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 2009

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$5,586 million, down 34% from last period

– Loss attributable to shareholders was HK$873 million

– Basic loss per share was HK12 cents

INTERIM RESULTS

The board of directors (the "Board") 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 2009. 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 2009

	Notes	Six months ended 30 June **2009** *HK$'000* (unaudited)	2008 *HK$'000* (unaudited)
Continuing operations			
Revenue	3	**5,585,530**	8,243,002
Cost of sales		**(6,256,442)**	(6,256,208)
Gross (loss) profit		**(670,912)**	1,986,794
Other income		**35,167**	50,531
Other losses and gains		**(18,101)**	37,568
Discount on acquisition of partial interest in an associate		**–**	12,840
Change in fair value of derivative financial instruments		**45,144**	(93,209)
Distribution costs		**(27,765)**	(148,579)
Administrative expenses		**(225,843)**	(258,149)
Finance costs		**(204,513)**	(200,724)
Share of profit of an associate		**30,877**	10,216
(Loss) profit before tax		**(1,035,946)**	1,397,288
Income tax expense	4	**(9,463)**	(27,962)
(Loss) profit for the period from continuing operations		**(1,045,409)**	1,369,326
Discontinued operation			
Profit for the period from discontinued operation	5	**–**	11,237
(Loss) profit for the period	6	**(1,045,409)**	1,380,563
(Loss) profit for the period attributable to:			
Owners of the Company		**(872,511)**	1,092,279
Minority interests		**(172,898)**	288,284
		(1,045,409)	1,380,563
(Loss) earnings per share	8		
From continuing and discontinued operations:			
– Basic		**(11.54) HK cents**	15.15 HK cents
– Diluted		**(11.54) HK cents**	14.99 HK cents
From continuing operations:			
– Basic		**(11.54) HK cents**	14.99 HK cents
– Diluted		**(11.54) HK cents**	14.84 HK cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

	Notes	**30 June 2009 *HK$'000* (unaudited)**	31 December 2008 *HK$'000* (restated)
NON-CURRENT ASSETS			
Investment properties		**36,455**	37,102
Property, plant and equipment		**9,337,108**	9,078,400
Prepaid lease rentals		**327,948**	332,945
Intangible assets		**188,256**	176,897
Goodwill		**218,015**	218,015
Interest in associates		**719,317**	667,905
Available-for-sale investments		**3,455,491**	342,426
Deposits for acquisition of property, plant and equipment		**647,270**	311,470
Other financial assets		**264,372**	235,540
		15,194,232	11,400,700
CURRENT ASSETS			
Inventories		**1,498,712**	1,886,251
Trade and bill receivables	9	**581,917**	920,131
Trade receivables from related companies	10	**1,114,711**	1,722,235
Prepayments, deposits and other receivables		**242,409**	331,641
Prepaid lease rentals		**7,425**	5,714
Tax recoverable		**–**	1,317
Amounts due from related companies	10	**292,113**	508,399
Amount due from a minority shareholder of a subsidiary		**3,398**	3,398
Amount due from ultimate holding company of controlling shareholder	11	**452,110**	412
Other financial assets		**105,841**	214,131
Restricted bank deposits		**472,032**	650,619
Pledged bank deposits		**127,027**	–
Bank balances and cash		**3,594,142**	3,382,952
		8,491,837	9,627,200

	Notes	**30 June 2009** *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (restated)
CURRENT LIABILITIES			
Trade and bill payables	12	**1,300,901**	1,373,611
Other payables and accrued liabilities		**1,112,158**	1,377,535
Tax payable		**12,895**	33,403
Amounts due to related companies	10	**572,990**	694,505
Amount due to ultimate holding company of controlling shareholder	11	**359,761**	172,531
Bank borrowings – due within one year		**4,291,349**	3,141,658
Other financial liabilities		**4,864**	56,666
Loans from ultimate holding company of controlling shareholder		**928,320**	928,320
		8,583,238	7,778,229
NET CURRENT (LIABILITIES) ASSETS		**(91,401)**	1,848,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,102,831**	13,249,671
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**5,035,614**	4,138,219
Deferred tax liabilities		**49,162**	50,114
		5,084,776	4,188,333
		10,018,055	9,061,338
CAPITAL AND RESERVES			
Share capital		**1,545,076**	1,435,076
Share premium and reserves		**7,195,653**	6,128,762
Equity attributable to owners of the Company		**8,740,729**	7,563,838
Minority interests		**1,277,326**	1,497,500
		10,018,055	9,061,338

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 ("HKICPA").

