



Chairman's Statement

Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (the "Group") incurred a loss attributable to shareholders of HK\$607.4 million for the year ended 31 December 2001. When compared with the loss of HK\$258.4 million for the last year, an increase in loss of HK\$349.0 million was recorded, which was mainly due to the huge increase in the amounts of impairment of goodwill and impairment of fixed assets for the year.

During the year, the operations of the Group were much affected by the gloomy global economies which had been exacerbated by the 911 tragedy in the United States. While exercising



stringent cost control measures to minimise loss at the operational level, the management carried a series of in-depth studies throughout the year with the objective to reorganise the Group's structure and streamline its operations. These efforts have now been proved fruitful as a Group Reorganisation proposal was framed and, after approval by the relevant authorities, was announced by the Company on 12 April 2002. Whilst further details of the Group Reorganisation are described in the Management Discussion and Analysis below, I wish to pinpoint to shareholders that the terms and conditions of the Group Reorganisation are in the interests of the Group and the shareholders of the Company as a whole. This Group Reorganisation is an important milestone for the Group's future development and an inevitable step towards the turning point of its future performance.

Looking forward, the steady growth of the PRC economy will tend to be strengthened by China's accession to the World Trade Organisation. Beijing's successful bid to host the 2008 Olympic Games is likely to cause a rising demand in infrastructure, which will benefit the steel business. With the immense support from Shougang Corporation, the ultimate controlling shareholder of the Company, the Group will be in a position to capitalise on good business opportunities in future. In the long run, we will build up our competitive edge, improve performance and enhance shareholders' value.

I would like to take this opportunity to thank our management and staff for their dedication and contribution, and to express our appreciation to our shareholders, bankers and all other parties concerned for their continued support.

Wang Qinghai

Chairman

22 April 2002