



首長國際企業有限公司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

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 2002 with comparative figures for the year ended 31 December 2001 as follows:

		Continuing operations		Discontinued operations		Total operations	
		2002	2001	2002	2001	2002	2001
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	(2)	1,992,767	1,920,241	7,718	22,028	2,000,485	1,942,269
Cost of sales		(1,927,924)	(1,833,176)	–	–	(1,927,924)	(1,833,176)
Gross profit		64,843	87,065	7,718	22,028	72,561	109,093
Other revenue and gains, net		20,587	31,327	1,444	2,831	22,031	34,158
Distribution costs		(9,986)	(12,376)	–	–	(9,986)	(12,376)
Administrative expenses		(167,870)	(176,425)	(7,668)	(14,981)	(175,538)	(191,406)
Other operating expenses, net		(55,619)	(70,184)	(23)	(58,818)	(55,642)	(129,002)
Impairment of goodwill		–	–	–	(333,053)	–	(333,053)
Impairment of fixed assets		(104,375)	(169,674)	–	–	(104,375)	(169,674)
Gain on disposal of subsidiaries		99,503	–	–	–	99,503	–
Loss on disposal of discontinued operations	(3)	–	–	(213,340)	–	(213,340)	–
LOSS FROM OPERATING ACTIVITIES	(4)	(152,917)	(310,267)	(211,869)	(381,993)	(364,786)	(692,260)
Finance costs	(5)	(38,532)	(64,173)	(1,754)	(5,627)	(40,286)	(69,800)
Share of profits and losses of:							
Jointly-controlled entities		(13)	(30)	(1,508)	2,400	(1,521)	2,370
Associates		16,058	7,376	6,885	(27,878)	22,943	(20,502)
LOSS BEFORE TAX		(175,404)	(367,094)	(208,246)	(413,098)	(383,650)	(780,192)
Tax	(6)	(8,030)	(2,459)	(945)	(2,534)	(8,975)	(4,993)
LOSS BEFORE MINORITY INTERESTS		(183,434)	(369,553)	(209,191)	(415,632)	(392,625)	(785,185)
Minority interests		82,065	144,724	(1,366)	33,083	80,699	177,807
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(101,369)	(224,829)	(210,557)	(382,549)	(311,926)	(607,378)
LOSS PER SHARE							
– BASIC, HK cents	(7)					(13.6)	(28.9)

Notes:

(1) IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs are effective for the first time for the current year’s financial statements:

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

These SSAPs prescribe new accounting measurement and disclosure practices. The implementation of these SSAPs for the current year has had no significant effect on the financial results and the financial position of the Group.

(2) SEGMENT INFORMATION

The following tables present revenue and results for the Group’s business segments:

(a) Business segments

2002

	Steel manufacturing HK\$'000	Steel trading HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Shipping HK\$'000	Property investment and management HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue:									
Sales to external customers	1,596,778	19,920	36,515	70,191	267,091	7,718	2,272	-	2,000,485
Intersegment sales	-	-	-	-	-	-	1,458	(1,458)	-
Other revenue	11,073	6,003	-	472	86	493	22	-	18,149
Intersegment other revenue	-	-	-	-	-	-	-	-	-
Total	<u>1,607,851</u>	<u>25,923</u>	<u>36,515</u>	<u>70,663</u>	<u>267,177</u>	<u>8,211</u>	<u>3,752</u>	<u>(1,458)</u>	<u>2,018,634</u>
Segment results	<u>(76,364)</u>	<u>(4,421)</u>	<u>9,052</u>	<u>(3,813)</u>	<u>(60,730)</u>	<u>(212,797)</u>	<u>(19,572)</u>	<u>-</u>	<u>(368,645)</u>
Unallocated revenue and gains									3,882
Unallocated expenses									(23)
Loss from operating activities									(364,786)
Finance costs									(40,286)
Share of profits and losses of:									
Jointly-controlled entities	-	(13)	-	-	-	(1,508)	-	-	(1,521)
Associates	-	-	-	-	-	6,885	16,058	-	22,943
Loss before tax									(383,650)
Tax									(8,975)
Loss before minority interests									(392,625)
Minority interests									80,699
Net loss from ordinary activities attributable to shareholders									<u>(311,926)</u>