The Group had net current liabilities of approximately HK$91,401,000 as at 30 June 2009. The Directors of the Company are of the opinion that, in the absence of unforeseen circumstances and after taking into account the financial resources available to the Group including the internally generated funds, present available banking facilities and financial support from the Group's controlling shareholder, Shougang Holding (Hong Kong) Limited, the Group will have sufficient working capital for its present requirement for at least the next 12 months from the date of these condensed consolidated financial statements are authorised for issue. Therefore, these condensed consolidated financial statements have been prepared on a going concern basis.

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 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 *Segment Reporting*, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of the other new and revised HKFRSs has had the following effect on the reported results and financial position of the Group for the current or prior accounting periods:

Improvements to HKFRSs issued in 2008

The application of Improvements to HKFRSs, issued by the HKICPA in 2008, has the following impact on the reported financial position of the Group:

HKAS 1 *Presentation of Financial Statements* has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 *Financial Instruments*: *Recognition and Measurement* should be presented as current or non-current. The amendment requires derivatives that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their maturity dates. Prior to the amendment, the Group presented, as current, all derivatives that are classified as held for trading in accordance with HKAS 39. The amendment has resulted in the commodity forward contracts with carrying amounts of approximately HK$235,540,000 as at 31 December 2008 and approximately HK$264,372,000 as at 30 June 2009 being reclassified from current assets to non-current assets based on their maturity dates. The amendment has had no impact on the Group's results for the current and prior periods.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised 2008)	Business Combinations[1]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[4]

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

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Directors, in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment revenue and results.

3. **SEGMENT INFORMATION (continued)**

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2009 (unaudited)

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue							
External sales	**4,028,309**	**76,360**	**1,479,745**	**–**	**1,116**	**–**	**5,585,530**
Inter-segment sales	**320,375**	**–**	**–**	**–**	**–**	**(320,375)**	**–**
Total	**4,348,684**	**76,360**	**1,479,745**	**–**	**1,116**	**(320,375)**	**5,585,530**

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Result							
Segment (loss) profit	**(793,796)**	**(11,957)**	**(40,762)**	**(9,141)**	**31,050**	**–**	**(824,606)**
Interest income							**24,920**
Central administration costs							**(55,206)**
Finance costs							**(204,513)**
Loss on deemed disposal of partial interest in an associate							**(7,418)**
Share of profit of an associate							**30,877**
Loss before tax							**(1,035,946)**

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2008 (unaudited)

	Continuing operations							Discontinued operation	
	Steel manufacturing	Shipping operations	Steel trading	Mineral exploration	Others	Elimination	Total	Electricity generation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue									
External sales	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 prevailing market rates.

	Steel manufacturing	Shipping operations	Steel trading	Mineral exploration	Others	Elimination	Total	Electricity generation	Consolidated
Result									
Segment profit (loss)	1,515,915	154,240	11,014	(58)	(62,588)	–	1,618,523	18,882	1,637,405
Interest income							40,476	12	40,488
Central administration costs							(84,043)	–	(84,043)
Finance costs							(200,724)	(5,475)	(206,199)
Discount on acquisition of partial interest in an associate							12,840	–	12,840
Share of profit of an associate							10,216	–	10,216
Profit before tax							1,397,288	13,419	1,410,707

Segment (loss) profit represents the (loss) profit generated by each segment without allocation of interest income, central administration costs, finance costs, loss on deemed disposal of partial interest in an associate, discount on acquisition of partial interest in an associate and share of profit of an associate. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Continuing operations:		
Current tax:		
PRC Enterprise Income Tax	**8,852**	30,992
Under (over) provision in prior periods:		
Hong Kong	**870**	–
PRC Enterprise Income Tax	**692**	(2,076)
	10,414	28,916
Deferred tax:		
Current period	**(951)**	(954)
Income tax expense relating to continuing operations	**9,463**	27,962
Discontinued operation:		
Current tax:		
PRC Enterprise Income Tax	**–**	6,374
Overprovision in prior periods:		
PRC Enterprise Income Tax	**–**	37
Income tax expense relating to discontinued operation	**–**	6,411
Income tax expense relating to continuing operations and discontinued operation	**9,463**	34,373

No provision for Hong Kong Profits Tax has been made for each of the six months ended 30 June 2009 and 2008 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.

