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 2008

FINANCIAL HIGHLIGHTS

– Profit attributable to shareholders up 1.3 times to HK$1.09 billion. Excluding non-cash charges such as fair value loss on certain share options held and employee share option expenses, core operating profit stood at HK$1.23 billion, a 2.2 times increase over that of 2007

– Consolidated turnover jumped 73% to HK$8.45 billion; consolidated GP has risen to 24% from 17% last period

– Basic EPS grew 92% on the comparative period to HK$0.15

– The Board of Directors has declared an interim dividend of HK2 cents per share (30.6.2007: nil)

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 2008. These interim results have been reviewed by the Company's Audit Committee and its Auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Continuing operations			
Revenue	3	**8,243,002**	4,603,962
Cost of sales		**(6,256,208)**	(3,850,815)
Gross profit		**1,986,794**	753,147
Other income		**90,088**	74,364
Discount on acquisition of partial interest in an associate		**12,840**	–
Change in fair value of derivative financial instruments		**(87,775)**	(4,382)
Distribution costs		**(148,579)**	(57,550)
Administrative expenses		**(265,572)**	(153,146)
Finance costs		**(200,724)**	(172,844)
Share of profit of an associate		**10,216**	5,403
Gain on disposal of partial interest in a subsidiary		**–**	103,710
Gain on deemed disposal of partial interest in an associate		**–**	27
Profit before tax		**1,397,288**	548,729
Income tax expense	4	**(27,962)**	(19,327)
Profit for the period from continuing operations		**1,369,326**	529,402
Discontinued operations			
Profit for the period from discontinued operations	5	**11,237**	25,288
Profit for the period	6	**1,380,563**	554,690
Attributable to:			
Equity holders of the Company		**1,092,279**	464,673
Minority interests		**288,284**	90,017
		1,380,563	554,690
Dividend paid	7	**582,668**	123,162
Earnings per share	8		
From continuing and discontinued operations:			
– Basic		**15.15 HK cents**	7.89 HK cents
– Diluted		**14.99 HK cents**	7.58 HK cents
From continuing operations:			
– Basic		**14.99 HK cents**	7.46 HK cents
– Diluted		**14.84 HK cents**	7.17 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30 June 2008 HK$'000 (unaudited)	31 December 2007 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**34,952**	32,217
Property, plant and equipment		**8,614,820**	7,818,140
Prepaid lease payments		**303,800**	354,243
Intangible assets		**37**	77
Goodwill		**218,015**	283,122
Interests in associates		**706,971**	310,368
Available-for-sale investments		**314,712**	467,573
Deposits for acquisition of property, plant and equipment		**148,692**	319,774
		10,341,999	9,585,514
CURRENT ASSETS			
Inventories		**2,417,559**	1,299,129
Trade and bill receivables	9	**327,554**	845,043
Prepayments, deposits and other receivables		**504,392**	359,709
Prepaid lease payments		**5,069**	9,431
Tax recoverable		**1,315**	8,778
Amounts due from related companies		**1,356,455**	679,893
Amount due from a minority shareholder of a subsidiary		**3,204**	3,204
Amount due from ultimate holding company of controlling shareholder		**156,803**	269,570
Other financial assets		**96,061**	177,654
Restricted bank deposits		**432,060**	68,779
Bank balances and cash		**5,695,634**	3,256,837
		10,996,106	6,978,027

CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

	Notes	**30 June 2008** *HK$'000* **(unaudited)**	31 December 2007 *HK$'000* (audited)
CURRENT LIABILITIES			
Trade and bill payables	10	**1,701,628**	954,829
Other payables and accrued liabilities		**1,831,664**	1,597,538
Tax liabilities		**36,752**	16,233
Amounts due to related companies		**972,283**	546,797
Amount due to ultimate holding company of controlling shareholder		**77,642**	209,281
Bank borrowings		**2,634,574**	3,194,900
Other financial liabilities		**20,131**	13,949
Loans from ultimate holding company of controlling shareholder		**931,490**	1,070,663
		8,206,164	7,604,190
NET CURRENT ASSETS (LIABILITIES)		**2,789,942**	(626,163)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,131,941**	8,959,351
NON-CURRENT LIABILITIES			
Bank borrowings		**4,326,135**	965,044
Deferred tax liabilities		**51,038**	50,374
		4,377,173	1,015,418
		8,754,768	7,943,933
CAPITAL AND RESERVES			
Share capital		**1,456,668**	1,400,639
Share premium and reserves		**6,031,313**	5,414,092
Equity attributable to equity holders of the Company		**7,487,981**	6,814,731
Minority interests		**1,266,787**	1,129,202
		8,754,768	7,943,933

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").

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 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations 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 recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

The Group has not early adopted the following new and revised standards, amendments or interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

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

[2] Effective for annual periods beginning on or after 1 July 2009.

[3] Effective for annual periods beginning on or after 1 July 2008.

[4] Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for any business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the 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 2008 (unaudited)

	Continuing operations						Discontinued operation	
	Steel manufacturing	Shipping operations	Steel trading	Others	Elimination	Total	Electricity generation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue								
External customers	6,956,078	238,958	1,046,862	1,104	–	8,243,002	209,644	8,452,646
Inter-segment sales	572,586	–	–	–	(572,586)	–	–	–
Total	7,528,664	238,958	1,046,862	1,104	(572,586)	8,243,002	209,644	8,452,646

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

	Steel manufacturing	Shipping operations	Steel trading	Others	Elimination	Total	Electricity generation	Consolidated
Result								
Segment results	1,515,699	154,050	8,724	1,848	–	1,680,321	18,882	1,699,203
Unallocated income						72,397	12	72,409
Unallocated corporate expenses						(177,762)	–	(177,762)
Finance costs						(200,724)	(5,475)	(206,199)
Discount on acquisition of partial interest in an associate	12,840	–	–	–	–	12,840	–	12,840
Share of profit of an associate	10,216	–	–	–	–	10,216	–	10,216
Profit before tax						1,397,288	13,419	1,410,707
Income tax expense						(27,962)	(6,411)	(34,373)
Gain on disposal of subsidiaries						–	4,229	4,229
Profit for the period						1,369,326	11,237	1,380,563

3. **SEGMENT INFORMATION** *(continued)*

Six months ended 30 June 2007 (unaudited)

	Continuing operations						Discontinued operations			
	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel trading *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*	Kitchen and laundry equipment *HK$'000*	Electricity generation *HK$'000*	Sub-total *HK$'000*	Consolidated *HK$'000*
Revenue										
External customers	3,682,345	139,986	780,665	966	–	4,603,962	49,839	228,791	278,630	4,882,592
Inter-segment sales	536,900	–	–	–	(536,900)	–	–	–	–	–
Total	4,219,245	139,986	780,665	966	(536,900)	4,603,962	49,839	228,791	278,630	4,882,592

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

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel trading *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*	Kitchen and laundry equipment *HK$'000*	Electricity generation *HK$'000*	Sub-total *HK$'000*	Consolidated *HK$'000*
Result										
Segment results	506,572	72,521	3,796	1,746	–	584,635	5,274	38,083	43,357	627,992
Unallocated income						51,886	54	37	91	51,977
Unallocated corporate expenses						(24,088)	–	–	–	(24,088)
Finance costs						(172,844)	(16)	(4,961)	(4,977)	(177,821)
Share of profit of an associate	5,403	–	–	–	–	5,403	–	–	–	5,403
Gain on disposal of a partial interest in a subsidiary	103,710	–	–	–	–	103,710	–	–	–	103,710
Gain on deemed disposal of partial interest in an associate	27	–	–	–	–	27	–	–	–	27
Profit before tax						548,729	5,312	33,159	38,471	587,200
Income tax expense						(19,327)	(478)	(4,115)	(4,593)	(23,920)
Loss on disposal of subsidiaries						–	(8,590)	–	(8,590)	(8,590)
Profit (loss) for the period						529,402	(3,756)	29,044	25,288	554,690