(a) Business segments
2001

	Steel manufacturing HK\$'000	Steel trading HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Shipping HK\$'000	Property investment and management HK\$'000	Corporate and others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Segment revenue :									
Sales to external customers	1,447,620	90,828	–	79,953	299,740	22,028	2,100	–	1,942,269
Intersegment sales	–	–	–	–	–	–	1,560	(1,560)	–
Other revenue	18,747	5,446	–	436	20	747	35	–	25,431
Intersegment other revenue	–	1,280	–	–	–	–	–	(1,280)	–
Total	1,466,367	97,554	–	80,389	299,760	22,775	3,695	(2,840)	1,967,700
Segment results	(283,372)	(329)	–	(1,544)	(24,001)	(274,308)	(115,955)	(1,280)	(700,789)
Unallocated revenue and gains									8,727
Unallocated expenses									(198)
Loss from operating activities									(692,260)
Finance costs									(69,800)
Share of profits and losses of:									
Jointly-controlled entities	–	(30)	–	–	–	2,400	–	–	2,370
Associates	–	–	–	–	–	(27,878)	7,376	–	(20,502)
Loss before tax									(780,192)
Tax									(4,993)
Loss before minority interests									(785,185)
Minority interests									177,807
Net loss from ordinary activities attributable to shareholders									(607,378)

(b) Geographical segments

The following table presents revenue of the Group's geographical segments:

	Hong Kong		Mainland China		Corporate and others		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	307,699	367,958	1,676,585	1,509,996	16,201	64,315	–	–	2,000,485	1,942,269
Intersegment sales	–	–	–	–	1,458	1,560	(1,458)	(1,560)	–	–
Other revenue	6,118	1,841	12,003	19,093	28	4,497	–	–	18,149	25,431
Intersegment other revenue	–	1,280	–	–	–	–	–	(1,280)	–	–
Total	313,817	371,079	1,688,588	1,529,089	17,687	70,372	(1,458)	(2,840)	2,018,634	1,967,700

(3) DISCONTINUED OPERATIONS

On 11 April 2002, a conditional agreement was entered into between the Company, a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited (the “First Purchaser”) and a wholly-owned subsidiary of Cheung Kong (Holdings) Limited (the “Second Purchaser”) pursuant to which, the Company agreed to sell and the First Purchaser agreed to acquire 430,491,315 ordinary shares of HK\$0.01 each in the capital of Shougang Concord Grand (Group) Limited (“Shougang Grand”) and the Second Purchaser agreed to acquire 91,491,193 ordinary shares of HK\$0.01 each in the capital of Shougang Grand for an aggregate cash consideration of approximately HK\$172,254,000 (equivalent to HK\$0.33 per Shougang Grand share). The consideration was received and the above transaction was completed on 21 June 2002. The Company has no interests in Shougang Grand after the completion of the above disposal.

A loss on disposal of interest in Shougang Grand of approximately HK\$213,340,000 was recorded by the Group upon the completion of the above disposal and there were no tax expenses arising from the disposal.

The segment information of Shougang Grand has been disclosed under the “property investment and management” segment in note (2) above.

(4) LOSS FROM OPERATING ACTIVITIES

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

	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	1,560,774	1,472,831
Depreciation	98,978	115,240
Amortisation of intangible assets	1,843	1,630
Amortisation of goodwill	303	–
Impairment of goodwill	–	333,053
Impairment of land and buildings	29,095	17,174
Impairment of other fixed assets	75,280	152,500
Revaluation deficit on investment properties	988	32,188
Loss on disposal of land and buildings	–	79
Loss on disposal of an investment property	–	358
Loss on disposal of long term investments	–	6
Gain on disposal of short term investments, net	(750)	(1,077)
Loss/(gain) on disposal of subsidiaries	(99,503)	4,808
Loss on disposal of discontinued operations	213,340	–
Gain on dissolution of a subsidiary	(921)	–
Loss on deemed disposal of interest in an associate	–	940
Loss/(gain) on changes in fair values of short term investments, net	23	(307)
Provisions for bad debts, net	43,563	68,599
Write-off of an amount due from a related company	227	–
Provision against loan to an associate	–	18,332
Provision against amount due from an associate	–	3,589
Interest income	(3,104)	(7,102)
Dividend income from listed investments	(28)	(49)
	<u> </u>	<u> </u>

