



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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

INTERIM RESULTS

The Board of Directors of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
		2007	2006
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Continuing operations			
Revenue	3	4,832,753	2,150,137
Cost of sales		(4,026,387)	(1,829,811)
Gross profit		806,366	320,326
Other income		74,401	39,990
Change in fair value of derivative financial instruments		(4,382)	2,103
Distribution costs		(57,550)	(19,621)
Administrative expenses		(168,282)	(142,008)
Finance costs		(177,805)	(105,155)
Share of profit of an associate		5,403	12,491
Gain on disposal of partial interest in a subsidiary		91,987	–
Gain on deemed disposal of partial interest in an associate		27	–
Profit before taxation		570,165	108,126
Income tax expense	4	(11,719)	(11,315)
Profit for the period from continuing operations		558,446	96,811
Discontinued operation			
(Loss) profit for the period from discontinued operation	5	(3,756)	2,393
Profit for the period	6	554,690	99,204
Attributable to:			
Equity holders of the parent		464,673	84,246
Minority interests		90,017	14,958
		554,690	99,204
Dividend paid	7	123,162	35,185
Earnings per share	8		
From continuing and discontinued operations:			
– Basic		7.89 HK cents	1.52 HKcents
– Diluted		7.58 HK cents	1.46 HKcents
From continuing operations:			
– Basic		7.95 HK cents	1.48 HKcents
– Diluted		7.64 HK cents	1.42 HKcents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

		30 June 2007	31 December 2006
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Investment properties		21,044	35,660
Property, plant and equipment		7,420,274	6,911,247
Prepaid lease rentals		276,245	275,535
Intangible assets		195	472
Goodwill		283,122	292,170
Interest in an associate		223,611	215,022
Available-for-sale investments		278,293	–
Deposits for acquisition of property, plant and equipment		491,267	174,620
		8,994,051	7,904,726
CURRENT ASSETS			
Amounts due from customers for contract work		–	186
Inventories		981,789	847,013
Trade and bill receivables	9	364,157	375,192
Prepayments, deposits and other receivables		159,311	81,137
Prepaid lease rentals		9,086	8,976
Tax recoverable		–	4,936
Amounts due from related companies		278,007	177,979
Amount due from a minority shareholder of a subsidiary		3,032	2,990
Amount due from ultimate holding company of controlling shareholder		189,425	1,703
Other financial assets		4,241	–
Restricted bank deposits		78,754	116,277
Pledged bank deposits		21,378	10,123
Bank balances and cash		2,237,682	1,728,222
		4,326,862	3,354,734

		30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Amounts due to customers for contract work		–	562
Trade and bill payables	10	701,622	523,834
Other payables and accrued liabilities		1,613,001	884,821
Tax payable		4,948	2,825
Amounts due to related companies		322,798	633,165
Amount due to ultimate holding company of controlling shareholder		485,761	56,676
Obligation under a finance lease – due within one year		–	267
Bank borrowings – due within one year		3,374,841	3,021,425
Other financial liabilities		8,714	91
Loans from ultimate holding company of controlling shareholder		810,214	785,750
		7,321,899	5,909,416
NET CURRENT LIABILITIES		(2,995,037)	(2,554,682)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,999,014	5,350,044
NON-CURRENT LIABILITIES			
Banking borrowings – due after one year		1,257,784	1,555,781
Other payables		–	149,268
Deferred tax liabilities		44,101	44,153
Loans from ultimate holding company of controlling shareholder		349,363	338,814
		1,651,248	2,088,016
		4,347,766	3,262,028
CAPITAL AND RESERVES			
Share capital		1,213,711	1,172,811
Reserves		2,397,635	1,770,783
Equity attributable to equity holders of the parent		3,611,346	2,943,594
Minority interests		736,420	318,434
		4,347,766	3,262,028

Notes:

1. BASIS OF PREPARATION

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

The Group had net current liabilities of approximately HK\$2,995,037,000 as at 30 June 2007. Notwithstanding, the directors are of the opinion that the preparation of these financial statements under a going concern basis is appropriate because the Group is able to obtain financial support from the ultimate holding company of the controlling shareholder.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006 except as described below.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods.

For available-for-sale equity investments that do not have a quoted market price 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, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

In the current interim period, the Group has applied, for the first time, a new standard, an amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

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.