4. INCOME TAX EXPENSE

	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited)
Continuing operations:		
Current tax:		
PRC Enterprise Income Tax	**30,992**	22,692
(Over) underprovision in prior periods:		
PRC Enterprise Income Tax	**(2,076)**	348
	28,916	23,040
Deferred tax:		
Current period	**(954)**	(8,540)
Attributable to change in tax rate	**–**	4,827
	(954)	(3,713)
Income tax expense relating to continuing operations	**27,962**	19,327
Discontinued operations:		
Current tax:		
PRC Enterprise Income Tax	**6,374**	4,411
Overprovision in prior periods:		
PRC Enterprise Income Tax	**37**	182
Income tax expense relating to discontinued operations	**6,411**	4,593
Income tax expense relating to continuing operations and discontinued operations	**34,373**	23,920

No provision for Hong Kong Profits Tax has been made for each of the six months ended 30 June 2008 and 2007 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.

Pursuant to Income Tax Law of the "PRC" for Enterprises with Foreign Investment and Foreign Enterprises, Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), a principal subsidiary of the Company operating in Economic and Technology Development Zone of the PRC, is entitled to a preferential income tax rate of 24%. Pursuant to an approval granted by the local tax bureau in December 2006, Qinhuangdao Plate Mill is entitled to a reduction of income tax rate to 17% for the years from 2008 to 2010.

4. INCOME TAX EXPENSE *(continued)*

Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") is eligible for certain tax holidays and concessions in respect of PRC income tax and are exempted from PRC income taxes for the two years commencing from its first profit making year of operation and thereafter, this PRC subsidiary will be entitled to a 50% relief from PRC income tax for the following three years. The PRC income tax charges are arrived at after taking into account these tax incentives.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 issued by the Tenth National People's Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate for the current period. The New Law provides a five-year transition period from 1 January 2008 for those subsidiaries which were established before the promulgation date of the New Law and which are entitled to a preferential lower tax rate under the effective tax laws or regulations and hence the 25% tax rate will only be applicable to certain subsidiaries after the expiry of tax holidays and concessions.

Under the old Foreign Enterprises Income Tax Law ("FEIT Law"), withholding tax ("WHT") on dividends from Foreign Investment Enterprises ("FIEs") to their foreign investors is exempted. The newly promulgated Corporate Income Tax Law ("CIT Law") of the PRC was effective on 1 January 2008. Under the new CIT Law, a special WHT exemption is granted for dividends declared of pre-2008 undistributed profits. While pre-2008 retained earnings of an FIE will be exempted from WHT when they are distributed to foreign investors from 1 January 2008 onwards, dividends declared in respect of profits earned from 1 January 2008 and after will be subject to WHT at 5%.

5. DISCONTINUED OPERATIONS

On 30 April 2008, the Group entered into a sale agreement to dispose of the entire interest in Ultra Result Limited ("URL") and its subsidiary, which carried out all of the Group's electricity generation operations, to a subsidiary of the controlling shareholder. The disposal was completed on 12 June 2008, on which date control of URL and its subsidiary was passed to the acquirer.

The profit (loss) for the period from the discontinued operations are analysed as follows:

	1 January 2008 to 12 June 2008 *HK$'000*	1 January 2007 to 30 June 2007 *HK$'000*
Profit of electricity generation operation for the period	**7,008**	29,044
Gain on disposal of electricity generation operation	**4,229**	–
Profit of kitchen and laundry equipment operation for the period	**–**	4,834
Loss on disposal of kitchen and laundry equipment operation	**–**	(8,590)
	11,237	25,288

5. DISCONTINUED OPERATIONS *(continued)*

The results of the electricity generation operation were as follows:

	1 January 2008 to 12 June 2008 *HK$'000*	1 January 2007 to 30 June 2007 *HK$'000*
Revenue	**209,644**	228,791
Cost of sales	**(162,471)**	(175,572)
Other income	**21**	37
Administrative expenses	**(28,300)**	(15,136)
Finance costs	**(5,475)**	(4,961)
Profit before tax	**13,419**	33,159
Income tax expense	**(6,411)**	(4,115)
Profit for the period	**7,008**	29,044

The net assets of URL and its subsidiary at the date of disposal were HK$571,047,000.

