shareholders of the Company under the SFO	34
Share Option Scheme	37
Audit Committee	38
The CG Code and The Code of Conduct regarding Securities Transactions by directors of the Company	39
Appreciation	40

CORPORATE INFORMATION

Board of Directors*Directors*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)

Hui, Hung Stephen

(Independent Non-executive Director)

Law, Yui Lun

*(Independent Non-executive Director)***Audit Committee**Yip Kin Man, Raymond (*Chairman*)

Hui, Hung Stephen

Law, Yui Lun

**Remuneration
Committee**Leung Shun Sang, Tony (*Chairman*)Cao Zhong (*Vice Chairman*)

Yip Kin Man, Raymond

Hui, Hung Stephen

Law, Yui Lun

Nomination CommitteeCao Zhong (*Chairman*)Leung Shun Sang, Tony (*Vice Chairman*)

Yip Kin Man, Raymond

Hui, Hung Stephen

Law, Yui Lun

**Authorised
Representatives**

Tang Cornor Kwok Kau

Chan Lai Yee

Company Secretary

Chan Lai Yee

Qualified Accountant

Wu Siu Man CPA, FCCA

**CORPORATE INFORMATION (continued)**

Principal Bankers	Bank of China Belgian Bank Dah Sing Bank, Limited DBS Bank (Hong Kong) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China Shanghai Commercial Bank Ltd. The Bank of East Asia, Limited The Hongkong and Shanghai Banking Corporation Limited Wing Hang Bank, Limited
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i>
Share Registrars	Tengis Limited G/F, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Registered Office	5/F., Bank of East Asia Harbour View Centre 51-57 Gloucester Road Wanchai Hong Kong
Website	http://www.shougangcentury.com.hk http://www.irasia.com/listco/hk/sccentury/index.htm
Stock Code	103

FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	Changes %
Operations			
Turnover	269,531	192,003	+40.4
Profit from operations	37,205	45,798	-18.8
Net profit for the period	36,116	44,618	-19.1
Earnings per share, basic (cents)	3.52	4.37	-19.5
	30/6/2005	31/12/2004	
Financial Position			
Total assets	962,454	939,780	+2.4
Shareholders' funds	654,967	634,242	+3.3



INDEPENDENT REVIEW REPORT

Deloitte.

德勤

**TO: THE BOARD OF DIRECTORS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED**
首長寶佳集團有限公司
(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 6 to 25.

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 the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the Group's 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 interim financial report for the six months ended 30 June 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 September 2005

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Six months ended 30 June	
	<i>Notes</i>	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000 (Restated)
Turnover	4	269,531	192,003
Cost of sales		(216,652)	(130,855)
Gross profit		52,879	61,148
Other income		259	368
Distribution costs		(1,746)	(716)
Administrative expenses		(14,920)	(13,525)
Other expenses		(356)	(1,056)
Recovery of (allowance for) bad and doubtful debts, net		1,089	(421)
Profit from operations	5	37,205	45,798
Finance costs	6	(6,034)	(1,544)
Share of results of jointly controlled entities		5,989	2,245
Share of result of an associate		2,156	1,361
Profit before taxation		39,316	47,860
Income tax expenses	7	(3,200)	(3,242)
Net profit for the period		36,116	44,618
Dividends	8	15,391	20,351
Earnings per share	9		
Basic		HK3.52 cents	HK4.37 cents
Diluted		HK3.31 cents	HK3.92 cents



CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2005

	<i>Notes</i>	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
Non-current assets			
Investment properties	10	7,645	8,966
Property, plant and equipment	10	467,651	480,213
Prepaid lease payments		7,752	7,243
Interests in a jointly controlled entity		50,872	44,883
Interests in an associate		44,730	45,620
Goodwill		41,672	41,672
Club memberships		675	675
Deferred tax assets		–	16
		620,997	629,288
Current assets			
Inventories		93,494	83,207
Trade receivables	11	112,312	97,723
Bills receivable		83,349	73,499
Prepayments, deposits and other receivables		5,987	16,309
Prepaid lease payments		396	381
Amount due from a related company		1,658	2,118
Pledged bank deposits		4,000	4,000
Bank balances and cash		40,261	33,255
		341,457	310,492

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2005

	<i>Notes</i>	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000 (Restated)
Current liabilities			
Trade payables	12	10,928	8,828
Bills payable		–	475
Other payables and accruals		9,468	14,180
Tax payable		770	865
Bank borrowings			
– due within one year	13	176,499	176,384
Obligations under finance leases			
– due within one year		90	206
Dividend payable		15,391	–
		213,146	200,938
Net current assets			
		128,311	109,554
Total assets less current liabilities			
		749,308	738,842
Non-current liabilities			
Bank borrowings			
– due after one year	13	92,489	103,063
Other payable		1,565	1,537
Deferred tax liabilities		287	–
		94,341	104,600
		654,967	634,242
Capital and reserves			
Share capital	14	102,607	102,607
Reserves		552,360	531,635
		654,967	634,242



