SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 103)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2005

HIGHLIGHTS

Turnover increased by 38.6% to HK$592,889,000 (2004: HK$427,864,000)

Net profit decreased by 58.1% to HK$62,228,000 (2004: HK$148,524,000(Restated))

Net profit (excluding non-recurring gain) decreased by 27.0% to HK$62,228,000 (2004: HK$85,261,000 (Restated))

Earnings per share (basic) decreased by 58.4% to HK6.06 cents (2004: HK14.57 cents (Restated))

Earnings per share (basic) (excluding non-recurring gain) decreased by 27.5% to HK$6.06 cents (2004: HK8.36 cents (Restated))

Net asset value increased by 9.4% to HK$693,753,000 (31 December 2004: HK$634,242,000 (Restated))

The board of directors of Shougang Concord Century Holdings 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 2005 and that final results was reviewed by the Audit Committee of the Company and agreed with the auditors:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	**2005** ***HK$'000***	2004 *HK$'000* (Restated)
Turnover	3 & 4	**592,889**	427,864
Cost of sales		**(497,034)**	(315,215)
Gross profit		**95,855**	112,649
Other operating income		**8,328**	5,758
Distribution costs		**(3,748)**	(2,011)
Administrative expenses		**(33,556)**	(29,660)
Other operating expenses		**(46)**	(2,379)
Recovery of (allowance for) bad and doubtful debts, net		**1,939**	(3,244)
Finance costs	5	**(14,468)**	(4,463)
Gain on disposal of subsidiaries		**–**	76,651
Loss on disposal of interest in a jointly controlled entity		**–**	(9,410)
Share of results of jointly controlled entities		**9,133**	6,765
Share of result of an associate		**4,781**	3,854
Profit before taxation	6	**68,218**	154,510
Income tax expenses	7	**(5,990)**	(5,986)
Profit for the year		**62,228**	148,524
Dividends	8	**15,391**	40,702

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Earnings per share	9		
Basic		**HK6.06 cents**	HK14.57 cents
Diluted		**HK5.84 cents**	HK13.23 cents

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2005

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Non-current assets			
Investment properties		**10,340**	8,966
Property, plant and equipment		**458,085**	480,213
Prepaid lease payments		**7,658**	7,243
Interests in a jointly controlled entity		**49,025**	44,883
Interests in an associate		**48,234**	45,620
Goodwill		**41,672**	41,672
Club memberships		**675**	675
Deferred tax assets		**–**	16
Available-for-sale investment/investment securities		**–**	–
		615,689	629,288
Current assets			
Inventories		**84,160**	83,207
Trade receivables	10	**140,172**	97,723
Bills receivable	10	**71,448**	73,499
Prepayments, deposits and other receivables		**10,808**	16,309
Prepaid lease payments		**426**	381
Amount due from a related company		**1,497**	2,118
Pledged bank deposits		**3,000**	4,000
Bank balances and cash		**37,378**	33,255
Asset classified as held for sale		**2,637**	–
		351,526	310,492
Current liabilities			
Trade payables	11	**9,284**	8,828
Bills payable		**–**	475
Other payables and accruals		**17,924**	14,180
Tax payable		**668**	865
Bank borrowings – due within one year	12	**200,415**	176,384
Obligations under finance leases – due within one year		**–**	206
		228,291	200,938
Net current assets		**123,235**	109,554
Total assets less current liabilities		**738,924**	738,842

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Non-current liabilities			
Bank borrowings – due after one year	12	**42,598**	103,063
Other payable		**1,638**	1,537
Deferred tax liabilities		**935**	–
		45,171	104,600
		693,753	634,242
Capital and reserves			
Share capital	13	**102,607**	102,607
Reserves		**591,146**	531,635
		693,753	634,242

Notes:

1. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, 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 "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of share of tax of jointly controlled entities and associates have 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 and prior accounting years are prepared and presented:

Business Combinations

In the current year, the Group has applied HKFRS 3 *Business Combinations* which is effective for business combinations for which the agreement date is on or after 1 January 2005. In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life. The Group has applied the transitional provisions in HKFRS 3. On 1 January 2005, the Group eliminated the carrying amount of the related accumulated amortisation of HK$2,778,000 with a corresponding decrease in the cost of goodwill. The Group has discontinued amortising such goodwill from 1 January 2005 onwards and such goodwill will be tested for impairment at least annually. 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 year. Comparative figures for 2004 have not been restated (see Note 2 for financial impact).