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 operation. The disposal was completed on 27 June 2007, on which date control of Radnor Limited and its subsidiaries was passed to the acquirer.

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

	1 January 2007 to 27 June 2007 *HK$'000*
Revenue	49,839
Cost of sales	(42,832)
Other income	123
Distribution costs	(913)
Administrative expenses	(889)
Finance costs	(16)
Profit before tax	5,312
Income tax expense	(478)
Profit for the period	4,834

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 operations				Consolidated	
			Electricity generation	Kitchen and laundry equipment	Electricity generation	Sub-total		
	2008	2007	**2008**	2007	2007	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Amortisation of intangible assets	**43**	289	**–**	–	–	–	**43**	289
Depreciation of property, plant and equipment	**249,595**	206,873	**7,052**	274	10,615	10,889	**256,647**	217,762
Total depreciation and amortisation	**249,638**	207,162	**7,052**	274	10,615	10,889	**256,690**	218,051
Revenue	**(8,243,002)**	(4,603,962)	**(209,644)**	(49,839)	(228,791)	(278,630)	**(8,452,646)**	(4,882,592)
Cost of sales	**6,256,208**	3,850,815	**162,471**	42,832	175,572	218,404	**6,418,679**	4,069,219
Finance costs	**200,724**	172,844	**5,475**	16	4,961	4,977	**206,199**	177,821
Profit before tax	**(1,397,288)**	(548,729)	**(13,419)**	(5,312)	(33,159)	(38,471)	**(1,410,707)**	(587,200)
(Write-back) allowance for bad and doubtful debts, net	**(2,223)**	(3,043)	**–**	24	–	24	**(2,223)**	(3,019)
Cost of arrangement of bank borrowings (included in finance costs)	**1,401**	2,514	**–**	–	–	–	**1,401**	2,514
Allowance for inventories	**–**	–	**–**	2,685	–	2,685	**–**	2,685
Interest income	**(40,424)**	(38,194)	**(12)**	(54)	–	(54)	**(40,436)**	(38,248)
(Gain) loss on disposal of property, plant and equipment	**(604)**	44	**10,348**	7	–	7	**9,744**	51
Release of prepaid lease payments	**2,501**	2,359	**1,945**	43	2,141	2,184	**4,446**	4,543
Share of tax of an associate (included in share of profit of an associate)	**5,534**	891	**–**	–	–	–	**5,534**	891

7. DIVIDEND

On 6 June 2008, final dividend of HK4 cents (2007: HK2.1 cents) per share and special dividend of HK4 cents per share were paid to shareholders for 2007.

The Board of Directors has declared an interim dividend of HK2 cents per share (2007: nil) payable to the shareholders of the Company whose names appear on the register of members on 19 September 2008.

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	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to equity holders of the Company)	**1,092,279**	464,673
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(275)**	(172)
Earnings for the purpose of diluted earnings per share	**1,092,004**	464,501

	Six months ended 30 June	
	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,209,904,422**	5,891,566,053
Effect of dilutive potential ordinary shares on share options	**74,901,389**	237,587,571
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**7,284,805,811**	6,129,153,624

8. EARNINGS PER SHARE *(continued)*

From continuing operations

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

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings figures are calculated as follow:		
Profit for the period attributable to equity holders of the Company	**1,092,279**	464,673
Less: Profit for the period from discontinued operations	**(11,237)**	(25,288)
Earnings for the purpose of basic earnings per share from continuing operations	**1,081,042**	439,385
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(275)**	(172)
Earnings for the purpose of diluted earnings per share from continuing operations	**1,080,767**	439,213

