Interim Report 2009



SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED Stock Code : 697

### CONTENTS

CORPORATE INFORMATION	2
INTERIM RESULTS CONDENSED CONSOLIDATED INCOME STATEMENT CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	4 6 7 9 11 13
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION	40
MANAGEMENT DISCUSSION AND ANALYSIS	41
INTERIM DIVIDEND	49
PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES	49
DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES	50
INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO	54
SHARE OPTIONS	57
AUDIT COMMITTEE	58
COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES	58
COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS	59
DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES	59
DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES	60
APPRECIATION	60

### **CORPORATE INFORMATION**

Board of Directors	Wang Qinghai (Chairman) Cao Zhong (Managing Director) Chen Zhouping (Deputy Managing Director) Zhang Wenhui (Deputy Managing Director) Luo Zhenyu (Deputy Managing Director) Ip Tak Chuen, Edmond (Non-executive Director) Leung Shun Sang, Tony (Non-executive Director) Kan Lai Kuen, Alice (Independent Non-executive Director) Wong Kun Kim (Independent Non-executive Director) Leung Kai Cheung (Independent Non-executive Director)
Executive Committee	Cao Zhong <i>(Chairman)</i> Chen Zhouping Zhang Wenhui Luo Zhenyu
Audit Committee	Wong Kun Kim <i>(Chairman)</i> Kan Lai Kuen, Alice Leung Kai Cheung
Nomination Committee	Cao Zhong <i>(Chairman)</i> Leung Shun Sang, Tony <i>(Vice Chairman)</i> Kan Lai Kuen, Alice Wong Kun Kim Leung Kai Cheung
Remuneration Committee	Leung Shun Sang, Tony <i>(Chairman)</i> Cao Zhong <i>(Vice Chairman)</i> Kan Lai Kuen, Alice Wong Kun Kim Leung Kai Cheung

<b>CORPORATE I</b>	<b>NFORMATION</b> (	(continued)
		oonnaoa,

Company Secretary	Cheng Man Ching
Auditor	Deloitte Touche Tohmatsu
Share Registrars	Tricor Tengis Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Registered Office and Principal Place of Business	7th Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Stock Code	697
Website	www.shougang-intl.com.hk

### **INTERIM RESULTS**

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to report 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

		Six months ended 30 June					
	NOTES	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)				
<b>Continuing operations</b> Revenue Cost of sales	3	5,585,530 (6,256,442)	8,243,002 (6,256,208)				
Gross (loss) profit Other income Other losses and gains Discount on acquisition of		(670,912) 35,167 (18,101)	1,986,794 50,531 37,568				
partial interest in an associate Change in fair value of derivative financial instruments Distribution costs Administrative expenses Finance costs Share of profit of an associate		- 45,144 (27,765) (225,843) (204,513) 30,877	12,840 (93,209) (148,579) (258,149) (200,724) 10,216				
(Loss) profit before tax Income tax expense	4	(1,035,946) (9,463)	1,397,288 (27,962)				
(Loss) profit for the period from continuing operations		(1,045,409)	1,369,326				
<b>Discontinued operation</b> Profit for the period from discontinued operation	5		11,237				
(Loss) profit for the period	6	(1,045,409)	1,380,563				

### CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		Six months ended 30 June					
NO	TES	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)				
(Loss) profit for the period attributable to: Owners of the Company		(872,511)	1,092,279				
Minority interests		(172,898)	1,380,563				
		(1,040,400)	1,000,000				
(Loss) earnings per share & From continuing and discontinued operations:	3						
- 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 COMPREHENSIVE INCOME

	Six months ended 30 Jun				
	2009	2008			
	HK\$'000	HK\$'000			
	(unaudited)	(unaudited)			
(Loss) profit for the period	(1,045,409)	1,380,563			
Other comprehensive income					
Exchange differences arising on translation	394	307,338			
Fair value gain (loss) on					
available-for-sale financial assets	1,756,404	(154,413)			
Share of other comprehensive income of					
associates		07.070			
Exchange differences arising on translation	474	27,672			
Fair value gain (loss) on available-for-sale financial assets	10,844	(67,301)			
Others	10,044	2,956			
Others		2,330			
Other comprehensive income for the period	1,768,116	116,252			
Total comprehensive income for the period	722,707	1,496,815			
Total comprehensive income attributable to:					
Owners of the Company	895,551	1,138,883			
Minority interests	(172,844)	357,932			
	722,707	1,496,815			