Six months ended 30 June 2007 (unaudited)

	Continuing operations						Discontinued operation		
	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Steel trading HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000	Kitchen and laundry equipment HK\$'000	Consolidated HK\$'000
Revenue									
External customers	3,682,345	139,986	228,791	780,665	966	-	4,832,753	49,839	4,882,592
Inter-segment sales	536,900	-	-	-	-	(536,900)	-	-	-
Total	<u>4,219,245</u>	<u>139,986</u>	<u>228,791</u>	<u>780,665</u>	<u>966</u>	<u>(536,900)</u>	<u>4,832,753</u>	<u>49,839</u>	<u>4,882,592</u>

Inter-segment sales are charged at the terms agreed by both parties.

Result									
Segment results	<u>506,572</u>	<u>72,521</u>	<u>38,083</u>	<u>3,796</u>	<u>1,746</u>	<u>-</u>	622,718	5,274	627,992
Unallocated income							51,923	54	51,977
Unallocated corporate expenses							(24,088)	-	(24,088)
Finance costs							(177,805)	(16)	(177,821)
Share of profit of an associate	5,403	-	-	-	-	-	5,403	-	5,403
Gain on disposal of partial interest in a subsidiary	91,987	-	-	-	-	-	91,987	-	91,987
Gain on deemed disposal of partial interest in an associate	27	-	-	-	-	-	27	-	27
Profit before taxation							570,165	5,312	575,477
Income tax expense							(11,719)	(478)	(12,197)
Loss on disposal of subsidiaries							-	(8,590)	(8,590)
Profit (loss) for the period	<u>558,446</u>	<u>(3,756)</u>					<u>558,446</u>	<u>(3,756)</u>	<u>554,690</u>

Six months ended 30 June 2006 (unaudited)

	Continuing operations						Discontinued operation		
	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Steel trading HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000	Kitchen and laundry equipment HK\$'000	Consolidated HK\$'000
Revenue									
External customers	1,378,738	118,582	202,262	449,499	1,056	–	2,150,137	41,959	2,192,096
Inter-segment sales	292,918	–	–	–	–	(292,918)	–	–	–
Total	<u>1,671,656</u>	<u>118,582</u>	<u>202,262</u>	<u>449,499</u>	<u>1,056</u>	<u>(292,918)</u>	<u>2,150,137</u>	<u>41,959</u>	<u>2,192,096</u>

Inter-segment sales are charged at the terms agreed by both parties.

Result									
Segment results	<u>125,826</u>	<u>37,343</u>	<u>36,035</u>	<u>2,059</u>	<u>1,836</u>	<u>–</u>	203,099	2,366	205,465
Unallocated income							21,413	43	21,456
Unallocated corporate expenses							(23,722)	–	(23,722)
Finance costs							(105,155)	(16)	(105,171)
Share of profit of an associate	12,491	–	–	–	–	–	<u>12,491</u>	<u>–</u>	<u>12,491</u>
Profit before taxation							108,126	2,393	110,519
Income tax expense							<u>(11,315)</u>	<u>–</u>	<u>(11,315)</u>
Profit for the period							<u>96,811</u>	<u>2,393</u>	<u>99,204</u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Continuing operations:		
Current tax:		
People's Republic of China ("PRC") Enterprise Income Tax	14,898	11,487
Underprovision in prior periods:		
Hong Kong	–	946
PRC Enterprise Income Tax	534	–
	<u>15,432</u>	<u>12,433</u>
Deferred tax:		
Current period	(8,540)	(1,118)
Attributable to change in tax rate	4,827	–
	<u>(3,713)</u>	<u>(1,118)</u>
Income tax expense relating to continuing operations	<u><u>11,719</u></u>	<u><u>11,315</u></u>
Discontinued operation:		
Current tax:		
PRC Enterprise Income Tax	482	–
Overprovision in prior periods:		
PRC Enterprise Income Tax	(4)	–
	<u>478</u>	<u>–</u>
Income tax expense relating to discontinued operation	<u>478</u>	<u>–</u>
Income tax expense relating to continuing operations and discontinued operation	<u><u>12,197</u></u>	<u><u>11,315</u></u>

No provision for Hong Kong Profits Tax has been made for each of the six months ended 30 June 2007 and 2006 as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for the period or have tax losses brought forward to set off assessable profit for the period.

