



SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2003, so far as was known to the Directors, the following had an interest or long position or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to section 336 of the SFO, to be entered in the register referred therein:

Long position in shares

Name of shareholder	Total number of shares/underlying shares held	% with respect to total number of issued share capital as at 30 June 2003	Capacity
Richson Limited ("Richson")	144,984,400	15.17	Beneficial owner
Fair Union Holdings Limited ("Fair Union")	279,797,400	29.27	Beneficial owner and deemed interest ⁽¹⁾
Shougang Concord International Enterprises Company Limited ("Shougang International")	279,797,400	29.27	Deemed interest ⁽²⁾
Able Legend Investments Limited ("Able Legend")	126,984,000	13.28	Beneficial owner ⁽³⁾
Shougang Holding (Hong Kong) Limited ("Shougang HK")	406,781,400	42.56	Deemed interest ⁽⁴⁾
Hélène Zaleski	52,802,000	5.52	Beneficial owner ⁽⁵⁾

**SUBSTANTIAL SHAREHOLDERS' INTERESTS (continued)**

Long position in shares (continued)

Notes:

- (1) Fair Union is beneficially interested in 132,475,000 shares and is deemed to be interested in the 144,984,400 shares held by Richson and the 2,338,000 shares held by Casula Investments Limited ("Casula") as Richson and Casula are its wholly-owned subsidiaries.
- (2) Shougang International is deemed to be interested in the 132,475,000 shares held by Fair Union, the 144,984,400 shares held by Richson and the 2,338,000 shares held by Casula as Richson and Casula are wholly-owned by Fair Union, a wholly-owned subsidiary of Shougang International.
- (3) Able Legend is beneficially interested in 126,984,000 shares.
- (4) Shougang HK is deemed to be interested in the 126,984,000 shares held by Able Legend as Able Legend is its wholly-owned subsidiary and is also deemed to be interested in the 132,475,000 shares held by Fair Union, the 144,984,400 shares held by Richson and the 2,338,000 shares held by Casula as it is the beneficial owner of approximately 39.2% of shareholding interest in Shougang International.
- (5) Hélène Zaleski is beneficially interested in 52,802,000 shares.

Save as disclosed above, the Company has not been notified of any other person (other than a director of the Company) who has an interest or a short position in the shares and underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2003.



SHARE OPTION SCHEME

During the period under review, the Company granted totaling 95,666,000 share options (including totaling 77,298,000 share options granted to directors of the Company) to subscribe for shares in the capital of the Company. Save as disclosed in the above sub-section "Share options" under "Directors' interests in the share capital of the Company and its respective associated corporations", the share options granted to other eligible participants are set out as below:

Name or category of participant	Outstanding options at the beginning of the period	Number of options granted during the period	Outstanding options at the end of the period	Date of grant*	Exercise period	Exercise price per share HK\$
Employees working under "continuous contracts" other than the directors						
In aggregate	1,532,000	-	1,532,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	-	3,064,000	3,064,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	<u>1,532,000</u>	<u>3,064,000</u>	<u>4,596,000</u>			
All other eligible participants						
In aggregate	7,652,000	-	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295
	-	15,304,000	15,304,000	12/3/2003	12/3/2003 to 11/3/2013	0.325
	<u>7,652,000</u>	<u>15,304,000</u>	<u>22,956,000</u>			

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

During the period, 26,784,000 and 68,882,000 share options were granted on 12 March 2003 and 25 June 2003, respectively. The closing price of the ordinary shares of the Company immediately before the date on which the options were granted, i.e. 11 March 2003 and 24 June 2003, was HK\$0.315 and HK\$0.41, respectively.

During the period, there were no options being exercised, cancelled or lapsed.

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



AUDIT COMMITTEE

The Audit Committee of the Company is composed of two independent non-executive directors. It reports directly to the Board and review matters within the scope of audit, such as financial statements and internal controls, to protect the interests of the Company's shareholders. The Audit Committee had met on 16 September 2003 with the Company's external auditors to discuss the Company's financial reporting matters (including interim financial statements for the six months ended 30 June 2003 before the Board's approval) and review the effectiveness of internal control of the Company.

CODE OF BEST PRACTICE

In the opinion of the Board, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period under review, except in relation to guideline 7, where the non-executive directors are not appointed for specific terms. Non-executive directors are subject to retirement by rotation and re-election at the annual general meetings of the Company, in accordance with the Company's articles of association.

APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to the management team and the employees of the Group for their hard work and dedication.

By Order of the Board

Cao Zhong
Chairman

Hong Kong, 26 September 2003

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