Shouqin is eligible for certain tax holidays and concessions in respect of PRC income tax and is 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.

5. DISCONTINUED OPERATION

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 Company's controlling shareholder. The disposal was completed on 12 June 2008 (the "Completion Date"), on which date control of URL and its subsidiary was passed to the acquirer.

The profit for the period ended 30 June 2008 from the discontinued operation is analysed as follows:

	1 January 2008 to 12 June 2008 *HK$'000*
Profit of electricity generation operation for the period	7,008
Gain on disposal of electricity generation operation	4,229
	11,237

The results of the period ended 30 June 2008 from the electricity generation operation were as follows:

	1 January 2008 to 12 June 2008 *HK$'000*
Revenue	209,644
Cost of sales	(162,471)
Other income	21
Administrative expenses	(28,300)
Finance costs	(5,475)
Profit before tax	13,419
Income tax expense	(6,411)
Profit for the period	7,008

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

6. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30 June					
	Continuing operations		Discontinued operation		Consolidated	
			Electricity generation			
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Amortisation of intangible assets	**–**	43	**–**	–	**–**	43
Depreciation of property, plant and equipment	**320,594**	249,595	**–**	7,052	**320,594**	256,647
Total depreciation and amortisation	**320,594**	249,638	**–**	7,052	**320,594**	256,690
Provision for impairment (reversal of provision for impairment) of trade receivables, net *(Note)*	**1,292**	(2,223)	**–**	–	**1,292**	(2,223)
Allowance for inventories	**35,619**	–	**–**	–	**35,619**	–
Interest income	**(24,920)**	(40,476)	**–**	(12)	**(24,920)**	(40,488)
Loss (gain) on disposal of property, plant and equipment *(Note)*	**11**	(604)	**–**	10,348	**11**	9,744
Change in fair value of investment properties *(Note)*	**(602)**	–	**–**	–	**(602)**	–
Amortisation of prepaid lease rentals	**3,286**	2,501	**–**	1,945	**3,286**	4,446
Loss on deemed disposal of partial interest in an associate *(Note)*	**7,418**	–	**–**	–	**7,418**	–
Exchange loss (gain), net *(Note)*	**9,982**	(34,741)	**–**	–	**9,982**	(34,741)

During the period ended 30 June 2009, the net realisable value of certain finished goods fell below their respective costs because of a decline in selling prices. As a result, an allowance for inventories of HK$35,619,000 had been recognised in cost of sales in this period.

Note: Amounts included in other losses and gains.

7. DIVIDENDS

On 12 June 2009, final dividend of HK3 cents per ordinary share (2008: final dividend of HK4 cents and special dividend of HK4 cents per ordinary share) was paid to shareholders for 2008.

The Board of Directors did not declare an interim dividend for the six months ended 30 June 2009 (2008: HK2 cents per share).

8. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((Loss) profit for the period attributable to equity holders of the Company)	**(872,511)**	1,092,279
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(206)**	(275)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(872,717)**	1,092,004

	Six months ended 30 June	
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**7,561,292,816**	7,209,904,422
Effect of dilutive potential ordinary shares on share options *(Note)*	**–**	74,901,389
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**7,561,292,816**	7,284,805,811

Note: For the six months ended 30 June 2009, the computation of diluted loss per share does not assume the exercise of the Company's share options as their exercise would result in a decrease in loss per share.

8. (LOSS) EARNINGS PER SHARE (continued)

From continuing operations

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

	Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the period attributable to the equity holders of the Company	**(872,511)**	1,092,279
Less: Profit for the period from discontinued operation	**–**	(11,237)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	**(872,511)**	1,081,042
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(206)**	(275)
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	**(872,717)**	1,080,767

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

From discontinued operation

Basic earnings per share from discontinued operation is HK0.16 cent per share and diluted earnings per share from the discontinued operation is HK0.15 cent per share for the period ended 30 June 2008, based on the profit from the discontinued operation of HK$11,237,000 and the denominators detailed above for both basic and diluted earnings per share.

9. TRADE AND BILL RECEIVABLES

For most customers, in particular in steel manufacturing segment, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. 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 analysis of trade and bill receivables net of provision for impairment at the balance sheet date by age, presented based on the invoice date:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**553,727**	920,111
61 – 90 days	**28,169**	20
91 – 180 days	**1**	–
181 – 365 days	**20**	–
	581,917	920,131

10. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The balances represent amounts due from (to) subsidiaries of Shougang Corporation, ultimate holding company of the Company's controlling shareholder (collectively referred as "Shougang Group"). The Group allows a range of credit periods normally not more than 60 days for sales to its related companies. The balances are unsecured, interest-free and are repayable on demand except for the trade balances set out below.