Certain subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC income tax.

Taxation arising on the PRC and in other jurisdictions is calculated in accordance with the relevant rules and regulations.

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax by Order No. 63 issued by the Tenth National People's Congress, which will change the tax rate to 25% for the subsidiaries established in the PRC after the expiry of the tax holidays and concessions. The deferred tax balance has been adjusted, as appropriate, to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

5. DISCONTINUED OPERATION

On 27 June 2007, the Group entered into a sale agreement to dispose of Radnor Limited and its subsidiaries, which carried out all of the Group's kitchen and laundry equipment operations. The disposal was completed on 27 June 2007, on which date control of Radnor Limited and its subsidiaries passed to the acquirer.

The profit (loss) for the period from the discontinued operation is analysed as follows:

	1 January 2007 to 27 June 2007 HK\$'000	1 January 2006 to 30 June 2006 HK\$'000
Profit of kitchen and laundry equipment operation for the period	4,834	2,393
Loss on disposal of kitchen and laundry equipment operation	(8,590)	—
	<u>(3,756)</u>	<u>2,393</u>

The results of the kitchen and laundry equipment operation were as follows:

	1 January 2007 to 27 June 2007 HK\$'000	1 January 2006 to 30 June 2006 HK\$'000
Revenue	49,839	41,959
Cost of sales	(42,832)	(39,107)
Other income	123	1,039
Distribution costs	(913)	(990)
Administrative expenses	(889)	(492)
Finance costs	(16)	(16)
Profit before tax	5,312	2,393
Income tax expense	(478)	—
Profit for the period	<u>4,834</u>	<u>2,393</u>

The net assets of Radnor Limited and its subsidiaries at the date of disposal were HK\$12,235,000.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30 June					
	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amortisation of intangible assets	289	275	–	–	289	275
Amortisation of prepaid lease rentals	4,500	4,725	43	53	4,543	4,778
Depreciation of property, plant and equipment	217,488	95,356	274	276	217,762	95,632
Total depreciation and amortisation	222,277	100,356	317	329	222,594	100,685
Revenue	(4,832,753)	(2,150,137)	(49,839)	(41,959)	(4,882,592)	(2,192,096)
Cost of sales	4,026,387	1,829,811	42,832	39,107	4,069,219	1,868,918
Finance costs	177,805	105,155	16	16	177,821	105,171
Profit before tax	(570,165)	(108,126)	(5,312)	(2,393)	(575,477)	(110,519)
(Write-back) allowance for bad and doubtful debts, net	(3,043)	842	24	(761)	(3,019)	81
Cost of arrangement of bank borrowings (included in finance costs)	2,514	2,111	–	–	2,514	2,111
(Write-back) allowance for inventories	–	(11,226)	2,685	–	2,685	(11,226)
Interest income	(38,194)	(16,806)	(54)	(43)	(38,248)	(16,849)
Loss (gain) on disposal of property, plant and equipment	44	1,299	7	(13)	51	1,286
Share of tax of an associate (included in share of profit of an associate)	891	1,363	–	–	891	1,363

During the period ended 30 June 2006, there was significant increase in net realisable value of finished goods because the market price of certain finished goods increased. As a result, a reversal of allowance for inventories of HK\$11,226,000 (30 June 2007: nil) had been recognised in cost of sales in that period.

7. DIVIDEND

On 15 June 2007, a dividend of HK2.1 cents (2006: HK0.6 cent) per share was paid to shareholders as the final dividend for 2006. The Directors do not recommend payment of an interim dividend for the period ended 30 June 2007.

8. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	464,673	84,246
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	<u>(172)</u>	<u>(631)</u>
Earnings for the purpose of diluted earnings per share	<u>464,501</u>	<u>83,615</u>
	Six months ended 30 June	
	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	5,891,566,053	5,560,482,629
Effect of dilutive potential ordinary shares on share options	<u>237,587,571</u>	<u>176,635,533</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>6,129,153,624</u>	<u>5,737,118,162</u>