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

From discontinued operations

Basic earnings per share from discontinued operations is HK0.16 cent per share (30.6.2007: basic earnings per share from discontinued operations is HK0.43 cent per share) and diluted earnings per share from the discontinued operations is HK0.15 cent per share (30.6.2007: diluted earnings per share from discontinued operations is HK0.41 cent per share), based on the profit for the period from the discontinued operations of HK$11,237,000 (30.6.2007: profit for the period from the discontinued operations of HK$25,288,000) 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 periods 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 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000* (audited)
Within 60 days	**327,497**	720,504
61 – 90 days	**56**	3,336
91 – 180 days	**1**	121,160
181 – 365 days	**–**	43
	327,554	845,043

10. TRADE AND BILL PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008 *HK$'000* **(unaudited)**	31 December 2007 *HK$'000* (audited)
Within 90 days	**1,329,011**	806,873
91 – 180 days	**339,475**	136,819
181 – 365 days	**29,535**	6,652
1 – 2 years	**3,169**	2,236
Over 2 years	**438**	2,249
	1,701,628	954,829

INTERIM DIVIDEND

The Board has declared an interim dividend of HK2 cents per share for the six months ended 30 June 2008 (2007: Nil) payable to shareholders whose names appear on the register of members of the Company on Friday, 19 September 2008. The interim dividend is expected to be paid on or about Tuesday, 30 September 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 September 2008 to Friday, 19 September 2008, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30pm on Wednesday, 17 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

For the first six months in 2008, the net profit attributable to shareholders of the Group amounted to HK$1,092 million[1], a 1.3 times growth on the comparative period. Excluding non cash charges such as fair value adjustments of options in Australasian Resources Limited ("ARH") at HK$83 million and employee share option expenses at HK$56 million, core operating profit stood at HK$1,227 million, a 2.2 times increase over that of 2007; amongst which steel manufacturing segment reporting net profit of over HK$1,021 million. The Group recorded a consolidated turnover of HK$8,453 million[1] in the first half of 2008, which showed an increase of 73% when comparing with that of last year. Basic earnings per share was HK15.2 cents, a 92% increase over that of the last period.

1. ***Continuous expansion of production capacity and profitability in steel manufacturing segment***

   Thanks to efficiency gain and higher capacity utilization, production level continues to go up in this segment, especially in our major subsidiary, Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"). Productions in this interim period included 1.2 million mt. of steel plates and 1.3 million mt. of steel slabs, showing an increase of 35% and 11% respectively over that of 2007. Boosted by both production level and selling prices, the reported profit has exceeded much of that in the last interim period.

OVERVIEW *(continued)*

2. Continuous growth in high value-adding products

In the first half of this year, the Group's steel manufacturing segment remains focused on the increased production of high value-adding heavy plates, especially those catering for shipping, petrochemical industry and construction of heavy machinery. For example, ultra-thickness plates and X70 type pipeline steel plates are some of the newly developed products. Our competitiveness in these markets has been distinctly strengthened. With continuous optimization in product mix, a sustainable improvement in our profitability is well expected.

3. Upstream resource acquisition in progress

The Group has progressively executed its upstream strategy by establishing a joint venture in China which plans to acquire iron ore mining interests near our manufacturing facilities. Such resources are expected to satisfy a significant portion of our own raw material needs.

Note 1: These amounts include turnover and profit attributable to shareholders contributed by electricity generation segment, 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 2008 compared to six months ended 30 June 2007

Turnover and Cost of Sales

For the interim period, the Group recorded a consolidated turnover of HK$8,453 million, representing an increase of 73% over that of last year. The increase is mainly attributed to higher selling prices and increased sales volume in the steel manufacturing segment.

Cost of sales for the current period was HK$6,419 million. The resulting gross profit margin was 24% in the current period, comparing to 17% last year, since the gross margin of both steel manufacturing segment and shipping segment have risen.

FINANCIAL REVIEW *(continued)*

EBITDA and Core Operating Profit

In this current interim period, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$1,590 million, which doubled from HK$884 million of the last period.