(5) FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest expense on:		
Bank loans, bank overdrafts and other loans wholly repayable within five years	36,525	43,854
Convertible note	3,419	–
Convertible bonds	–	18,094
Finance leases	342	401
	<u> </u>	<u> </u>
Total interest	40,286	62,349
Other finance costs:		
Accretion of premium on convertible bonds	–	7,451
	<u> </u>	<u> </u>
	<u>40,286</u>	<u>69,800</u>

(6) TAX

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2002 HK\$'000	2001 HK\$'000
Group:		
Hong Kong	141	700
Elsewhere	7,438	1,811
Overprovision in prior years	(42)	(162)
Deferred tax	–	(186)
	<u> </u>	<u> </u>
	7,537	2,163
Share of tax attributable to:		
Jointly-controlled entities	765	1,346
Associates	673	1,484
	<u> </u>	<u> </u>
	1,438	2,830
	<u> </u>	<u> </u>
Tax charge for the year	<u>8,975</u>	<u>4,993</u>

(7) LOSS PER SHARE

The calculation of basic loss per share is based on net loss from ordinary activities attributable to shareholders for the year of HK\$311,926,000 (2001: HK\$607,378,000) and 2,295,546,454 (2001: weighted average number of 2,099,044,550) ordinary shares in issue during the year.

The diluted loss per share for the years ended 31 December 2002 and 2001 is not shown as there were no dilutive effects on the basic loss per share. The 3% convertible note had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2002, and the 8% convertible bonds had an anti-dilutive effect on the basic loss per share for the year ended 31 December 2001. The outstanding share options of the Company would not result in the issue of ordinary shares for less than the fair values as their exercise price was above the average market price of the Company's shares during the two years.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2001: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group incurred a loss attributable to shareholders of HK\$311.9 million for the year ended 31 December 2002. This loss was comprised of net loss on continuing operations of HK\$101.4 million (2001: HK\$224.8 million) and net loss on discontinued operations of HK\$210.5 million (2001: HK\$382.6 million) respectively.

The decline in net loss on continuing operations amounted to HK\$123.4 million, from HK\$224.8 million to HK\$101.4 million in 2002. It was mainly due to the gain of HK\$99.5 million on disposal of interests in three subsidiaries during the year pursuant to the Group Reorganisation, details of which were announced previously. The Group's net loss on discontinued operations also decreased from HK\$382.6 million to HK\$210.5 million in 2002. The loss in 2001 was mainly attributed to impairment of goodwill amounting to HK\$333.1 million whilst the loss in 2002 was resulted from net profit on discontinued operations of HK\$2.8 million and the loss on disposal of a subsidiary of HK\$213.3 million pursuant to the Group Reorganisation, details of which were explained in the 2002 Interim Report.

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

Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported a turnover of HK\$90.1 million for year ended 31 December 2002, representing a decrease of HK\$80.7 million as compared with that of last year. The significant drop in turnover was mainly attributable to the severe contraction in its steel trading business, which turnover fell from HK\$88.7 million in 2001 to HK\$17.9 million in 2002, largely as a result of extremely strong market competition. Turnover of the kitchen and laundry equipment business recorded a less serious slide of HK\$9.8 million, from HK\$80.0 million in 2001 to HK\$70.2 million in 2002.

In spite of the increased efforts of the management to tighten cost control measures, the significant decrease in turnover had an apparent impact on overall performance. Shougang Steel Group suffered a loss of HK\$7.8 million for the year, against a profit of HK\$0.8 million for last year. As market conditions are expected to remain difficult in the near future, the management will remain cautious in controlling costs. Review of operations will also be conducted in order to mitigate loss.

Shipping

For the year ended 31 December 2002, Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") recorded a total operating revenue of HK\$267.1 million, a decrease of HK\$32.6 million from HK\$299.7 million in 2001. The decrease in total operating revenue was mainly due to the significant shrinkage of HK\$46.2 million in operating revenue for the time charter business, from HK\$144.4 million in 2001 to HK\$98.2 million in 2002. During the year, operating revenue for the voyage charter business grew by HK\$13.6 million to HK\$159.0 million, while operating revenue for the floating crane business fell marginally by 1% to HK\$9.9 million.