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Share capital	Share premium	Capital reserve	Goodwill reserve	Capital redemption reserve	Property revaluation reserve	Land use rights revaluation reserve	Translation reserve	PRC reserve funds	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004	101,958	280,804	81,588	-	463	-	6,991	(13,643)	28,490	107,219	593,870
as originally stated											
Effects of changes in accounting policies (Note 3)	-	-	-	-	-	-	(6,991)	(7)	-	(655)	(7,653)
As restated	101,958	280,804	81,588	-	463	-	-	(13,650)	28,490	106,564	586,217
Profit for the period	-	-	-	-	-	-	-	-	-	44,618	44,618
Repurchase of shares	(550)	-	-	-	550	-	-	-	-	(4,257)	(4,257)
Dividend paid	-	-	-	-	-	-	-	-	-	(20,351)	(20,351)
Exercise of share options	348	691	-	-	-	-	-	-	-	-	1,039
At 30 June 2004	101,756	281,495	81,588	-	1,013	-	-	(13,650)	28,490	126,574	607,266
Surplus on revaluation	-	-	-	-	-	368	-	-	-	-	368
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	-	(64)	-	-	-	-	(64)
Net income recognised directly in equity	-	-	-	-	-	304	-	-	-	-	304
Release on disposal of subsidiaries	-	-	-	(82,041)	-	-	-	1,196	-	-	(80,845)
Release on disposal of interest in a jointly controlled entity	-	-	-	-	-	-	-	17,582	(8,212)	8,212	17,582
Profit for the period	-	-	-	-	-	-	-	-	-	103,906	103,906
Dividend paid	-	-	-	-	-	-	-	-	-	(20,351)	(20,351)
Issue of shares arising from issue of scrip dividend	706	5,057	-	-	-	-	-	-	-	-	5,763
Exercise of share options	145	472	-	-	-	-	-	-	-	-	617
Transfer and reclassification	-	-	(48,929)	48,929	-	-	-	-	5,896	(5,896)	-
At 31 December 2004	102,607	287,024	32,659	(33,112)	1,013	304	-	5,128	26,174	212,445	634,242
At 1 January 2005	102,607	287,024	32,659	(33,112)	1,013	304	-	5,128	26,174	212,445	634,242
Effects of changes in accounting policies (Note 3)	-	-	-	33,112	-	-	-	-	-	(33,112)	-
	102,607	287,024	32,659	-	1,013	304	-	5,128	26,174	179,333	634,242
Profit for the period	-	-	-	-	-	-	-	-	-	36,116	36,116
Dividend declared	-	-	-	-	-	-	-	-	-	(15,391)	(15,391)
At 30 June 2005	102,607	287,024	32,659	-	1,013	304	-	5,128	26,174	200,058	654,967

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	20,000	1,955
Net cash used in investing activities	(2,971)	(121,926)
Net cash (used in) from financing activities	(10,023)	128,160
	<hr/>	<hr/>
Net increase in cash and cash equivalents	7,006	8,189
Cash and cash equivalents at beginning of the period	33,255	27,992
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	40,261	36,181
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. Basis of preparation

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Significant accounting policies

The condensed financial statements have been prepared on the historical cost basis except for certain properties which are measured at fair values or revalued amount, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of share of tax of associates/jointly controlled entities has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)**Goodwill**

In the current period, the Group has applied HKFRS 3 “Business Combinations” and the principal effects of the application of HKFRS 3 to the Group are summarised below:

In previous periods, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisitions after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group’s retained profits on 1 January 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually/in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1 January 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

Financial instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains and losses included in the profit or loss. "Held-to-maturity investments" are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" are carried at fair value, with changes in fair values recognised in profit or loss. "Loan and receivables" and "held-to-maturity financial assets" are measured at amortised cost using effective interest method.

Financial assets classified as "available-for-sale" are carried at fair value with changes in fair value recognised in equity except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less impairment losses (if any).

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. The Group's investment in certain unlisted equity securities were fully impaired in previous years. These securities are now classified as "available-for-sale financial assets" and are carried at cost less impairment losses as their value cannot be reliably measured. This change has had no effect on the Group's retained profits at 1 January 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)**Derivatives**

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

As at 1 January 2005, the Group did not have derivative outstanding, accordingly, the adoption of HKAS 39 has had no effect on the Group's financial statements as at 1 January 2005.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

This change in accounting policy has been applied retrospectively (see Note 3 for the financial impact).



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

2. Significant accounting policies (continued)

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. This change has had no material effect on the Group's retained profits at 1 January 2005.

Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequences that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the amount of the property at each balance sheet date. This change has had no material effect on the Group's retained profits at 1 January 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. Summary of the effects of the changes in accounting policies

The effects of the changes in the accounting policies described above on the results for the current and prior periods are as follows:

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Decrease in amortisation of goodwill	1,111	–
Decrease in amortisation of prepaid lease payments	234	206
Increase in profit for the period	1,345	206

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

	As at 31 December 2004 (Originally stated) HK\$'000	Adjustment HK\$'000	As at 31 December 2004 (Restated) HK\$'000	Adjustment HK\$'000	As at 1 January 2005 (Restated) HK\$'000
Balance sheet items					
Land use rights	16,981	(16,981)	–	–	–
Prepaid lease payments	–	7,624	7,624	–	7,624
Deferred tax assets	–	16	16	–	16
Deferred tax liabilities	(1,426)	1,426	–	–	–
Retained profits	212,690	(245)	212,445	(33,112)	179,333
Goodwill reserve	(33,112)	–	(33,112)	33,112	–
Land use rights revaluation reserve	7,663	(7,663)	–	–	–
Translation reserve	5,135	(7)	5,128	–	5,128



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

3. Summary of the effects of the changes in accounting policies (continued)

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarised below:

	As originally stated HK\$'000	Adjustment HK\$'000	As restated HK\$'000
Retained profits	107,219	(655)	106,564
Land use rights revaluation reserve	6,991	(6,991)	-
Translation reserve	(13,643)	(7)	(13,650)

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these HKFRSs will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Interpretation 4	Determining whether an Arrangement Contains a Lease
HKFRS-Interpretation 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. Segment information**Business segments**

The Group's primary format for reporting segment information is business segments.

Six months ended 30 June 2005

	Steel cord (Unaudited) HK\$'000	Copper and brass products (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment turnover	<u>194,353</u>	<u>74,452</u>	<u>726</u>	<u>269,531</u>
Segment results	<u>41,254</u>	<u>2,564</u>	<u>(6,713)</u>	<u>37,105</u>
Unallocated corporate income and expenses, net				<u>100</u>
Profit from operations				<u>37,205</u>
Finance costs				<u>(6,034)</u>
Share of result of a jointly controlled entity	-	-	5,989	5,989
Share of result of an associate	-	-	2,156	<u>2,156</u>
Profit before taxation				<u>39,316</u>
Income tax expenses				<u>(3,200)</u>
Net profit for the period				<u><u>36,116</u></u>



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

4. Segment information (continued)

Six months ended 30 June 2004

	Steel cord (Unaudited) HK\$'000 (Restated)	Copper and brass products (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000 (Restated)	Consolidated (Unaudited) HK\$'000 (Restated)
Segment turnover	<u>112,377</u>	<u>79,242</u>	<u>384</u>	<u>192,003</u>
Segment results	<u>45,153</u>	<u>8,332</u>	<u>(6,638)</u>	<u>46,847</u>
Unallocated corporate income and expenses, net				<u>(1,049)</u>
Profit from operations				45,798
Finance costs				(1,544)
Share of results of jointly controlled entities	–	–	2,245	2,245
Share of result of an associate	–	–	1,361	<u>1,361</u>
Profit before taxation				47,860
Income tax expenses				<u>(3,242)</u>
Net profit for the period				<u><u>44,618</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

5. Profit from operations

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Depreciation of property, plant and equipment	19,180	12,556
Amortisation of goodwill (included in other expenses)	–	1,111
Total depreciation and amortisation	19,180	13,667
Amortisation of prepaid lease payments	196	180
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entities)	1,107	428
Share of tax of an associate (included in share of result of an associate)	1,118	320

6. Finance costs

	Six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on:		
Bank and other borrowings wholly repayable within five years	5,880	1,520
Obligations under finance leases wholly repayable within five years	4	24
Other finance costs	150	–
Total	6,034	1,544



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

7. Income tax expenses

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000 (Restated)
The charge comprises:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax	2,897	3,402
Deferred taxation	303	(160)
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	3,200	3,242
	<hr/> <hr/>	<hr/> <hr/>

No tax is payable on the profit for the period arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

PRC Enterprise Income Tax is calculated at the applicable tax rates on the estimated assessable income for the period based on existing legislation, interpretation and practices in respect thereof. In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's subsidiaries in the PRC are eligible for certain tax exemptions and concessions.

