



首長國際企業有限公司
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2004

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2004 with comparative figures for the year ended 31 December 2003 as follows:

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	(2)	3,289,551	2,326,692
Cost of sales		(2,770,572)	(1,952,516)
Gross profit		518,979	374,176
Other operating income		30,018	27,474
Distribution costs		(10,040)	(6,298)
Administrative expenses		(164,398)	(157,182)
Other operating expenses		(42,919)	(11,049)
Profit from operations	(3)	331,640	227,121
Interest expenses	(4)	(12,870)	(26,030)
Share of results of associates		64,005	23,727
Loss on deemed disposal of a partial interest in an associate		(813)	(13,479)
Loss on disposal of a jointly controlled entity		-	(177)
Profit before taxation		381,962	211,162
Income tax expense	(5)	(9,639)	(34,261)
Profit before minority interests		372,323	176,901
Minority interests		(93,088)	(109,137)
Profit attributable to shareholders		279,235	67,764
Earnings per share			
- Basic	(6)	7.5 cents	2.9 cents
- Diluted	(6)	7.2 cents	2.5 cents

Notes:

(1) **POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**
In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS(s)") (herein collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRS(s) in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRS(s) but is not yet in a position to determine whether these new HKFRS(s) would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRS(s) may result in changes in the future as to how the results and financial position are prepared and presented.

(2) **BUSINESS AND GEOGRAPHICAL SEGMENTS**

(a) **Business segments**

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information:

Steel manufacturing	-	manufacture and sale of steel products;
Shipping operations	-	vessel chartering and the hiring of floating cranes;
Electricity generation	-	generation of electricity, steam and hot water;
Steel trading	-	trading of steel products;
Kitchen and laundry equipment	-	manufacture and installation of kitchen and laundry equipment; and
Others	-	management services business.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 December 2004

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Steel trading HK\$'000	Kitchen and laundry equipment HK\$'000	Others HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
TURNOVER								
External customers	2,377,903	275,807	381,408	186,982	66,227	1,224	-	3,289,551
Inter-segment sales	39,612	-	-	-	-	-	(39,612)	-
Total	2,417,515	275,807	381,408	186,982	66,227	1,224	(39,612)	3,289,551
Inter-segment sales are charged at the terms agreed by both parties.								
Segment results	171,756	113,074	43,319	(10,720)	11,232	1,224	-	350,885
Unallocated other operating income								432
Unallocated corporate expenses								(23,977)
Profit from operations	331,640	227,121	227,121	227,121	227,121	227,121	-	1,363,285
Interest expenses	(12,870)	(26,030)	(26,030)	(26,030)	(26,030)	(26,030)	-	(128,980)
Share of results of associates	64,005	23,727	23,727	23,727	23,727	23,727	-	158,973
Loss on deemed disposal of a partial interest in an associate	(813)	-	-	-	-	-	-	(813)
Profit before taxation	381,962	211,162	211,162	211,162	211,162	211,162	-	1,455,299
Income tax expense	(9,639)	(34,261)	(34,261)	(34,261)	(34,261)	(34,261)	-	(146,683)
Profit before minority interests	372,323	176,901	176,901	176,901	176,901	176,901	-	1,308,616
Minority interests	(93,088)	(109,137)	(109,137)	(109,137)	(109,137)	(109,137)	-	(311,369)
Profit attributable to shareholders	279,235	67,764	67,764	67,764	67,764	67,764	-	997,247

For the year ended 31 December 2003

	Manufacturing HK\$'000	Steel operations HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover from external customers	1,678,142	209,235	374,944	62,859	1,512	-	2,326,692
Segment results	189,300	(8,652)	66,309	(3,620)	1,512	-	243,849
Unallocated other operating income							1,771
Unallocated corporate expenses							(18,499)
Profit from operations	227,121	227,121	227,121	227,121	227,121	227,121	1,363,285
Interest expenses	(26,030)	(26,030)	(26,030)	(26,030)	(26,030)	(26,030)	(128,980)
Share of results of associates	23,727	23,727	23,727	23,727	23,727	23,727	158,973
Loss on deemed disposal of a partial interest in an associate	(13,479)	-	-	-	-	-	(13,479)
Loss on disposal of a jointly controlled entity	-	-	-	-	-	(177)	(177)
Profit before taxation	211,162	211,162	211,162	211,162	211,162	211,162	1,455,299
Income tax expense	(34,261)	(34,261)	(34,261)	(34,261)	(34,261)	(34,261)	(146,683)
Profit before minority interests	176,901	176,901	176,901	176,901	176,901	176,901	1,308,616
Minority interests	(109,137)	(109,137)	(109,137)	(109,137)	(109,137)	(109,137)	(311,369)
Profit attributable to shareholders	67,764	67,764	67,764	67,764	67,764	67,764	997,247