Share-based Payments

In the current year, the Group has applied HKFRS 2 *Share-based Payment* which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to eligible participants, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. Hence there is no financial impact on the current and prior accounting periods.

Financial Instruments

In the current year, 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 the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented for current and prior accounting periods. The principal effects resulting from the implementation of 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 the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

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 or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1 January 2005 onwards, the Group has classified and measured 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". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

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.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 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". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. The Group has applied the relevant transitional provisions in HKAS 39. However, there has been no material effect on how the results for the current accounting year are prepared and presented.

Derivatives and hedging

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 non-derivative 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 any derivatives 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 years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, 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. This change in accounting policy has been applied retrospectively (see Note 2 for the financial impact).

Investment Properties

In the current year, 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 profit or loss for the year in which they arise. In previous years, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits 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 a revaluation surplus 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 years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets which removes the presumption that the carrying amount of investment properties is 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 property at each balance sheet date. This change has had no material effect on the Group's retained profits at 1 January 2005.

2. 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 years are as follows:

	2005	2004
	HK$'000	*HK$'000*
Decrease in amortisation of goodwill	**2,222**	–
Decrease in amortisation of prepaid lease payments	**472**	410
Increase in profit for the year	**2,694**	410

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)	**Adjustment**	**As at 31 December 2004 (Restated)**	**Adjustment**	**As at 1 January 2005 (Restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

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	**Adjustment**	**As restated**
	HK$'000	*HK$'000*	*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 standards, amendments, and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosure [1]
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures [2]
HKAS 21 (Amendment)	Net Investment in a Foreign operation [2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions [2]
HKAS 39 (Amendment)	The Fair Value Option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts [2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HK (IFRIC) – INT 4	Determining whether an Arrangement Contains a Lease [2]
HK (IFRIC) – INT 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds [2]
HK (IFRIC) – INT 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment [3]
HK (IFRIC) – INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.

3. TURNOVER

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, and gross rental income during the year.

An analysis of the Group's turnover is as follows:

	2005	2004
	HK$'000	*HK$'000*
Sales of goods		
Manufacturing of steel cord	**411,865**	266,262
Processing and trading of copper and brass products	**164,620**	159,674
Others (Trading of metal ore)	**15,849**	1,511
	592,334	427,447
Rental income	**555**	417
	592,889	427,864

4. SEGMENT INFORMATION

(a) Business segments

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

For the year ended 31 December 2005

	Steel cord	**Copper and brass products**	**Corporate and others**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
External sales	**411,865**	**164,620**	**16,404**	**592,889**
Other income	**6,707**	**502**	**3,058**	**10,267**
Total	**418,572**	**165,122**	**19,462**	**603,156**
Result				
Segment result	**77,095**	**6,044**	**(14,343)**	**68,796**
Unallocated corporate income				**275**
Unallocated corporate expenses				**(299)**
Finance costs				**(14,468)**
Share of result of a jointly controlled entity	**–**	**–**	**9,133**	**9,133**
Share of result of an associate	**–**	**–**	**4,781**	**4,781**
Profit before taxation				**68,218**
Income tax expenses				**(5,990)**
Profit for the year				**62,228**

For the year ended 31 December 2004 (Restated)

	Steel cord HK$'000	Copper and brass products HK$'000	Corporate and others HK$'000	Consolidated HK$'000
Segment revenue				
External sales	266,262	159,674	1,928	427,864
Other income	751	1,157	3,850	5,758
Total	267,013	160,831	5,778	433,622
Result				
Segment result	83,060	10,196	(10,079)	83,177
Unallocated corporate income				158
Unallocated corporate expenses				(2,222)
Finance costs				(4,463)
Gain on disposal of subsidiaries	–	–	76,651	76,651
Loss on disposal of interest in a jointly controlled entity	–	–	(9,410)	(9,410)
Share of results of jointly controlled entities	–	–	6,765	6,765
Share of result of an associate	–	–	3,854	3,854
Profit before taxation				154,510
Income tax expenses				(5,986)
Profit for the year				148,524