8. Dividends

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Ordinary shares:		
Final dividend paid and payable – HK1.5 cents per share (2004: HK2.0 cents per share)	15,391	20,351
	<hr/>	<hr/>

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2005. In 2004, the directors had declared an interim dividend of HK2.0 cents per share in cash with a scrip option.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

9. Earnings per share

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

	Six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (net profit for the period)	36,116	44,618

	Six months ended 30 June	
	2005	2004
Number of shares		
Number/Weighted average number of ordinary shares for the purpose of basic earnings per share	1,026,067,000	1,020,182,000
Effect of dilutive potential ordinary shares: Share options	65,601,000	117,170,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,091,668,000	1,137,352,000

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies is as follows:

	Basic HK cents	Diluted HK cents
Reconciliation of 2004 earnings per share:		
Reported figures before adjustments	4.35	3.90
Adjustments arising from the changes in accounting policies	0.02	0.02
Restated	4.37	3.92



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

10. Movements in investment properties and property, plant and equipment

During the period, the Group has reclassified investment properties with a carrying amount of HK\$1,321,000 to leasehold properties.

During the period, the Group acquired property, plant and equipment amounted to approximately HK\$5,297,000.

At 30 June 2005, the directors considered the carrying amount of the Group's investment properties carried at fair value and leasehold properties carried at revalued amounts respectively, and estimated that the carrying amounts do not differ significantly from that which would be determined using fair value at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

11. Trade receivables

The Group normally allows an average credit period of 30 to 120 days to its trade customers.

The following is an aged analysis of trade receivables:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
0 – 90 days	109,991	91,147
91 – 180 days	2,321	1,885
Over 180 days	–	4,691
	112,312	97,723

12. Trade payables

The following is an aged analysis of trade payables:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
0 – 90 days	10,805	8,805
91 – 180 days	2	–
Over 180 days	121	23
	10,928	8,828

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

13. Bank borrowings

During the period, the Group obtained new bank loans of approximately HK\$70,201,000 and repaid bank borrowings of approximately HK\$92,496,000. The loans bear interest at market interest rates and are repayable over a period of one to three years.

14. Share capital

Ordinary shares of HK\$0.10 each

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2005 and 30 June 2005	2,000,000	200,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	1,026,067	102,607

15. Capital commitments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	–	690
– authorised but not contracted for	–	8,560
	–	9,250

16. Contingent liabilities

As at 30 June 2005, the Group has given guarantees amounting to approximately HK\$10,721,000 (31 December 2004: HK\$10,721,000) for bank loans granted to a jointly controlled entity.



NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2005

17. Related party transactions

During the period, the Group had the following transactions with Shougang Holding (Hong Kong) Limited ("Shougang HK") and its subsidiaries (collectively the "Shougang HK Group"), Shougang Concord Technology Holdings Limited ("Shougang TECH") and its subsidiaries (collectively the "Shougang TECH Group") and a jointly controlled entity. Shougang HK is the substantial shareholder of the Company and Shougang TECH.

		Six months ended	
		30 June	
		2005	2004
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
	Consultancy fees paid to the Shougang HK Group	480	480
<i>(i)</i>	Sales to the Shougang TECH Group	2,447	2,336
	Rental expenses paid to the Shougang HK Group	540	456
<i>(ii)</i>	Corporate guarantees for bank loans granted to a jointly controlled entity	10,721	10,721
<i>(iii)</i>		10,721	10,721

Notes:

- (i) The Group paid consultancy fees to the Shougang HK Group in relation to business and strategic development services provided.
- (ii) The Group paid rental expenses to the Shougang HK Group for the leasing of properties in Hong Kong as office premises and staff quarters.
- (iii) 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.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

Group results

For the six months ended 30 June 2005, the Group's turnover increased by 40.4% over the same period last year, as turnover of our core business of steel cord manufacturing recorded a growth of 72.9%, ascribed to the enlargement of production capacity and increasing demand. However, escalating raw material prices and intense market competition had dented our gross profit margin. Net profit attributable to shareholders dropped by 19.1% to HK\$36,116,000 for the period under review.

Turnover of the Group amounted to HK\$269,531,000 for the period under review, representing a growth of 40.4% over the same period last year. However, gross profit dropped by 13.5% to HK\$52,879,000 for the period. Gross profit margin was 19.6%, as compared to 31.8% for the same period last year.

Administrative expenses rose by 10.3% to HK\$14,920,000 for the period under review. However, turnover increased by 40.4% over the same period last year, administrative expenses as a percentage of turnover dropped from 7% in the same period last year to 5.5% for the period under review.

The Group's finance cost was HK\$6,034,000, increased by 290.8% over the same period last year. The increase was principally attributable to (i) the interest rate hikes since the first half of 2004 which had pushed Hong Kong Dollar and United States Dollar interbank rates from circa 1% level to the current level of over 3%; and (ii) increased trust receipt loans to fulfill the needs from expanded production capacity and soaring raw material prices, the amount of trust receipt loans at 30 June 2005 was HK\$91,536,000, an increase of 82.1% over HK\$50,261,000 at 30 June 2004.