Profit after tax included certain significant non-cash and non-recurring charges and are shown below:

In HK$ million	**30 June 2008 (Unaudited)**	30 June 2007 (Unaudited)
Profit attributable to shareholders	**1,092**	465
Add: Non cash charges		
Fair value loss on ARH options	**83**	–
Employee share option expenses	**56**	–
Less: (Gain)/loss on asset realizations		
Electricity generation operation	**(4)**	–
20% interest in Shouqin	**–**	(92)
Kitchen and laundry equipment operation	**–**	9
Core Operating Profit	**1,227**	382

Taking out significant non-operational related items, core operating profit of the Group rose by 2.2 times on the comparative period.

Finance cost

For the interim period this year, finance cost amounted to HK$206 million, increased by 16% when comparing to that of last year. The increase is attributable to interest rate hikes and higher borrowings.

REVIEW OF OPERATIONS

Manufacture and Sale of Steel Products

The Group operates in this business segment through Shouqin and Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), whereby Shouqin was accounted for as 76%-held subsidiary. In this interim period, amidst adverse factors such as increase in cost of raw materials and iron ore, the Group has taken effective steps and is able to report good results. Steel manufacturers have been the beneficiaries to the progressive growth in China economy during the first half of 2008. Increase in selling prices has also so far outpaced the rising raw material cost. This core segment realized net profit of HK$1,021 million during the current period, while that of last period was HK$296 million, showing an increase of 2.4 times. In the meantime, the two subsidiaries have continued pursuing capacity expansion, improving product mix and strengthening their new product developments. Summary of production and sales quantities of the two manufacturing plants in the current and last interim period under this segment is as follows:

In '000 mt.	**Slabs**		**Heavy Plates**	
Six months ended 30 June	**2008**	2007	**2008**	2007
(i) Production				
Shouqin	**1,344**	1,214	**755**	468
Qinhuangdao Plate Mill	**–**	–	**428**	406
Total	**1,344**	1,214	**1,183**	874
Change		+11%		+35%
(ii) Sales				
Shouqin	**519**	696	**742**	469
Qinhuangdao Plate Mill	**–**	–	**370**	370
Total	**519**	696	**1,112**	839
Change		–25%		+33%

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), the remaining 20% and 4% were held by Hyundai Heavy Industries Limited and Shougang Corporation respectively.

REVIEW OF OPERATIONS *(continued)*

Shouqin (continued)

As a premium heavy plate producer in China, Shouqin has been benefited most on the booming steel industry through supply-demand imbalance, in particular in demand from infrastructure and ship-building businesses. With its 4300mm width plate rolling system reaching design capacity only in April 2007, profitability soared, while almost all steel slabs produced can now be used internally for plate making to reduce external sales. Through optimization and strengthening of technological process management, the production capacity of the heavy plate production line consistently improved, monthly production in the current interim period was 22% higher than that of the last year's average. For the current interim period, Shouqin reported a turnover of HK$7,298 million before elimination, recording a 86% rise on the comparative period. Reasons for such increase are three-fold:

(i) Sales volume has risen, especially in heavy plates which has risen by 58% when comparing to last period;

(ii) Average realized selling price of heavy plates is 64% higher; and,

(iii) Optimization of product mix and the drive to produce more value-adding heavy plates.

For the six months ended 30 June 2008, Shouqin recorded a gross profit amount of HK$1,537 million, and contributed HK$884 million in net profit to the Group, doubled and tripled that of the last period respectively.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$2,671 million before elimination for the six months ended 30 June 2008, an increase of 60% comparing with that of last year. Increase in sales and profitability is the result of higher average realized prices (up 48%) aligning with market demand, thereby outpacing part of the effect of increased raw material cost, the resulting gross profit also rose sharply to HK$294 million, almost doubling that of the last period. On the basis of expanding business and rising sales price, the Group's share of profit of Qinhuangdao Plate Mill (excluding that of Shouqin's) increased to HK$137 million, rising by 83% over the same period last year.