(b) **Geographical segments**

The Group's operations are located in the People's Republic of China (the "PRC") including Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
PRC, excluding Hong Kong	2,526,930	2,099,158
Hong Kong	295,925	227,534
Others	466,696	-
	3,289,551	2,326,692

(3) **PROFIT FROM OPERATIONS**

	2004 HK\$'000	2003 HK\$'000
The Group's profit from operations has been arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	2,597,592	1,695,124
Charter hire costs	158,381	210,846
Amortisation of intangible assets (included in administrative expenses)	1,026	1,385
Amortisation of goodwill (included in administrative expenses)	6,095	3,634
Depreciation and amortisation of property, plant and equipment	64,260	70,419
Impairment loss recognised in respect of investment securities	11,503	7,982
Loss (gain) on disposal of property, plant and equipment	24,044	(2,303)
Interest income	(4,352)	(1,771)
Gain on disposal of an investment property	(1,397)	-
Write-back of allowance for bad and doubtful debt, net	(14,915)	(20,360)
Write-back of allowance for inventories	(20)	(2,715)
Write-back of an amount due to a related company	-	(765)
(Surplus) deficit arising on revaluation of investment properties	(749)	1,791

(4) **INTEREST EXPENSES**

	2004 HK\$'000	2003 HK\$'000
Interest on		
- bank and other borrowings wholly repayable within five years	12,838	20,030
- convertible note	16	6,000
- finance leases	16	-
	12,870	26,030

(5) **INCOME TAX EXPENSE**

	2004 HK\$'000	2003 HK\$'000
Current tax:		
PRC	21,311	29,443
Other jurisdictions	13	12
Overprovision in prior years	(16,415)	-
	4,909	29,455
Deferred tax:		
Current year	(4,423)	2,003
Taxation attributable to the Company and its subsidiaries	486	31,458
Share of tax on results of associates	9,153	2,803
	9,639	34,261

Pursuant to Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, Qinquangdao Shougang Plate Mill Co., Ltd. ("Qinquangdao Plate Mill"), a principal subsidiary of the Company operating in Economic and Technology Development Zone of the PRC, is entitled to a preferential income tax rate of 15%. In addition, Qinquangdao Plate Mill is subject to a local income tax rate of 3%. Pursuant to an approval granted by the local tax bureau in October 2004, Qinquangdao Plate Mill is entitled to a reduction of income tax rate to 10% for the years from 2003 to 2005 as an Advanced Technology Enterprise and is exempted from the local income tax which is subject to further annual confirmation to be obtained from the local tax bureau for 2004 and 2005. The overprovision of tax charge for 2003 under such a tax concession amounted to approximately HK\$16 million.

Qinquangdao Plate Mill and certain other subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC income tax. The PRC income tax charges are arrived at after taking into account these tax incentives.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(6) **EARNINGS PER SHARE**

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

	2004 HK\$'000	2003 HK\$'000
Profit for the purposes of basic earnings per share	279,235	67,764
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of an associate based on dilution of its earnings per share	(3,784)	(1,399)
Interest on convertible note	16	6,000
Earnings for the purposes of diluted earnings per share	275,467	72,365
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,708,709,632	2,331,984,810
Effect of dilutive potential ordinary shares:		
Options	128,441,080	31,849,007
Convertible note	1,561,280	571,428,571
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,838,711,992	2,935,262,388

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the year ended 31 December 2004, the Group achieved a net profit attributable to shareholders of HK\$279.2 million. When compared with the net profit attributable to shareholders of HK\$67.8 million for 2003, it revealed a substantial year-on-year profit growth rate of 311.8%.

The Group's strong performance in 2004 was mainly driven by the excellent results of the steel manufacturing and shipping business segments. In addition to the organic growth in the Group's core businesses, the Group had undertaken numerous initiatives and important strategies to strengthen the steel manufacturing business in 2004. At operation level, extra resources were deployed to enhance productivity. At strategic level, the Group acquired further equity stakes in this business segment which enlarged the earning base.