To Shougang Shipping Group, 2002 was a difficult year in which its time charter business was most hard hit by depressed freight rates. At the start of the year, the global economic downturn continued to exert substantial negative impact on the market freight rates, which were dragged down to much lower levels than those in 2001. Although the market eventually picked up in October the prolonged hard times during the year had translated into tremendous pressure for the operations of the time charter business and resulted in its operating loss of HK\$64.0 million, an increase in loss of HK\$38.6 million when compared with last year. In contrast, the voyage charter and floating crane businesses performed relatively more satisfactorily and achieved operating profit of HK\$2.5 million and HK\$6.5 million respectively for the year. On the whole, Shougang Concord Shipping Group incurred a loss attributable to shareholders of HK\$64.5 million for year ended 31 December 2002, representing an increase in loss of HK\$41.0 million over that in 2001. As it is expected that the prospect of shipping operations will remain dim in the near future, the Group will review the operational issues and evaluate its investment in Shougang Shipping Group in a critical manner.

Manufacture and sale of steel products

Firstlevel Holdings Limited and its subsidiaries ("Firstlevel Group") recorded another year of disappointing result in 2002. In the business segment of manufacture and sale of steel products, the Group's investment in Firstlevel Group mainly consisted of four steel products manufacturing subsidiaries in the PRC. One of them is located in Qinhuangdao, PRC ("Qinhuangdao subsidiary"), in which the Group has a 51% interest. The other three are located in Beijing, PRC ("the three disposed subsidiaries"), in each of which the Group had a 65% interest prior to the disposal pursuant to the Group Reorganisation.

During the year, competition among steel manufacturers in the PRC remained keen. A challenge was posed to the traditional steel mills in respect of costs structure and operational efficiency. Under such circumstances, Qinhuangdao subsidiary endeavoured to implement stringent cost control measures and to enhance productivity. In 2002, it incurred an operating loss of HK\$24.6 million (2001: HK\$73.1 million) and an impairment loss on fixed assets of HK\$104.0 million (2001: HK\$169.7 million). After deducting for minority interests, the attributable loss to the Group decreased to HK\$65.4 million in 2002 from HK\$123.8 million in 2001. In view that the loss position has not yet been turned around, the management of Qinhuangdao subsidiary will take further measures to remedy the situation in order to restore profitability in future.

The Group disposed of its 50% interest in each of the three disposed subsidiaries by end of November in 2002 pursuant to the Group Reorganisation, details of which were announced previously. A gain of HK\$99.5 million was realized on the disposal. The remaining 15% interest in each of the three disposed subsidiaries with a total carrying cost of HK\$19.4 million will be retained as long-term investments. Other than the said gain on disposal, the Group's share of the attributable loss in the three disposed subsidiaries for the year amounted to HK\$53.4 million, as compared to the attributable loss of HK\$45.6 million for last year.

Manufacture and sale of metallic products; processing and trading of copper and brass products

Shougang Concord Century Holdings Limited and its subsidiaries ("Shougang Century Group") continued to ride high in performance during the year. Its consolidated turnover climbed to HK\$234.9 million for the year ended 31 December 2002, representing an impressive growth rate of 25.5% from HK\$187.1 million in 2001. Turnover for its core business of manufacture and sale of steel cord grew by 22.9% to HK\$177.7 million in 2002, which is driven by the strong demand in radical tyre and steel cord arising from the rapid development of the domestic motor vehicles market and freeway network in the PRC. Shougang Century Group's another core business, processing and trading of copper and brass products, also marked a strong growth in turnover of 38.4% to HK\$56.7 million in 2002 due to its strengthened sales force and sourcing network.

Accompanied with the increase in turnover was the improvement in gross profit margin, from 29.0% in 2001 to 32.2% in 2002, which is attributable to Shougang Century Group's successful efforts to reduce the cost of sales by reaping on economies of scale through enlarged production activities. Consequently, gross profit mounted up by 39.4% over 2001 to HK\$75.6 million for the year. On the other hand, Shougang Century Group also managed to maintain its expenditure to grow only moderately from last year's level and, through proactive measures in credit control and debt collection, was able to recover some long outstanding debts in the year, resulting in the write-back of provision for bad and doubtful debts for HK\$16.6 million. These caused profit after tax to increase to HK\$62.6 million in 2002 from HK\$27.3 million in 2001. After accounted for minority interests, Shougang Century Group's net profit attributable to shareholders for the year rose to HK\$42.3 million, an increase of 110.8% when compared with HK\$20.1 million achieved in 2001. Riding on the upward trend in productivity with a stronger financial position, the future prospect of Shougang Century Group remains promising.