(b) Geographical segments

	Hong Kong		Other regions in the People's Republic of China (the "PRC")		Others		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000* (Restated)
Segment turnover:								
Sales to external customers	**67,203**	60,370	**521,178**	365,633	**3,953**	1,444	**592,334**	427,447
Gross rental income	**450**	417	**105**	–	**–**	–	**555**	417
	67,653	60,787	**521,283**	365,633	**3,953**	1,444	**592,889**	427,864

5. FINANCE COSTS

	2005 ***HK$'000***	2004 *HK$'000*
Interest on bank and other borrowings wholly repayable within five years	**13,682**	6,509
Interest on finance leases	**6**	34
Other finance costs	**780**	–
Total borrowing costs	**14,468**	6,543
Less: Amounts capitalised in construction in progress	**–**	(2,080)
	14,468	4,463

6. PROFIT BEFORE TAXATION

	THE GROUP 2005 *HK$'000*	2004 *HK$'000*
Profit before taxation has been arrived at after charging:		
Cost of inventories sold	**489,570**	307,858
Depreciation	**38,794**	25,434
Amortisation of prepaid lease payments	**421**	381
Amortisation of goodwill	**–**	2,222
Loss on disposal of property, plant and equipment	**299**	–
Share of tax of jointly controlled entities	**1,700**	1,068
Share of tax of an associate	**1,563**	708

7. INCOME TAX EXPENSES

	THE GROUP 2005 *HK$'000*	2004 *HK$'000* (Restated)
Current tax:		
Hong Kong	**–**	–
Other regions in the PRC	**5,114**	6,361
	5,114	6,361
Under(over)provision in prior years:		
Hong Kong	**–**	16
Other regions in the PRC	**–**	(311)
	–	6,066
Deferred taxation:		
Current year	**876**	(80)
Taxation attributable to the Company and its subsidiaries	**5,990**	5,986

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

Taxation in the PRC is calculated at the rates prevailing in the PRC. Certain subsidiaries, jointly controlled entity and associate of the Group operating in the PRC are eligible for certain tax concessions. Accordingly, PRC income tax has been provided taking into account of these tax concessions.

8. DIVIDENDS

	2005 *HK$'000*	2004 *HK$'000*
Ordinary shares:		
Interim dividend paid – HK2.0 cents per share with scrip option	**–**	20,351
Final dividend paid – HK1.5 cents per share in respect of previous financial year (2004: HK2.0 cents per share)	**15,391**	20,351
	15,391	40,702

No final dividend was paid or proposed for the year ended 31 December 2005, nor has any dividend been proposed since the balance sheet date (2004: HK1.5 cents per share).

9. EARNINGS PER SHARE

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

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Earnings		
Profit for the year for the purpose of calculation of basic and diluted earnings per share	**62,228**	148,524
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,026,066,556**	1,019,614,692
Effect of dilutive potential ordinary shares: Share options	**38,706,181**	103,108,012
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,064,772,737**	1,122,722,704

10. TRADE RECEIVABLES/BILLS RECEIVABLE

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

An aged analysis of trade and bills receivable as at the balance sheet date based on payment due date and after allowance, is as follows:

	2005 *HK$'000*	2004 *HK$'000* (Restated)
0 – 90 days	**181,710**	149,930
91 – 180 days	**29,910**	16,601
Over 180 days	**–**	4,691
	211,620	171,222

11. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date, based on payment due date, is as follows:

	2005 *HK$'000*	2004 *HK$'000*
0 – 90 days	**9,172**	8,805
91 – 180 days	**87**	–
Over 180 days	**25**	23
	9,284	8,828

12. BANK BORROWINGS

During the year, the Group obtained new bank loans of approximately HK$131,913,000 and repaid bank borrowings of approximately HK$166,398,000. The loans bear interest at floating interest rates and are repayable over a period of three years.