Manufacture and sale of steel products

The Group operates in this business segment through a wholly-owned subsidiary, Qinquangdao Plate Mill and an associate, Qinquangdao Shouqin Metal Materials Co., Ltd. ("Shouqin").

At the beginning of 2004, the Group held 51% interest in Qinquangdao Plate Mill. To further consolidate the Group's equity stake and control in Qinquangdao Plate Mill and to benefit from its strong financial performance, the Group acquired further interests of 47% and 2% in Qinquangdao Plate Mill in October and December 2004, respectively. Since then, Qinquangdao Plate Mill has become a wholly-owned subsidiary of the Group.

Qinquangdao Plate Mill held 24% interest in Shouqin at the beginning of 2004. To secure a stable supply of the scarce resources of steel slabs, the Group directly acquired a further 27% interest in Shouqin in August 2004. In conjunction with the Group's increase in equity stake in Qinquangdao Plate Mill, the Group has held an effective interest of 51% in Shouqin by the end of 2004.

Qinquangdao Plate Mill consecutively achieved another brilliant success for 2004. Turnover recorded a new height of HK\$2,377.9 million for the year. It increased by HK\$699.8 million from HK\$1,678.1 million in 2003. This significant growth in turnover was benefited from the price rise of steel products in the burgeoning market, in which Qinquangdao Plate Mill captured the buoyant market opportunities by effectively utilizing its production capacity of steel plates. Approximately 622,000 metric tonnes of steel plates were produced in 2004, representing an increase of 78,000 metric tonnes as compared with approximately 544,000 metric tonnes produced in 2003. During the year, Qinquangdao Plate Mill increased the sales of its major steel products by 70,000 metric tonnes to 575,000 metric tonnes. By virtue of increased production and economies of scale in the procurement of raw materials, Qinquangdao Plate Mill successfully lessened the adverse effects of a general rise in the price of raw materials. These caused its net profit (excluding the share of result of its associate, Shouqin) to increase to HK\$178.3 million in 2004 from HK\$158.4 million in 2003. After deducting minority interests, the profit attributable to the Group (excluding the result for Shouqin, which will be described below) was HK\$117.6 million for the year ended 31 December 2004, showing an impressive increase in profit of HK\$36.7 million over that in 2003.

Shouqin commenced its operations in mid 2004. Shouqin reported a net profit of HK\$54.9 million for 2004, which had already included the write-off of pre-acquisition expenses to the full extent of HK\$31.6 million. After taking in the account the pre-acquisition accounting treatments in accordance with prevailing accounting practice in Hong Kong (for instance, the Group only shared Shouqin's pre-operating expenses to the extent of Qinquangdao Plate Mill's 24% interest therein, as the Group's further acquisition of interest in Shouqin only took place in August 2004), the Group's share of the profit of Shouqin for 2004 was HK\$38.9 million.

As the earning figures have shown, Qinquangdao Plate Mill and Shouqin are high quality assets of the Group. It is evident that the earning base of the Group will be significantly enhanced in future due to its increase in equity stakes in these companies. We are confident that the performance of the Group in the segment of manufacture and sale of steel products will be promising for the coming year.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") was mainly engaged in the time charter business for the year ended 31 December 2004. During the year, the improved market sentiment had caused freight rates to stay at high levels. This resulted in a substantial growth in charter hire income for the time charter business, from HK\$140.5 million in 2003 to HK\$270.8 million in 2004. As operating costs were relatively stable, the time charter business achieved a net operating profit of HK\$112.4 million for the year, against a net operating loss of HK\$3.7 million for 2003. Concentrating its available resources in the time charter business, Shougang Shipping Group did not conduct any voyage charter business for the reporting year. Its floating crane business recorded a profit of HK\$2.7 million for the year ended 31 December 2004, which declined moderately from a profit of HK\$3.6 million for last year. On the whole, Shougang Shipping Group achieved a significant turnaround in performance in 2004, reporting a profit attributable to shareholders of HK\$110.5 million. This represented a highly impressive improvement of HK\$124.8 million when compared with a loss attributable to shareholders of HK\$14.3 million in 2003. The management is confident that Shougang Shipping Group will continue to deliver successful result in the forthcoming year.