Discontinued operations

As described in the 2002 Interim Report, the Company had disposed of its 63.05% shareholdings in Shougang Concord Grand (Group) Limited ("Shougang Grand") during the year pursuant to the Group Reorganisation and incurred a loss on disposal of HK\$213.3 million. Shougang Grand and its subsidiaries ("Shougang Grand Group") are principally engaged in the activities of property investment, development and management in Hong Kong and the PRC. Shougang Grand Group also holds a 46.3% interest in its associate, Shougang Concord Technology Holdings Limited ("Shougang Technology"). Shougang Technology and its subsidiaries are principally engaged in the manufacture and sale of telephone cords and accessories, power cords, adaptors and electronic products, printed circuit boards, high precision components for computers and the provision of freight forwarding and delivery services.

The result of Shougang Grand Group for 2002 has been accounted for under the heading of discontinued operations in the consolidated accounts up to the date of its disposal. In 2002, the Group's share of net profit contributed by Shougang Grand Group amounted to HK\$2.8 million. After accounted for the loss on disposal of HK\$213.3 million, the Group incurred a net loss on discontinued operations of HK\$210.5 million for year ended 31 December 2002. The corresponding loss of HK\$382.6 million in the previous year represented the Group's impairment of goodwill for investment in Shougang Grand and its associate, Shougang Technology in the sum of HK\$333.1 million and share of net loss in Shougang Grand Group of HK\$49.5 million, respectively.

Acquisition of new business

As mentioned in our last Annual Report, the Group has launched a programme of Group Reorganisation in 2002, which includes the acquisition of a 51% interest in a power plant in the PRC by a wholly-owned subsidiary of the Company from Shougang Corporation for a consideration of HK\$198.2 million. Further details of the acquisition are contained in the circular to the shareholders of the Company dated 17 May 2002. The acquisition was completed in November 2002. Included in the consolidated accounts for the year ended 31 December 2002 were the Group's share of net profit contributed by the power plant amounting to HK\$3.0 million, and amortization of goodwill arising on such acquisition amounting to HK\$0.3 million, respectively. Since the consolidated accounts for 2002 reflected the result of the power plant for only one month, a substantial profit contribution to the Group is anticipated in the forthcoming year. We believe that this new investment will help to improve the future performance of the Group significantly.

Liquidity and financial resources

The Group financed its operations mainly by cash generated from its business activities and banking facilities provided by its bankers. As at 31 December 2002, the Group had banking facilities of HK\$24.5 million with banking institutions in Hong Kong, and banking facilities of RMB190.0 million and US\$1.0 million with banking institutions in the PRC. These banking facilities were utilised to the extent of HK\$14.3 million, RMB140.0 million and US\$1.0 million respectively as at 31 December 2002. The banking facilities in Hong Kong were secured by certain properties of HK\$19.4 million, and those in the PRC were secured by certain plant and machinery with an aggregate net book value of RMB310.0 million, cash deposit of RMB8.5 million and corporate guarantees from Shougang Corporation of RMB80.0 million.

The Group's current assets as at the current year end amounted to HK\$629.5 million, showing a decline of HK\$340.7 million from last year end's level of HK\$970.2 million. However, the Group's current liabilities decreased from HK\$1,206.1 million to HK\$696.1 million, representing a decrease of HK\$510.0 million for the year. Hence, the Group's net current liabilities showed an improvement of HK\$169.3 million, from HK\$235.9 million in 2001 to HK\$66.6 million in 2002. The Group's current ratio, defined as current assets divided by current liabilities, improved to 0.90 times as at 31 December 2002 from 0.80 times as at last year end. Nevertheless, the Group's gearing ratio, defined as total debts divided by equity, increased to 3.22 times as at 31 December 2002 from 2.62 times as at 31 December 2001. During the year, the Group had no significant exposure to foreign exchange fluctuations and therefore no material hedging arrangements were made in this aspect.