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings figures are calculated as follow:		
Profit for the period attributable to equity holders of the parent	464,673	84,246
Add: Loss (profit) for the period from discontinued operation	3,756	(2,393)
Earnings for the purpose of basic earnings per share from continuing operations	468,429	81,853
Effect of dilutive potential ordinary shares: Adjustment to the share of profit of an associate based on dilution of its earnings per share	(172)	(631)
Earnings for the purpose of diluted earnings per share from continuing operations	468,257	81,222

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operation

Basic loss per share from discontinued operation is HK0.06 cent per share (30.6.2006: basic earnings per share from discontinued operation is HK0.04 cent per share) and diluted loss per share from the discontinued operation is HK0.06 cent per share (30.6.2006: diluted earnings per share from discontinued operation is HK0.04 cent per share), based on the loss for the period from the discontinued operation of HK\$3,756,000 (30.6.2006: profit for the period from the discontinued operation of HK\$2,393,000) and the denominators detailed above for both basic and diluted earnings per share.

9. TRADE AND BILL RECEIVABLES

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. The Group allows a range of credit period to its customers normally not more than 30 days, except for certain well established customers, where the terms are extended to 60 days.

The following is an aged analysis of trade and bill receivables at the balance date:

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Within 60 days	363,651	219,150
61 – 90 days	–	56,428
91 – 180 days	2	94,873
181 – 365 days	504	4,741
	<u>364,157</u>	<u>375,192</u>

10. TRADE AND BILL PAYABLES

An aged analysis of trade and bill payables is as follows:

	30 June 2007 HK\$'000 (unaudited)	31 December 2006 HK\$'000 (audited)
Within 90 days	533,626	492,690
91 -180 days	146,776	14,362
181 – 365 days	11,656	5,649
1 – 2 years	7,565	7,602
Over 2 years	1,999	3,531
	<u>701,622</u>	<u>523,834</u>

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the first six months in 2007, the net profit attributable to shareholders of the Company amounted to HK\$464.7 million¹, a 4.5 times growth when comparing with that of last year, amongst which the Steel manufacturing segment had an excellent first six months, with net profit rising by more than 5.1 times. Basic earnings per share was HK7.9 cents, while last year's was HK1.5 cents. The Group recorded a consolidated turnover of HK\$4,882.6 million¹ in the first half of 2007, which showed an increase of 1.2 times comparing with that of last year.

1. Further expansion of Steel manufacturing segment

Since Phase II of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") started production last year progressively, the Group has further expanded its production scale. The Group's steel manufacturing segment's productions in this interim period included 875,000 mt. of steel plates and 1,214,000 mt. of steel slabs, comparing to 402,000 mt. of steel plates and 656,000 mt. of steel slabs in the same period last year, showing an increase of 117.7% and 85.1% respectively.

2. Significant growth in high value-adding products

In the interim period, the Group's steel manufacturing segment focuses on the increased production of high value-adding products, while establishing Shouqin as a "specialized, specific, with deep processing abilities and strong" premium thick and wide plates manufacturer in China. Its competitiveness in both high value-adding ship plates and pipeline plates markets has been distinctly strengthened. With continuous optimization in product mix, we expect a further improvement in our operational qualities.

3. Completion of sale of 20% equity interest of Shouqin to Hyundai Heavy Industries Co., Ltd.

As a world leader in ship-building, Hyundai Heavy Industries Co., Ltd. ("Hyundai Heavy") has a strong demand for steel plates. By partnering with Hyundai Heavy through its subscription with a significant minority position with Shouqin, our subsidiary can secure a fair amount of sales of its ship plates, while improving product quality through regular technology exchanges. The said transaction has already completed on 7 February 2007, after which the Group still holds 76% effective interest in Shouqin, while recording an one-off post-tax gain of about HK\$92.0 million.

Note 1: These amounts include turnover and profit attributable to shareholders contributed by Kitchen and laundry equipment division, which is presented as discontinued operation in accordance with HKFRS5. The respective amounts of the discontinued operation are separately disclosed in the analysis of turnover and profit.

FINANCIAL REVIEW

Six months ended 30 June 2007 compared to six months ended 30 June 2006

Turnover and Cost of Sales

For the interim period, the Group recorded a consolidated turnover of HK\$4,882.6 million, representing a sharp increase of 122.7% over that of last year. The increase is mainly contributed to increased sales and production volume as well as higher prices for premium steel products in the steel manufacturing segment.