The trade receivables from related companies net of provision for impairment at the balance sheet date and an analysis of such balances by age, presented based on the invoice date are as follows:

	30 June 2009	31 December 2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 60 days	**152,392**	1,486,237
61 – 90 days	**687,714**	–
91 – 180 days	**261,426**	18,316
181 – 365 days	**13,179**	217,682
	1,114,711	1,722,235

10. AMOUNTS DUE FROM (TO) RELATED COMPANIES (continued)

The trade payables to related companies and an analysis of such balances by age, presented based on the invoice date are as follows:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 90 days	**324,342**	412,911
91 – 180 days	**19,672**	15,005
181 – 365 days	**17,646**	2,634
1 – 2 years	**6,870**	7,387
Over 2 years	**4,875**	5,156
	373,405	443,093

11. AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF CONTROLLING SHAREHOLDER

As at 30 June 2009 and 31 December 2008, the amount due from ultimate holding company of controlling shareholder are in non-trade nature, unsecured, interest-free and are repayable on demand.

The trade payables to ultimate holding company of controlling shareholder are unsecured, interest-free and repayable within 60 days. The non-trade payables to ultimate holding company of controlling shareholder are unsecured, interest-free and are repayable on demand.

The trade payables to ultimate holding company of the controlling shareholder and an analysis of such balances by age, presented based on the invoice date are as follows:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 90 days	**294,836**	78,142
91 – 180 days	**22**	–
181 – 365 days	**40**	–
1 – 2 years	**15**	–
Over 2 years	**–**	26
	294,913	78,168

12. TRADE AND BILL PAYABLES

The following is an aged analysis of trade and bill payables by age, presented based on the invoice date:

	30 June 2009 *HK$'000* **(unaudited)**	31 December 2008 *HK$'000* (audited)
0 – 90 days	**909,265**	1,151,219
91 – 180 days	**324,666**	202,006
181 – 365 days	**47,657**	13,977
1 – 2 years	**18,875**	5,015
Over 2 years	**438**	1,394
	1,300,901	1,373,611

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2009 (2008: HK2 cents per share).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The fear of a collapse in steel demand on gloomy economic growth lingered from the end of 2008 and reached a massive trough in April 2009. This was followed by destocking by customers, price cuts and production cuts. Fortunately, the industry fundamentals were past the bottom since then, both demand and pricing have been gaining momentum. The China Iron & Steel Association reported that most domestic medium and large steel mills reported huge losses in the first five months of 2009, but returning to profit in June. Results of the Group were adversely impacted by the market forces in the first half of this year.

For the first six months in 2009, the net loss attributable to shareholders of the Group amounted to HK$873 million[1], comparing to a profit of HK$1,092 million recorded in the last period, amongst which Steel manufacturing segment reporting net loss of HK$799 million. The Group recorded a consolidated turnover of HK$5,586 million[1] in the first half of 2009, representing a decrease of 34% comparing with that of last year. Basic loss per share was HK12 cents.

1. ***Continuous growth in High value-adding products***

   In the first half of this year, the Group's steel manufacturing segment focused on the improving its product mix, especially those catering for petrochemical industry, infrastructure and construction of heavy machinery. For example, X80 type pipeline steel plates and specialized oil container plates are some of the newly developed products.

2. ***Vertical Integration in progress***

   Having captive raw material base through 12% equity interest in Fushan International Energy Group Limited ("Fushan Energy", a large coking coal producer in Shanxi, PRC), 14.3% equity interest in Mount Gibson Iron Limited ("Mount Gibson", an iron ore producer in Western Australia), Qinhuangdao Shouqin Longhui Mineral Co., Ltd. ("QSL", an iron ore producer in Hebei, PRC) and our new downstream processing centre which commenced operation in the first quarter of this year, we have progressively executed our vertical integration strategy to complement the long term growth of our steel manufacturing operations.

Note 1: These amounts included turnover and profit attributable to shareholders contributed by Electricity generation segment in the last period, which was presented as discontinued operation in accordance with HKFRS5. The respective amounts of the discontinued operation were separately disclosed in the analysis of turnover and profit.