REVIEW OF OPERATIONS *(continued)*

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net profit of HK$159 million for the current period, an increase of HK$85 million, or 115%, from that of last year. This operating segment mainly conducts chartering services of two capsized vessels. Increased iron ore movements was a major contributor to the strength of the freight market in the first half of 2008, while imports of coal from various Asian countries also grew, bringing the Baltic Dry Index to reach an average of 8,557 points for the first half of 2008, 61% above that of the last year.

Profit went up with higher charter rates this period, resulting in gross profit margin rising from 54% to 65%.

Other businesses

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$31 million in the current period, rising to that from HK$24 million in the last period, or 29%. Following the increase in shareholding in Shougang Century from 22.5% to 36.4%, the Group's share of its net profit increased to HK$10 million in the current interim period, rising by 0.9 times from that of last period.

Amidst intense market competition during the interim period, Shougang Century Group's sales of steel cord for radial tyres and the gross profit margin still climbed, whilst there was significant net profit on sale of A shares it held. With its expanding businesses and capacity, we believe its financial results will continue to improve in the future.

Trading of steel products

Shougang Concord Steel Holdings Limited and its subsidiaries reported a turnover of HK$1,047 million in the six months ended 30 June 2008, an increase of 26% over that of the last year through increased export, while its net profit was HK$11 million.

Electricity generation – Discontinued

This segment is classified under discontinued operation with the disposal of Beijing Shougang Firstlevel Power Co., Ltd. ("Beijing Power Plant") completed in June, 2008. Attributable turnover of Beijing Power Plant was HK$210 million for the current period with the Group's share of profit at HK$4 million. We recorded gain on disposal of about HK$4 million in the transaction.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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 2008 as compared to 31 December 2007 is summarized below:

HK$ million	**30 June 2008 Unaudited**	31 December 2007 Audited
Total Debt		
– from banks	**6,961**	4,160
– from parent company	**931**	1,071
Sub-total	**7,892**	5,231
Cash and bank deposits	**6,128**	3,326
Net debt	**1,764**	1,905
Total capital (Equity and debt)	**15,380**	12,046
Financial leverage		
– Net debt to total capital	**11.5%**	15.8%
– Net debt to total assets	**8.3%**	11.5%

It can be observed that financial leverage has improved between 30 June 2008 and that of 31 December 2007, corresponding to the fact that group debt financing is used in a controlled manner.

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group's currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

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 2008, approximately 85% 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.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES *(continued)*

3. Financing activities

In February 2008, the Company entered into a club deal with a number of banks for a 4-year facilities at HK$2,500 million (US$320 million). According to the loan agreement, two drawdowns were made in March and June 2008 respectively of HK$780 million (US$100 million) each, total drawn amount was HK$1,560 million, the majority of which is still parked in our interest-bearing bank deposits.

CAPITAL STRUCTURE

During the first four months in 2008, certain employees of the Group exercised the granted options, pursuant to which 280.1 million new shares were issued.

Consequently, the issued share capital of the Company was increased by HK$56 million to HK$1,457 million (represented by 7,283 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,400 employees as at 30 June 2008.

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 Group 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 boom cycle of Steel Industry continued well into 2008 with growing appetite from infrastructure and shipbuilding businesses. We have thus enjoyed yet another record interim period; this is a result of our focusing on our core strength in heavy plate manufacturing.

PROSPECTS *(continued)*

We continue to look for opportunities to expand our value chain integration, in terms of iron ore investment in China to enhance our raw material self sufficiency as well as capacity expansion.

Despite weakening global economy, the thriving core downstream demand from machinery, infrastructure and shipping industries should not disappear in the foreseeable future. On the contrary, with Shouqin equipping the leading production equipment and working towards different high value-adding steel products, the Group is full of confidence in maintaining an uptrend in profitability.

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 during the six months ended 30 June 2008, except for the following deviation:–

– 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 chairman 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 2008 (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, 1 September 2008

As at the date of this announcement, the Board of Directors of the Company 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).