13. SHARE CAPITAL

Ordinary shares of HK$0.10 each

	Number of shares *'000*	**Share capital** *HK$'000*
Authorised:		
At 1 January 2005 and 31 December 2005	2,000,000	200,000
Issued and fully paid:		
At 1 January 2005 and 31 December 2005	1,026,067	102,607

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The market demand of our core product, steel cord for use in radial tyres continued to expand in 2005, coupled with our enlarged production capacity, the Group was able to achieve 38.6% growth in revenue as compared to the previous year. However, the skyrocketing raw material prices and increased market competition had dented the gross profit margin of Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern"), our principal subsidiary engaged in the manufacturing of steel cord. Besides, our copper processing and trading business was also affected by the soaring copper price which curbed the demand for copper products from our customers during the year under review.

On the other hand, the Group's jointly controlled entity and associate engaged in the business of manufacturing of pre-stressed concrete strands and wires had benefited from the rising steel price and achieved double-digit growth in profit for the current year.

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

The expansion of the automobile market and the transportation network in the People's Republic of China (the "PRC") persisted in 2005. Total production of motor vehicles amounted to approximately 5,700,000 units in the current year, up by 12.1% over the previous year. (Source: National Bureau of Statistics of China). On the other hand, approximately 6,700 kilometers of freeways were added to the freeway network of the PRC in 2005. These had driven the growing needs of radial tyres and hence, steel cord during the current year.

Our steel cord segment achieved a growth in revenue of 54.7% over the previous year to HK$411,865,000. However, faced with pricing pressures from increasing competition and escalating import raw material prices, gross profit dropped by 14.4% to HK$81,746,000. The management had considered various hedging methods to curb the impact of rising import 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 more orders with domestic suppliers in the PRC whose prices were relatively lower than their import counterparts in 2005. As a result of the rising raw material prices, the cost of major raw material for the manufacturing of steel cord increased by 46.7% over the previous 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 19.8%, as compared to 35.8% in the previous year.

The decreased gross profit had caused the profit of this segment dropping by 7.2% to HK$77,095,000 (2004: HK$83,060,000) for the current year.

Processing and trading of copper and brass products ("Copper & brass products")

International copper price climbed significantly during the year ended 31 December 2005, 3-month copper price traded in the London Metals Exchange reached to approximately US$4,500 per tonne, rose by approximately 50% as compared to 31 December 2004. Such rampant rise in copper price suppressed the demand for copper products from our customers, which caused sales volume dropping by 11.3% to approximately 5,130 tonnes for the current year. However, attributable to the rising copper price, revenue of this segment slightly increased by 3.1% to HK$164,620,000.

Gross profit for the current year amounted to HK$12,471,000, lowered by 24.8% as compared to HK$16,580,000 for the previous year, while gross profit margin was 7.6%, as compared to 10.4% for the previous year. The exceptional performance in 2004 was attributable to the stockpiling of inventories at a relatively low price in 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 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, profit of this segment dropped by 40.7% to HK$6,044,000 (2004: HK$10,196,000) for the current year.

FINANCIAL REVIEW

Profit of the Group for the current year amounted to HK$62,228,000, a drop of 58.1% as compared to the previous year. However, previous year's profit of HK$148,524,000 (restated) included net gain of HK$63,263,000 (being the realization of HK$82,041,000 of negative goodwill and HK$18,778,000 of exchange loss in translation reserve) arising from the disposals of subsidiaries and interest in a jointly controlled entity. When such non-recurring gain was excluded, profit for the previous year would be HK$85,261,000, and the current year's profit would represent a decrease of 27.0% over the previous year.

Turnover

Turnover of the Group for the current year amounted to HK$592,889,000, representing an increase of 38.6% over the previous year. The breakdown of turnover by business segments is as follows:

	2005 *HK$'000*	**% of total turnover**	2004 *HK$'000*	% of total turnover	**% change**
Steel cord	**411,865**	**69.4**	266,262	62.2	+54.7
Copper & brass products	**164,620**	**27.8**	159,674	37.3	+3.1
Others	**16,404**	**2.8**	1,928	0.5	+750.8
Total	**592,889**	**100.0**	427,864	100.0	+38.6

Gross Profit

The Group's gross profit lowered by 14.9% to HK$95,855,000, while gross profit margin dropped from 26.3% in the previous year to 16.2% in the current year, the breakdown is as follows:

	2005 *HK$'000*	**Gross profit %**	2004 *HK$'000*	Gross profit %	**% change**
Steel cord	**81,746**	**19.8**	95,451	35.8	-14.4
Copper & brass products	**12,471**	**7.6**	16,580	10.4	-24.8
Others	**1,638**	**10.0**	618	32.1	+165.0
Total	**95,855**	**16.2**	112,649	26.3	-14.9

Other operating income

The Group's other operating income for the current year amounted to HK$8,328,000, an increase of 44.6% over the previous year. Current year's other operating income included a net exchange gain of HK$4,575,000, primarily as a result of the appreciation of Renminbi ("RMB") by 2% against United States Dollars ("USD") in July 2005.