FINANCIAL REVIEW

Six months ended 30 June 2009 compared to six months ended 30 June 2008

Turnover and Cost of Sales

For the interim period, the Group recorded a consolidated turnover of HK$5,586 million, representing a decrease of 34% over that of last year. Sales were negatively affected by the impact of financial crisis. The decrease is mainly attributed to lower selling prices and sales volume in the steel manufacturing segment.

Cost of sales for the current period was HK$6,256 million. It resulted in gross loss of HK$671 million in the current period, comparing to gross profit last year, resulting from loss across all major segments.

EBITDA and Core Operating (Loss) Profit

In this current interim period, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group recorded a loss of HK$338 million, while it was earnings of HK$1,590 million in the last period.

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

In HK$ million	**30 June 2009 (Unaudited)**	30 June 2008 (Unaudited)
(Loss)/profit attributable to shareholders	**(873)**	1,092
Add: Non cash charges		
Fair Value (gain)/loss on Australasian Resources Limited options	**(7)**	83
Employee share option expenses	**30**	56
Less: Asset realization - Power plant	**–**	(4)
Core Operating (Loss)/Profit	**(850)**	1,227

Finance cost

For the interim period this year, finance cost amounted to HK$205 million, similar to that of last year. The Group was able to enjoy lower finance cost in the low-interest environment albeit with higher borrowings.

Taxation

For the interim period this year, taxation expenses were HK$9 million, while it was HK$34 million in the last period, mainly representing 5% withholding tax expenses on dividends paid from China.

REVIEW OF OPERATIONS

Manufacture and Sale of Steel Products

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), whereby Shouqin was accounted for as 76%-held subsidiary. In this interim period, we have observed a few rounds of destocking and extreme market fear, sending steel prices into declines and therefore production cuts as well. This period also saw price drops well ahead of drop in raw materials, making this first half year an earnings trough for major steel producers including us. This core segment recorded net loss of HK$799 million during the current period, while that of last period was net profit HK$1,021 million. 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**	
For the 6 months ended 30 June	**2009**	2008	**2009**	2008
(i) Production				
Shouqin	**1,116**	1,344	**626**	755
Qinhuangdao Plate Mill	**–**	–	**329**	428
Total	**1,116**	1,344	**955**	1,183
Change		-17%		-19%
(ii) Sales				
Shouqin	**426**	519	**620**	742
Qinhuangdao Plate Mill	**–**	–	**313**	370
Total	**426**	519	**933**	1,112
Change		-18%		-16%

Shouqin

The Group holds 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.

As a premium heavy plate producer, Shouqin aims to ride through the industrialization trend of China, now focusing on serving industries such as infrastructure, petrochemical and heavy machinery. Its 4300mm heavy plate production line boasts a leading technological place in China. The production in the current interim period was lower in view of sluggish demand. For the current interim period, Shouqin reported a turnover of HK$4,193 million before elimination, recording a 43% drop on the comparative period. Reasons for such decrease are two-fold:

(i) Sales volume of steel slabs and heavy plates dropped by 18% and 16% respectively, owing to production cuts and bringing forward scheduled maintenance to its blast furnace; and,

(ii) Average realized selling price net of VAT of heavy plates is HK$4,233 (RmB3,732), about 35% lower than that of same period last year.

Our downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. ("QSSM"), has also commenced operation in the first quarter of 2009. QSSM is mainly engaged in pre-treatment of ship-plates, heavy duty machinery processing and steel structuring, with an annual handling capacity of 300,000 mt. This start-up recorded HK$37 million in turnover and a loss of HK$4 million in the interim period.

For the six months ended 30 June 2009, Shouqin recorded a gross loss amount of HK$451 million, and contributed a net loss of HK$574 million to the Group, comparing to profit of HK$884 million same period last year.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$1,426 million before elimination for the six months ended 30 June 2009, a drop of 47% comparing with that of last year. Lower sales and profitability is the result of plummeting average realized prices and output, the resulting gross loss was HK$161 million, comparing to a gross profit of HK$294 million last year. As a result, the Group's share of net loss of Qinhuangdao Plate Mill was HK$225 million, comparing to profit of HK$137 million same period last year.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net loss of HK$11 million for the current period, compared to a profit of HK$159 million same period last year. This operating segment mainly conducts chartering services of two capsized vessels. There were massive swings in the dry bulk market in the first half of this year. Baltic Dry Index reached below 2,000 points in early 2009 but once exceeded 7,700 points recently. We continue to be prudent in anticipation of market revival, by leasing out one of the vessels on a longer term at slightly above cost, the other on shorter term to capture market upswings. The result from this segment is expected to improve in the second half of the year.