Cost of sales for the current period was HK\$4,069.2 million, increased by 117.7% over that of last year. The resulting gross profit margin was 16.7% in the current period, comparing to 14.7% last year, since the gross margin of both steel manufacturing segment and shipping operations segment have risen sharply.

Other income

Other income increased from HK\$41.0 million for the interim period last year to HK\$74.5 million this year, or 81.7%. The increase is mainly represented by higher interest income.

Finance costs

For this interim period, finance costs amounted to HK\$177.8 million, increased by 69.1% when comparing to that of last year. The increase is attributable to interest rate hikes and additional finance cost of the Company's newly-incepted consortium loans during the first quarter of last year.

REVIEW OF OPERATIONS

Manufacture and Sale of Steel Products

The Group operates in this business segment through Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill") and Shouqin, whereby Shouqin was accounted for as 76%-held subsidiary since 7 February 2007 (Interim period 2006: 96%). This core segment realized net profit of HK\$296.5 million during the current period, while that of last year was HK\$48.7 million, showing an increase of 5.1 times.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK\$1,668.8 million before elimination for the six months ended 30 June 2007, an increase of 25.3% when compared with that of last year. Although the sales volume has slightly decreased from 375,700 mt. to 370,000 mt. during this interim period, the average selling price per mt has increased by 18% aligning with market demand, thereby offsetting the effect of lower sales volume, the resulting gross profit also rose sharply to HK\$147.2 million, an increase of 54.5%. On the basis of expanding export business and rising sales price, the Group's share of profit of Qinhuangdao Plate Mill (excluding that of Shouqin, which will be described below) increased to HK\$74.8 million, rising by 60.5% over the same period last year.

Shouqin

From 7 February 2007, the Group has held an effective interest of 76% in Shouqin (52% held by the Group directly and 24% through Qinhuangdao Plate Mill). In the last interim period, the Group held an effective interest of 96% in Shouqin (72% held by the Group directly and 24% through Qinhuangdao Plate Mill).

As a premium thick and wide plate producer in China, Shouqin embraces excellent profit potential and has been benefited most on its high value-adding steel products during this market recovery. Phase II of Shouqin has commenced production since June 2006 with steel slabs as an intermediate product, while its 4300mm width plate rolling system commenced production since November 2006, already reaching designed capacity in April this year. For the current interim period, Shouqin reported a turnover of HK\$3,929.6 million before elimination, recording a 166.6% rise when comparing to HK\$1,473.8 million for the same period last year, due to major expansion in production of steel slabs and thick plates. The steel market has performed well during the first half of 2007 through growth in global economy, selling prices of high value-adding products escalated in the midst of optimization of product mix. Shouqin's resulting gross profit rose from HK\$122.4 million in 2006 to HK\$538.0 million, recording a growth of 3.4 times. Subsequent to commencement of Phase II, the production of steel slabs rose to 1,214,000 mt., showing a remarkable growth from only 656,000 mt. in the same period last year, in addition to producing 468,000 mt. of high value-adding steel plates. For the six months ended 30 June 2007, Shouqin contributed HK\$221.7 million in net profit to the Group.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net operating profit of HK\$74.4 million for the period, an increase of HK\$36.3 million, or 95.3%, from that of last year. As a result of strong demand for container shipping capacity, freight rates exploded. One of the charter vessels of Shougang Shipping Group has its rental rates increased by 1.9 times through renewal of charter contract during this period, coupled with fixed contracted rental charges, causing the gross profit to rise in this period. Its time charter business and floating crane reported an operating profit of HK\$73.7 million and HK\$1.3 million for the interim period, comparing to HK\$38.9 million and HK\$1.2 million for the same period last year, registering a growth of 89.5% and 8.3% respectively.

Other businesses:

Electricity generation

Beijing Shougang Firstlevel Power Company Limited ("Beijing Power Plant") reported turnover of HK\$228.8 million for the current period, a moderate increase of HK\$26.5 million from that of last period. After accounting for 49% minority interests, the Group's share of profit of Beijing Power Plant for the current period was HK\$14.8 million, an increase of 3.5% over that of the last period. Beijing Power Plant sold about 8.1% more electricity during the six months period ended 30 June 2007 when comparing to that of last period, coupled with an increase in market tariff, its operating results are considered satisfactory.