Administrative expenses

The current year's administrative expenses amounted to HK$33,556,000, an increase of 13.1% over the previous year. The rise in administrative expenses was largely because of the expansion of the Group's business that increased overall costs. However, administrative expenses as a percentage of revenue further dropped from 6.9% in the previous year to 5.7% in the current year.

Segment results

Attributable to the drop in gross profit, profit from the Group's business segments lowered by 17.3% to HK$68,796,000 for the current year. The breakdown is as follows:

	2005 *HK$'000*	2004 *HK$'000*	**% change**
Steel cord	**77,095**	83,060	-7.2
Copper and brass products	**6,044**	10,196	-40.7
Corporate and others	**(14,343)**	(10,079)	+42.3
	68,796	83,177	-17.3

Finance costs

The Group's finance costs increased by 224.2% to HK$14,468,000 for the current year. The increase was principally attributable to (i) the interest rate hikes since the first half of 2005 which had pushed Hong Kong Dollar ("HKD") and USD interbank rates from circa 1% level to the level of 4% at the end of 2005, represented a rise of almost three times over the previous year; and (ii) increased short term bank borrowings to fulfill the cashflow needs from expanded production capacity and soaring raw material prices.

Share of results of jointly controlled entities and an associate

The Group's jointly controlled entity and associate engaged in the manufacturing of pre-stressed concrete strands and wires were able to take advantage of the rising steel price and achieved satisfactory growth in profit for the current year.

Turnover of Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") remained similar to that of the previous year, at HK$465,519,000. Contributed by the improvement in gross profit margin from rising selling price, its profit for the year rose by 32.7% to HK$36,532,000. As such, the Group's share of the profit for the year of Shanghai Shenjia also increased proportionally to HK$9,133,000.

Turnover of Xinhua Metal Products Co., Ltd. ("Xinhua Metal") increased by 10.7% to HK$785,576,000, while its profit for the year increased by 24.1% to HK$28,542,000. The Group's share of the profit for the year of Xinhua Metal also increased proportionally to HK$4,781,000.

LIQUIDITY AND FINANCIAL RESOURCES

Bank balance and cash (including pledged bank deposits) of the Group as at 31 December 2005 amounted to HK$40,378,000, an increase of 8.4% as compared to HK$37,255,000 as at 31 December 2004. During the current year, the Group generated HK$51,640,000 of net cash inflow from its operating activities, and received dividend of HK$9,059,000 from its jointly controlled entity and associate.

The Group repaid net bank borrowings of HK$34,247,000 during the year, thereby reduced the bank borrowings from HK$279,653,000 as at 31 December 2004 to HK$243,013,000 as at 31 December 2005. The Group's bank borrowings include HK$105,150,000 fixed-rate borrowings which carry interest ranging from 1.71% to 5.90% per annum. The remaining bank loans are variable rate borrowings. Their nature and maturity profile are as follows:

	HK$'000
Due within one year or on demand	
– Trust receipt loans	79,592
– Short term bank loan and current portion of medium term loan	120,823
Subtotal	200,415
Due in the second year	
– Non-current portion of medium term loan	42,598
Total	243,013

Because of the decreased bank borrowings, gearing ratio (total bank borrowings less bank balances and cash / shareholders' equity) of the Group dropped from 38.2% at 31 December 2004 to 29.2% at 31 December 2005. While the Group's current ratio at 31 December 2005 remained the level similar to the previous year at 1.54 times (31 December 2004: 1.55 times).

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's source of revenue is principally denominated in RMB and HKD, while bank borrowings as at 31 December 2005 are in HKD and USD, with the composition of approximately 38.2% (31 December 2004: 31.5%) denominated in HKD and 61.8% (31 December 2004: 68.5%) denominated in USD.