Manufacturing of steel cord for radial tyres ("Steel cord")

Our steel cord segment recorded a growth in turnover of 72.9% over the same period last year to HK\$194,353,000, as Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern") had enlarged its production capacity from 13,000 tonnes to 30,000 tonnes per annum in June 2004 to meet increasing demand of steel cord. However, confronted with pricing pressures from increasing competition and escalating raw material prices, its gross profit dropped by 5% to HK\$46,772,000. The management had considered various hedging methods to curb the impact of rising raw material costs. However, there did not appear to have an instrument which possessed sufficient correlation and acceptable risks available in the market. As such, the management reverted to placing longer term orders with suppliers given the continual rise of raw material prices in the first half of 2005. The cost of major raw material for the manufacture of steel cord increased by approximately 65.1% over the same period last year, whereas the selling prices of steel cord was lowered as new entrants adopted aggressive strategy to penetrate the market. These factors caused the gross profit margin dropped to 24.1%, as compared to 43.8% in the same period last year.



MANAGEMENT DISCUSSION & ANALYSIS (continued)

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

As a result of the decreased gross profit, operating profit of this segment lowered by 8.6% to HK\$41,254,000 (2004: HK\$45,153,000 (restated)) for the period under review.

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

Turnover of this segment dropped by 6% to HK\$74,452,000 for the period under review, while sales volume was approximately 2,404 tonnes, about 18.2% lower than the same period last year.

3-month copper price traded in London Metal Exchange rose from US\$2,327 per tonne at the beginning of 2004 to US\$3,380 per tonne on 30 June 2005, representing an increase of 45.3%. Such soaring copper price curbed the demand for copper products from our customers during the period.

In respect of the gross profit and gross profit margin of this segment in the first half of 2005, the former was HK\$5,785,000 (2004: HK\$11,560,000) and the latter was 7.8% (2004: 14.6%). The exceptional performance in 2004 was attributable to the stockpiling of inventories at a relatively low price during late 2003. We believed that it was a one-off phenomenon and hence adopted a conservative approach in ordering our copper inventory. The increase in copper prices was not ephemeral in the first half of 2005. The conservative approach had somewhat sheltered us from the fluctuation of copper prices but it also rendered us a lower and yet a sustainable gross profit margin. Because of the lowered gross profit, operating profit of this segment dropped by 69.2% to HK\$2,564,000 (2004: HK\$8,332,000) for the period under review.

Jointly controlled entity’s and associate’s business

The Group’s jointly controlled entity and associate engaged in the manufacturing of pre-stressed concrete strands and wires were able to benefit from the rising steel prices and enjoyed significant growth in profit in the first half year of 2005.

Shanghai Shenjia Metal Products Co., Ltd. (“Shanghai Shenjia”) recorded turnover of HK\$230,907,000 for the period, a moderate growth of 3% over the same period last year. Combined with the improvement in gross profit margin, its profit after tax significantly increased by 160.5% to HK\$23,957,000. As such, the Group’s share of the profit after tax of Shanghai Shenjia also increased proportionally to HK\$5,989,000.

Turnover of Xinhua Metal Products Co., Ltd. (“Xinhua Metal”) increased by 16.4% to HK\$366,416,000, while its profit after tax increased by 58.4% to HK\$12,871,000. The Group’s share of the profit after tax of Xinhua Metal also increased proportionally to HK\$2,156,000.

MANAGEMENT DISCUSSION & ANALYSIS (continued)

INTERIM DIVIDEND

In view of the cash needs for future expansion plan, the directors do not recommend the payment of interim dividend for the six months ended 30 June 2005 (six months ended 30 June 2004: HK2.0 cents with scrip option).

LIQUIDITY AND FINANCIAL RESOURCES

During the first half year of 2005, the Group generated net cash inflow of HK\$20,000,000 from its operating activities, incurred capital expenditure of HK\$6,017,000 and repaid net bank borrowings of HK\$10,023,000. Total bank borrowings (including obligations under finance leases), which bear interest at floating interest rate, reduced to HK\$269,078,000 at 30 June 2005 (31 December 2004: HK\$279,653,000). Out of the total bank borrowings of HK\$269,078,000, HK\$176,589,000 are repayable within one year, HK\$78,369,000 are repayable in the second year and HK\$14,120,000 are repayable in the third year.

As a result of the lowered bank borrowings, the gearing ratio (total bank borrowings less bank balances and cash/shareholders' equity) of the Group slightly dropped from 38.2% (restated) at 31 December 2004 to 34.3% at 30 June 2005. On the other hand, the Group's current ratio (current assets/current liabilities) improved from 1.54 times (restated) at 31 December 2004 to 1.6 times at 30 June 2005.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's source of revenue is principally denominated in Renminbi ("RMB") and Hong Kong dollars ("HKD"), while bank borrowings are mainly in HKD and United States dollars ("USD"). The currency mix of our bank borrowings at 30 June 2005 was approximately 34.3% (31 December 2004: 31.5%) denominated in HKD and 65.7% (31 December 2004: 68.5%) in USD. Despite the recent hikes in interest rates in the United States and Hong Kong, their interest rates were still lower than that of RMB, therefore we remained the tactics to take advantage of the relatively cheaper interest rates of HKD and USD borrowings.