Other businesses

Mineral exploration

The Group holds an effective 68% interest in QSL which is situated in Qinlong County, Qinhuangdao, QSL currently holds two magnetite iron ore mines with concentrating and pelletizing facilities and is expected to commence operations later this year.

As at 30 June 2009, QSL has a paid-up capital of HK$568 million (RmB 500 million). QSL has no revenue for the period, and incurred net loss of HK$9 million during operation start-up (Shared by Group net loss approximately HK$6 million).

Trading of steel products

Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported a turnover of HK$1,480 million in the six months ended 30 June 2009, an increase of 41% over that of the last year. Shougang Steel Group commenced trading of approximately 2.1 million tonnes of iron ore through our offtake arrangement with Mount Gibson this year, which suffered a loss because of the volatile commodity market in the first half of the year. Trading of other steel products still recorded a small gain. The resulting net loss was HK$41 million in the current period, comparing to a profit of HK$11 million same period last year. With iron ore prices recovering, results from this segment should improve in the near future.

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"), a 36.1% associate of the Group, recorded net profit of HK$86 million in the current period, increasing from HK$31 million in the last period. The Group's share of its net results was a profit HK$23 million, it includes deemed disposal loss of HK$7 million, comparing to share of profit of HK$23 million in the last period (including discount on acquisition of partial interest of HK$13 million).

Amidst intense market competition during the interim period, Shougang Century Group still maintained satisfactory turnover and gross profit in its principal business. With its expanding businesses and capacity, we believe its financial results will continue to improve in the future.

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 2009 as compared to 31 December 2008 is summarized below:

HK$ million	**30 June 2009 (Unaudited)**	31 December 2008 (Audited)
Total Debt		
– from banks	**9,327**	7,280
– from parent company	**928**	928
Sub-total	**10,255**	8,208
Cash and bank deposits	**4,193**	4,034
Net debt	**6,062**	4,174
Total capital (Equity and debt)	**18,996**	15,772
Financial leverage		
– Net debt to total capital	**31.9%**	26.5%
– Net debt to total assets	**25.6%**	19.8%

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 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 2009, approximately 72% 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.

3. **Financing activities**

In February 2008, the Company entered into a club deal with a number of banks for 4-year facilities at HK$2,500 million (US$320 million), with interest at LIBOR+52 bps. According to the loan agreement, two drawdowns were made in March and June 2008 respectively of HK$780 million (US$100 million) each, whilst the remaining HK$935 million (US$120 million) was drawn in March, 2009.

MATERIAL ACQUISITIONS & DISPOSALS

In January 2009, the Company has completed the acquisition of ordinary shares and has become holder of 14.3% equity interest in Mount Gibson. Details of this transaction were announced in the form of circulars dated 11 November 2008 and 17 November 2008.

In February 2009, the Company has completed the acquisition of ordinary shares and has become holder of 12% equity interest in Fushan Energy. Details of this transaction were announced in the form of announcement dated 9 February 2009.

Save as disclosed above, there are no material acquisitions and disposals during the interim period.

CAPITAL STRUCTURE

In February 2009, the Company issued 550 million ordinary shares as part of the consideration to acquire 550 million ordinary shares in Fushan International. The said transaction was completed on 24 February 2009.

Consequently, the issued share capital of the Company was increased by HK$110 million to HK$1,545 million (represented by 7,725 million ordinary shares).

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

The Group has a total of approximately 3,900 employees as at 30 June 2009.

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 steel market appears to have turned the corner while the negative trends in prices and output are being reversed.

Looking into the future, we believe steel consumption will remain resilient, largely driven by the government's increased infrastructure spending and monetary easing. Growth in both sales volumes and selling prices of steel plates has been increasingly apparent since the middle of second quarter of this year; this trend looks to continue well into 2010. Significant margin trough in the first half of 2009 should be well behind us. However, just as it would have been a mistake to predict a repeat of Great Depression not long ago, it would be a mistake to say that it is definitely happily ever after.

We continue to look for opportunities to expand our value chain integration, in terms of iron ore and coking coal investments to enhance our raw material self sufficiency as well as to optimize our product mix to enhance competitiveness.

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 2009, 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 1 June 2009 (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 Committee, Remuneration Committee and Nomination Committee 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, 7 September 2009

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).