Electricity generation

Beijing Shougang Firstlevel Power Company Limited ("Beijing Power Plant") reported a turnover of HK\$381.4 million for the year ended 31 December 2004, representing an increase of HK\$6.5 million from HK\$374.9 million achieved in 2003. The total quantity of electricity generated and sold by Beijing Power Plant was approximately 1,128 million Kwh with a sales revenue of HK\$328.4 million for 2004, a rise of 31 million Kwh or HK\$9.1 million as compared with the sales quantity of approximately 1,097 million Kwh and sales revenue of HK\$319.3 million in 2003. However, sales revenues for steam and hot water for 2004 dropped slightly by HK\$1.5 million and HK\$1.1 million, to HK\$31.1 million and HK\$21.9 million respectively. Despite the higher output and enhanced revenue for electricity, surging prices for major fuel sources including coal, coal gas, water and other ancillary materials squeezed margins. Against this background, the Group's share of Beijing Power Plant's net profit has decreased slightly to HK\$26.6 million in 2004 from HK\$27.7 million in 2003.

In view of the increase in costs, the management will take proactive actions to minimize the adverse impact and to maintain the profit of the electricity generating business at a reasonable level.

Manufacture of steel cord for radial tyres; processing and trading of copper and brass products

For the year ended 31 December 2004, sales revenues and net profit of Shougang Concord Century Holdings Limited and its subsidiaries ("Shougang Century Group") soared to a new height record in recent years. Its consolidated turnover climbed to HK\$427.9 million for this year, representing a high growth rate of 43.9% from HK\$297.3 million for last year. During the year, turnover for its core business of manufacture of steel cord for radial tyres grew by 21.9% to HK\$266.3 million; its another core business, processing and trading of copper and brass products, marked a strong growth in turnover of 105.5% to HK\$159.7 million due to increasing demands of copper products in the market.

In spite of a marginal decline in gross profit margin from 33.9% in 2003 to 26.2% in 2004, the increase in sales during the year has caused gross profit to increase by HK\$11.2 million to HK\$112.2 million. Shougang Century Group was successful to maintain its expenditure to grow only moderately despite its strong growth in sales. In addition, the elimination of minority interests for this year has also helped to increase the bottom line profit. The said minority interests were related to the 28.2% interest in Jiaxing Eastern Steel Cord Co., Ltd. which is responsible for the steel cord business, that had been acquired by Shougang Century Group in October 2003. During the year, Shougang Century Group disposed of two subsidiaries and one jointly controlled entity, resulting in a net gain on disposal of HK\$67.2 million. This disposal gain, together with the normal operating profit of HK\$80.9 million, pushed its total earnings to a high level. Accordingly, Shougang Century Group's net profit attributable to shareholders rose to HK\$148.1 million for the year ended 31 December 2004 from HK\$66.1 million for last year. However, the captioned disposal gain of HK\$67.2 million was related to the release of pre-acquisition reserve in the amount of HK\$82.0 million. At a consolidation level, the Group had to share a loss of HK\$5.0 million in respect of the captioned disposal and other miscellaneous items. After accounting for the captioned share of loss and taking into the Group's share of its operating profit of HK\$22.4 million, the attributable profit to the Group for the year was HK\$17.4 million, which recorded a moderate decline by HK\$3.5 million from last year. In view of the stable business growth of Shougang Century Group, the Group looks forward for its increased contribution in future.

Trading of steel products; manufacture and installation of kitchen and laundry equipment

Following the efforts of the management to streamline its operations last year, Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") achieved a remarkable improvement in performance in 2004, both in terms of sales growth and profitability. It reported

a turnover of HK\$253.2 million for the year ended 31 December 2004, representing an increase of HK\$190.3 million as compared to HK\$62.9 million for last year. Turnover of the steel trading business amounted to HK\$187.0 million, whereas the turnover of the kitchen and laundry equipment business also reached HK\$66.2 million during the year. In terms of profitability, Shougang Steel Group achieved a turnaround in 2004 and reported a net profit of HK\$1.3 million for the year, in contrast with a net loss of HK\$3.7 million for last year.

Although the amount of recovery in profit was relatively small in 2004, it represented an encouraging turning point. It is the intention of the management to build on further strength for the future operations of Shougang Steel Group so as to increase its profits.

Liquidity and Financial Resources

The Group normally financed its operations by cash generated from its business activities and banking facilities provided by its bankers.