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

Shougang Concord Century Holdings Limited and its subsidiaries (“Shougang Century Group”) reported net profit of HK\$24.0 million in the period, dropping from that of HK\$44.7 million in the last period. With dilution of the Group’s equity interest to 22.3% as at 30 June 2007, the Group’s share of its net profit decreased to HK\$5.4 million in the current interim period, or 56.8%. Shougang Century Group’s combined gross profit margin reduced due to intense market competition during the current period under review, but with its expanding businesses and capacity, we believe its financial results will improve in the future.

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

Shougang Concord Steel Holdings Limited and its subsidiaries (“Shougang Steel Group”) reported a turnover of HK\$830.5 million in the six months ended 30 June 2007, an increase of 69.0% over that of the last year through increased export, while its net profit was HK\$2.4 million. During the interim period, the Group has completed the disposal of its kitchen and laundry segment, in order to focus more on the development and management of steel manufacturing segment.

LIQUIDITY AND FINANCIAL RESOURCES

We aim to diversify our funding sources through utilization of both banking and capital markets. To the extent possible, financing is arranged to match business characteristics and cash flows.

1. Leverage

The financial leverage of the Group as at 30 June 2007, as compared to 31 December 2006, is summarized below:

<i>HK\$ million</i>	30 June 2007 Unaudited	31 December 2006 Audited
Total Debt		
– from banks	4,633	4,577
– from parent company	1,160	1,125
Sub-total	5,793	5,702
Cash and bank deposits	2,338	1,855
Net debt	3,455	3,847
Total capital (Equity and total debt)	9,404	8,645
Financial leverage		
– Net debt to total capital	36.7%	44.5%
– Net debt to total assets	25.9%	34.2%

It can be observed that financial leverage has improved between 30 June 2007 and that of 31 December 2006, although the total debt level has slightly increased, corresponding to the fact that Group debt financing is used in a controlled manner.

2. Currency and Interest Rate Risk

The Group conducts its businesses mainly in Hong Kong and Mainland China, therefore it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. For the six months ended 30 June 2007, approximately 80% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements.

CAPITAL STRUCTURE

During the period, the issued share capital of the Company has increased due to (i) the exercise of options of granted to employees, and (ii) subscription of newly-issued shares by a third party investor.

In February and June 2007, certain employees of the Group exercised the granted options, pursuant to which 0.8 million new shares were issued at an exercise price of HK\$0.295, and 3.7 million new shares were issued at an exercise price of HK\$0.66 respectively.

In June 2007, the Company has placed 200 million ordinary shares to a third party investor at an issue price of HK\$1.0 per share, raising net proceeds of approximately HK\$197.0 million.

Consequent to the aforesaid events, the issued share capital of the Company was increased by HK\$40.9 million (represented by 204.5 million ordinary shares) to HK\$1,213.7 million (represented by 6,068.6 million ordinary shares).

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

The Group has a total of approximately 5,000 employees as at 30 June 2007.

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

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and a hospitalization scheme. All of the subsidiaries of the Company in Hong Kong provide pension schemes to the employees. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

PROSPECTS

The Steel Industry has developed very well in the first half of 2007, entering into a boom cycle. With continuous expansion of the global economy, in particular of the accelerated development of China's, market demand for steel products should remain strong for a fairly long period of time.

After years of hard work, our two major steel manufacturing plants have been reporting breakthrough operating results, especially that of Shouqin which has become one of the largest specialized thick and wide plate manufacturers in China. Shouqin is equipped with some of the most advanced technologies in the world and is constantly revolving towards the production of high value-adding steel products, strengthening profit margin and hence the Group's overall profitability. The Group is full of confidence towards the future of the steel manufacturing segment.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or otherwise) during the period under review.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2007, except for the following deviations:-

- Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing Non-executive Directors of the Company is appointed for a specific term. However, Non-executive Directors of the Company are subject to retirement by rotation and re-election at annual general meetings at least once every three years in accordance with the provisions of the articles of association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

- Under the first part of code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting.

The Chairman of the Board had not attended the annual general meeting of the Company held on 6 June 2007 (the "Meeting") as he had another business engagement. The Managing Director of the Company, who took the chair of the Meeting, together with other members of the Board and the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

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 my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By order of the Board

Cao Zhong

Managing Director

Hong Kong, 21 September 2007

As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).