The appreciation of RMB arising from the People's Bank of China's announcement on 21 July 2005 to move the exchange rate regime of RMB into a managed floating exchange rate regime has positive impact to the Group. Not only the amount of USD borrowings will be reduced when converted into RMB, the Group can also benefit from reduced interest expenses and import raw material costs. Notwithstanding, we will keep monitoring the exchange rate movement of RMB and will take appropriate action to minimize our exchange risk when needed.

In consideration of the upturning interest rate cycle, the Group had executed structured interest rate swaps to hedge against part of the floating rate exposure. As at 30 June 2005, approximately 64.9% of our long term bank debt and 22.3% of total bank borrowings have been hedged.



MANAGEMENT DISCUSSION & ANALYSIS (continued)

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Manufacturing of steel cord for radial tyres

The plan to expand the production capacity of Jiaxing Eastern from existing 30,000 tonnes to 45,000 tonnes per annum by 2007 is under way. Total costs of the expansion is estimated to be approximately HK\$200,000,000 (excluding working capital requirement) and will be financed by the Group's internal resources and bank loans.

Processing and trading of copper and brass products

The establishment of an additional production plant in the People's Republic of China (the "PRC") as mentioned in our 2004 annual report will go ahead as planned, however, the commencement of operation of the new plant will be revised to the second quarter of 2006.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

At 30 June 2005, the Group had a total of 684 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 period under review amounted to HK\$777,000. 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 (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. No share options were granted or exercised during the period.

MANAGEMENT DISCUSSION & ANALYSIS (continued)**PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 30 June 2005, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold properties and investment properties with an aggregate net book value of HK\$41,098,000;
2. Prepaid lease payments amounting to HK\$8,148,000;
3. Plant and machineries with net book value of HK\$138,699,000;
4. Bills receivable amounting to HK\$14,585,000;
5. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaxing Eastern; and
6. 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 30 June 2005 amounted to approximately HK\$10,721,000.

BUSINESS OUTLOOK

It is expected that the demand for steel cord will maintain its momentum to grow in the second half of 2005 due to the strong fundamentals of the PRC's economy and increased personal wealth. However, second half year will still be a difficult period for the Group as market competition begins to accelerate and raw material prices remain at high level, albeit the cost of our import raw materials have a slight drop in the third quarter. All in all, we will continue to focus on the improvement of operating efficiency, new product development, and diversification of customer base both domestically and abroad to improve our profit margin.

Although the Group's profitability is affected by rising raw material price in the short term, we remain optimistic on the long-term growth prospect of the steel cord and copper consumption in the PRC. We will continue to expand our core businesses of manufacturing of steel cord and processing and trading of copper and brass products so as to provide our shareholders with satisfactory returns in the longer term.



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 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2005, save for the interests of the directors in the shares and share options of the Company set out as below, none of the directors had any interests and short positions in the shares, debentures or underlying shares of the Company or any of their associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long Positions in shares

(a) Ordinary shares of HK\$0.10 each of the Company

Name of Director	Total number of shares held	% with respect to total number of issued share capital as at 30 June 2005	Capacity
Tang Cornor Kwok Kau ("Mr. Tang")	2,496,000	0.24%	Beneficial owner (Note)

Note: Those shares were beneficially owned by Mr. Tang and in which of 200,000 shares were also jointly owned by his wife.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long Positions in shares (continued)

(b) Share options

As at 30 June 2005, there were a total of 163,196,000 share options of the Company granted to directors of the Company which are outstanding, details of which are summarised in the following table:

Name of director	Options to subscribe for shares of the Company					Date of grant (Note b)	Exercise period	Exercise price per share HK\$	Capacity in which interests are held	% of the issued share capital as at 30 June 2005
	Outstanding options at the beginning of the period	Number of options granted during the period	Number of options exercised during the period	Date of exercise	Outstanding options at the end of the period					
Cao Zhong	7,652,000	-	-	-	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295	Beneficial owner	6.34
	57,350,000 (Note a)	-	-	-	57,350,000	21/10/2003	21/10/2003 to 1/10/2013	0.780		
	65,002,000	-	-	-	65,002,000					
Li Shaofeng	7,652,000	-	-	-	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295	Beneficial owner	3.73
	30,614,000 (Note a)	-	-	-	30,614,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	38,266,000	-	-	-	38,266,000					
Tong Yihui	7,652,000	-	-	-	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295	Beneficial owner	4.48
	38,266,000 (Note a)	-	-	-	38,266,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	45,920,000	-	-	-	45,920,000					
Leung Shun Sang, Tony	4,592,000	-	-	-	4,592,000	23/8/2002	23/8/2002 to 22/8/2012	0.295	Beneficial owner	1.19
	3,060,000	-	-	-	3,060,000	12/3/2003	12/3/2003 to 11/3/2013	0.325		
	4,592,000	-	-	-	4,592,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	12,244,000	-	-	-	12,244,000					



DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long Positions in shares (continued)

(b) Share options (continued)

Name of director	Options to subscribe for shares of the Company				Outstanding options at the end of the period	Date of grant (Note b)	Exercise period	Exercise price per share HK\$	Capacity in which interests are held	% of the issued share capital as at 30 June 2005
	Outstanding options at the beginning of the period	Number of options granted during the period	Number of options exercised during the period	Date of exercise						
Mr. Tang	1,000,000	-	-	-	1,000,000	25/8/2003	25/8/2003 to 24/8/2013	0.740	Beneficial owner	0.10
Yip Kin Man, Raymond	382,000	-	-	-	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	382,000	-	-	-	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	764,000	-	-	-	764,000				Beneficial owner	0.07
Chen, Kelvin Siu Min (Note c)	-	-	-	-	-					
Hui, Hung Stephen	-	-	-	-	-					
Law Yui Lun	-	-	-	-	-					
Total	163,196,000	-	-	-	163,196,000					

Notes:

- Share options granted were in excess of the individual limit and the approval from shareholders of the Company was obtained in the general meetings held on 25 June and 2 October 2003.
- The vesting period of the share option is from the date of grant to the end of the exercise period.
- Mr. Chen, Kelvin Siu Min did not offer himself for re-election as independent non-executive director of the Company at the 2005 annual general meeting held on 13 June 2005.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Long Positions in shares (continued)

(b) Share options (continued)

The above share options are unlisted cash settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.10 each in the share capital of the Company are issuable. The share options are personal to the respective directors.

INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE SHAREHOLDERS OF THE COMPANY UNDER THE SFO

As at 30 June 2005, so far as was known to the Directors, the following had an interest or long position or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

Long position in shares

Name of shareholder	Total number of shares/ underlying shares held	% with respect to total number of issued share capital as at 30 June 2005	Capacity
Richson Limited ("Richson")	148,537,939	14.48	Beneficial owner
Fair Union Holdings Limited ("Fair Union")	286,655,179	27.94	Beneficial owner and deemed interest ⁽¹⁾
Shougang Concord International Enterprises Company Limited ("Shougang International")	286,655,179	27.94	Deemed interest ⁽²⁾
Able Legend Investments Limited ("Able Legend")	126,984,000	12.38	Beneficial owner ⁽³⁾
Shougang Holding (Hong Kong) Limited ("Shougang HK")	431,961,179	42.10	Deemed interest ⁽⁴⁾
Morgan Stanley	69,919,000	6.81	Interests of controlled corporations ⁽⁵⁾
Cao Zhong	65,002,000	6.34	Beneficial owner ⁽⁶⁾



INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE SHAREHOLDERS OF THE COMPANY UNDER THE SFO (continued)

Long position in shares (continued)

Notes:

- (1) Fair Union is beneficially interested in 135,721,936 shares and is deemed to be interested in the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula Investments Limited (“Casula”) as Richson and Casula are its wholly owned subsidiaries.
- (2) Shougang International is deemed to be interested in the 135,721,936 shares held by Fair Union, the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.
- (3) Able Legend is beneficially interested in 126,984,000 shares.
- (4) Shougang HK is deemed to be interested in the 126,984,000 shares and the 15,016,000 shares held by Able Legend and Prime Success Investment Limited (“Prime Success”) respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 3,306,000 shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Concord Grand (Group) Limited (“Shougang Grand”) and Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 shares held by Fair Union, the 148,537,939 shares held by Richson and the 2,395,304 shares held by Casula as it is the holding company of Shougang International.

INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE SHAREHOLDERS OF THE COMPANY UNDER THE SFO (continued)

Long position in shares (continued)

Notes: (continued)

- (5) Morgan Stanley is interested in 69,919,000 shares. The following is a breakdown of the interests in shares of Morgan Stanley:

Controlled Corporation	Controlling Shareholder	% control	Total interest in shares		Approximate % of the issued share capital as at 30 June 2005
			Direct interest	Deemed interest	
Morgan Stanley Capital Management, L.L.C.	Morgan Stanley	100	-	69,919,000	6.81
Morgan Stanley Domestic Capital, Inc.	Morgan Stanley Capital Management, L.L.C.	100	-	69,919,000	6.81
Morgan Stanley International Incorporated	Morgan Stanley	90	-	69,919,000	6.81
Morgan Stanley International Holdings Inc.	Morgan Stanley	80	-	69,919,000	6.81
Morgan Stanley Asia Pacific (Holdings) Limited	Morgan Stanley International Holdings Inc.	90	-	69,919,000	6.81
Morgan Stanley Asia Regional (Holdings) III LLC	Morgan Stanley Asia Pacific (Holdings) Limited	100	-	69,919,000	6.81
Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd.	Morgan Stanley Asia Regional (Holdings) III LLC	100	-	69,919,000	6.81
Morgan Stanley Investment Management Company	Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd.	100	69,919,000	-	6.81

- (6) Mr. Cao Zhong is deemed to be interested in the 65,002,000 shares as he holds 65,002,000 underlying shares of the Company as attached share options granted to him by the Company. The details of his share options are set out under the heading "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" hereabove.



SHARE OPTION SCHEME

During the period under review, no share option had been granted to subscribe for shares in the capital of the Company. Save as disclosed in the above sub-section "Share options" under "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES", the share options granted to other eligible participants are set out as below:

Category of participant	Options to subscribe for shares of the Company							Exercise price per share HK\$
	Outstanding options at the beginning of the period	Number of options granted during the period	Number of options exercised during the period	Date of exercise	Outstanding options at the end of the period	*Date of grant	Exercise period	
Employees working under "continuous contracts" other than the directors	27,500,000	-	-	-	27,500,000	25/8/2003	25/8/2003 to 24/8/2013	0.740
All other eligible participants	7,652,000	-	-	-	7,652,000	23/8/2002	23/8/2002 to 12/4/2006	0.295
	9,948,000	-	-	-	9,948,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	20,660,000	-	-	-	20,660,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	38,260,000	-	-	-	38,260,000			

Note:

- * The vesting period of the share option is from the date of grant to the end of the exercise period.

SHARE OPTION SCHEME (continued)

During the period, save as disclosed above, there were no options being exercised, cancelled or lapsed.

The directors do not consider that it is appropriate to disclose a theoretical value of the options granted, because a number of factors crucial for the valuation are subjective and uncertain. In addition, the market value of the share options on the shares of the Company is not readily available. Accordingly, any valuation of the share options based on various speculative assumptions may not be meaningful and could be misleading.

AUDIT COMMITTEE

The Audit Committee of the Company was formed on 30 December 1998 and is currently composed of three independent non-executive directors. They are Mr. Yip Kin Man, Raymond (“Mr. Yip”), Mr. Hui Hung, Stephen and Mr. Law Yui Lun. Mr. Yip is the chairman of such committee and one of the independent non-executive directors is experienced professional in the accounting, corporate taxation, company liquidation and insolvency, financial advisory and management. The terms of reference of the Audit Committee are based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants and the requirements as set out in Code Provision C.3.3 of Appendix 14 – Code on Corporate Governance Practices of the Listing Rules (the “CG Code”). The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting including a review of this interim results for the six months ended 30 June 2005. The Audit 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 system.



THE CG CODE AND THE CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY (THE “MODEL CODE”)

In the opinion of the Board, the Company has complied with the CG Code in force on 1 January 2005 throughout the accounting period under review. The Company set up the Remuneration Committee and the Nomination Committee on 4 April 2005 and the terms of reference of such committees (including Audit Committee) are available on the Company's website. The Group has also complied with Rules 3.10(1) and 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive directors (including one with appropriate professional qualifications, or accounting or related financial management expertise, details of their biographical details were set out in the 2004 Annual Report of the Company), which representing more than one-third of the Board. As such, we have of sufficient caliber and number for views to carry weight. However, the Company has certain deviations in relation to Code Provisions A.4.1 and A.4.2; whereas (i) 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 “Articles”) and (ii) not every director is subject to retirement by rotation at least once every three years. The reason for the deviation of Code Provision A.4.1 is that we believe that the retirement and re-election requirements of non-executive directors have given the Company's shareholders the right to approve continuation of non-executive directors' offices. However, the Company shall take relevant measures towards compliance with this code provision if appropriate. As regard deviation of Code Provision A.4.2, this requirement has been complied with by obtaining the shareholders' approval of amending the Articles at the annual general meeting held on 13 June 2005.

In addition, the Company adopted the Model Code on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules on 6 April 2004 and refined it on 4 April 2005.

The Company had also made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code. As such, during the period under review, save as disclosed above, 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.

APPRECIATION

The dedication of the management and staff of the Group is an important ingredient necessary to meet the challenges and opportunities ahead. We would like to take this opportunity to record our cordial thanks to them all.

By Order of the Board

Cao Zhong

Chairman

Hong Kong, 14 September 2005

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