When considering the currency composition of bank borrowings, we will take into account factors such as the interest rate differentials between RMB, HKD and USD, and the exchange rate movement between these currencies, with the view to save interest costs and shelter us from significant exchange rate fluctuations. For the current year, the Group adopted the strategy to borrow in HKD and USD as opposed to RMB because their interest rates remained lower than RMB and the stronger exchange rate of RMB against USD. This strategy brought positive impact to the Group's earnings following 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. As a result of the RMB appreciation, not only the amount of USD borrowings had been 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 currency composition of our bank borrowings and will take appropriate action to minimize our exchange and interest rate 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 31 December 2005, approximately 41.2% of total bank borrowings had been hedged.

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 the second half of 2007 is under way. Total costs of the expansion is adjusted to be approximately HK$250,000,000 – HK$300,000,000 (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

As mentioned in our 2004 annual report, we will incur capital expenditure of approximately HK$4,000,000 to establish an additional production plant in the People's Republic of China (the "PRC") for domestic sales of copper and brass products in the PRC. The development is in progress but the commencement of operation is postponed to be in the fourth quarter of 2006 due to the profuse volatility of copper prices. The capital expenditure will be financed by internal resources of the Group.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2005, the Group had a total of 695 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition. 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 current year amounted to HK$1,652,000. 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. On the other hand, the emoluments of the directors of the Company are decided by the Remuneration Committee of the Company, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

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 current year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2005, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK$45,066,000;
2. Prepaid lease payments amounting to HK$8,084,000;
3. Plant and machinery with net book value of HK$136,956,000;
4. 100% equity interests in Everwinner Investments Limited, Online Investments Limited and Jiaxing Eastern; and
5. Bank deposits amounting to HK$3,000,000.

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 31 December 2005 amounted to approximately HK$10,935,000.

BUSINESS OUTLOOK

The PRC has overtaken the United Kingdom as the fourth biggest economy in 2005, its economy grew by 9.9% in 2005 and we expect such strong growth to persist in the coming future. Furthermore, one of the tasks of the Eleventh Five-year Plan (Year 2006 – 2010) as promulgated by the Central Government is to enlarge domestic demand as a way to counterbalance the inclination of economic growth to foreign trade and fixed assets investments, and to maintain a stable and yet speedy growing economy.

We believe such policy will bring positive impact to the Group's businesses in the longer term, and we are committed to expand the production capacity of our steel cord and copper businesses, as mentioned in "BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS" section above, to tap the growing demand of these products in the PRC.

Looking forward in 2006, certain raw material prices have dropped from their peak levels since the end of 2005. This should help to alleviate the pressure on our costs and hence, can improve our gross profit margin. However, the competition on steel cord industry remains intense and pricing pressure will persist. Notwithstanding, we will strive to enhance our profit margin by way of cost control and improvement of operating efficiency. Furthermore, we will continue to invest in our product and technological developments and broaden our customer base both domestic and abroad. In conclusion, owing to the aforesaid factors, we are confident to improve our profitability and deliver satisfactory return to our shareholders in 2006.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2005. In 2004, the directors had proposed a final dividend of HK1.5 cents per share.

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. Law, Yui Lun and Mr. Chu, Kwok Tsu Gilbert. 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 final results for the year ended 31 December 2005. The Audit Committee from time to time has met with the management to discuss matters in relation to financial reporting quality and reliability of the internal control system.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of this preliminary announcement of the Group's consolidated balance sheet, consolidated income statement and the related notes for the year ended 31 December 2005 have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu ("Deloitte"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Deloitte on this preliminary announcement.

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 year 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), 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 because 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 the Model Code 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 year under review, save as disclosed above, none of 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.

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 year.

ACKNOWLEDGEMENTS

On behalf of the Board, we wish to thank all our customers, suppliers, bankers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable service and contribution throughout the year.

By Order of the Board
Cao Zhong
Chairman

Hong Kong, 20 April 2006

As at the date of the announcement, the directors of the Company are Messrs. 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), Law, Yui Lun (Independent Non-executive Director) and Chu, Kwok Tsu Gilbert (Independent Non-executive Director).

This announcement 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.