Capital structure

On 10 April 2002, Sino Fortune Investments Limited ("Sino Fortune"), a wholly-owned subsidiary of the Company and the Company entered into a subscription agreement with China Gate Investments Limited ("China Gate"), a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK") which is the controlling shareholder of the Company, pursuant to which Sino Fortune has agreed to issue and China Gate has agreed to subscribe convertible note to repay part of the existing loans due by the Company to a wholly-owned subsidiary of Shougang HK. The convertible note, in the principal amount of HK\$200 million with an interest rate of 3% per annum, will fall due in June 2004 and the noteholder will have the right during the conversion period to convert in whole or in part the convertible note into new ordinary shares of the Company at the initial conversion price (subject to adjustments) of HK\$0.35 per share. Further details in connection with the issue of the convertible note are contained in the circular to the shareholders of the Company dated 17 May 2002. The issue of the convertible note was completed in June 2002 and the proceeds were wholly used to repay part of the existing loans due by the Company to the said wholly-owned subsidiary of Shougang HK.

Contingent liabilities

As at 31 December 2002, the contingent liabilities of the Group consisted of guarantees for banking facilities granted to certain third party business corporations in the PRC of RMB40.0 million and guarantees in respect of performance bonds of HK\$2.0 million.

In addition to the above, the Company has provided guarantees for the due and punctual performance and observance by a wholly-owned subsidiary of the Company and each and every of its obligations, undertakings and liabilities under two time charter hires, through which the Group leases certain of its vessels. The time charter hires commenced on 26 September 1997 with a lease period of 15 years, plus two months more or less in the Group's option. The daily rates of the time charter hires increase by US\$250 every half year until December 2007, and thereafter the daily rates will increase by US\$125 every half year.

Employees and remuneration policies

The Group had a total of approximately 2,200 employees as at 31 December 2002.

The remuneration policies of the Group are to ensure the fairness and competitiveness of total remuneration in order to motivate and retain existing employees as well as to attract potential employees. Remuneration packages are structured in a way that takes into account local practices under various geographical locations in which the Group operates.

The remuneration packages of Hong Kong employees include salary payments, discretionary bonuses on a performance basis, medical subsidies and a hospitalisation scheme. All of the subsidiaries of the Group located in Hong Kong provide pension schemes for their Hong Kong employees as part of their staff benefits. The remuneration packages of certain employees in the PRC include salary payments, discretionary bonuses on a performance basis, medical subsidies and a welfare fund as part of their staff benefits.

In addition, the adoption of a new share option scheme and the termination of the existing share option scheme were approved by the shareholders of the Company at the annual general meeting held on 7 June 2002. On 23 August 2002 and 12 March 2003, the Company granted certain eligible participants under the new share option scheme 149,000,000 and 80,320,000 share options to subscribe for shares in the capital of the Company. None of these granted share options have been exercised, cancelled or lapsed up to the date of this report.

Prospects

The flourishing economy and improving infrastructure facilities in the PRC are beneficial to the business segments of the Group. By leveraging on our good relationships with business partners in the PRC and by the immense support of Shougang Corporation, we will be in a sound position to capture new opportunities and develop competitive edge for our existing business segments in the PRC. However, in order to achieve these long-term goals, we must first undertake a radical change. We must reorganise our corporate structure and streamline our operations. This transformation process is the prerequisite for our future success, and we have termed such process 'Group Reorganisation'.

The Group Reorganisation events that took place during 2002 has formed a sound foundation for the future development of the Group's activities. More precisely, it is a path for broadening the earning base and strengthening the asset quality of the Group. However, it is an ongoing process, rather than an one-off corporate task. The Group Reorganisation will continue to guide the Group to move along the said path in the future until such objectives are largely fulfilled. In the medium term, we do expect to see gradual improvement in performance along the journey. For instance, barring unforeseen circumstances, we anticipate that the Group will deliver a better result for the forthcoming year.

PUBLICATION OF RESULTS ON THE WEBSITES

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.shougang-intl.com.hk) in due course.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend our gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
Cao Zhong
Managing Director

Hong Kong, 16 April 2003

Please also refer to the published version of this announcement in The Standard.