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2009

		30 June	31 December
		2009	2008
	NOTES	HK\$'000	HK\$'000
	NOTLO		
		(unaudited)	(restated)
NON-CURRENT ASSETS			
Investment properties	9	36,455	37,102
Property, plant and equipment	9	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	10	3,455,491	342,426
Deposits for acquisition of property,			
plant and equipment		647,270	311,470
Other financial assets		264,372	235,540
		15 104 000	11 400 700
		15,194,232	11,400,700
CURRENT ASSETS			
Inventories		1,498,712	1,886,251
Trade and bill receivables	11	581,917	920,131
Trade receivables from related			
companies	12	1,114,711	1,722,235
Prepayments, deposits and	12	.,,	1,722,200
other receivables		242,409	331,641
Prepaid lease rentals		7,425	5,714
Tax recoverable		-	1,317
Amounts due from related companies	12	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	13	452,110	412
Other financial assets	-	105,841	214,131
Restricted bank deposits		472,032	650,619
1		,	030,019
Pledged bank deposits		127,027	-
Bank balances and cash		3,594,142	3,382,952
		8,491,837	9,627,200

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT 30 JUNE 2009

	NOTES	30 June 2009 <i>HK\$'000</i> (unaudited)	31 December 2008 <i>HK\$'000</i> (restated)
Trade and bill payables Other payables and accrued liabilities Tax payable Amounts due to related companies	14 12	1,300,901 1,112,158 12,895 572,990	1,373,611 1,377,535 33,403 694,505
Amount due to ultimate holding company of controlling shareholder Bank borrowings – due within	13	359,761	172,531
one year Other financial liabilities Loans from ultimate holding	15	4,291,349 4,864	3,141,658 56,666
company of controlling shareholder	16	928,320	928,320
		8,583,238	7,778,229
NET CURRENT (LIABILITIES) ASSET	ſS	(91,401)	1,848,971
TOTAL ASSETS LESS CURRENT LIABILITIES		15,102,831	13,249,671
<b>NON-CURRENT LIABILITIES</b> Bank borrowings – due after one year Deferred tax liabilities	15	5,035,614 49,162	4,138,219 50,114
		5,084,776	4,188,333
		10,018,055	9,061,338
<b>CAPITAL AND RESERVES</b> Share capital Share premium and reserves	17	1,545,076 7,195,653	1,435,076 6,128,762
Equity attributable to owners of the Company Minority interests		8,740,729 1,277,326	7,563,838 1,497,500
		10,018,055	9,061,338

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

					Attributable t	o owners of	the Company						
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000 (Note a)	Exchange reserve HK\$'000	Share option reserve HK\$'000	Enterprise expansion fund and statutory reserve fund HK\$'000 (Note b)	Security investment reserve HK\$'000	Non- distributable reserve HK\$'000 (Note c)	Accumulated profits HK\$'000	Total HK\$'D00	Minority interests HK\$'000	Total HK\$'000
At 1 January 2008 (audited)	1,400,639	2,193,164	1,019	30,818	356,578	59,726	402,909	315,836	51,979	2,002,063	6,814,731	1,129,202	7,943,933
Profit for the period Exchange differences arising	-	-	-	-	-	-	-	-	-	1,092,279	1,092,279	288,284	1,380,563
on translation Fair value loss on available-for-sale	-	-	-	-	237,690	-	-	-	-	-	237,690	69,648	307,338
investments Share of other comprehensive	-	-	-	-	-	-	-	(154,413)	-	-	(154,413)	-	(154,413)
income of associates				(117)	27,672		(613)	(67,301)		3,686	(36,673)		(36,673)
Total comprehensive income for the period				(117)	265,362		(613)	(221,714)		1,095,965	1,138,883	357,932	1,496,815
Released on disposal of subsidiaries Transfer to enterprise expansion fund and statutor	- N	-	-	-	(44,357)	-	(13,369)	-	-	13,369	(44,357)	(279,526)	(323,883)
reserve fund	-	-	-	-	-	-	267	-	-	(267)	-	-	-
Effects of share options	56,029	49,361	-	-	-	-	-	-	-	-	105,390	-	105,390
Share issue expenses Dividends recognised as	-	(50)	-	-	-	-	-	-	-	-	(50)	-	(50)
distribution	-	-	-	-	-	-	-	-	-	(582,668)	(582,668)	-	(582,668)
Contribution from minority shareholders Recognition of equity-settled	-	-	-	-	-	-	-	-	-	-	-	59,179	59,179
share based payment	-	-	-	-	-	56,052	-	-	-	-	56,052	-	56,052
At 30 June 2008 (unaudited)	1,456,668	2,242,475	1,019	30,701	577,583	115,778	389,194	94,122	51,979	2,528,462	7,487,981	1,266,787	8,754,768

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

### FOR THE SIX MONTHS ENDED 30 JUNE 2009

Attributable to owners of the Company													
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Revaluation reserve HK\$'000 (Note a)	Exchange reserve HK\$'000	Share option reserve HK\$'000	Enterprise expansion fund and statutory reserve fund HK\$'000 (Note b)	Security investment reserve HK\$'000	Non- distributable reserve HK\$'000 (Note c)	Accumulated profits HK\$'000	<b>Total</b> HK\$'000	Minority interests HK\$'000	<b>Total</b> HK\$'000
At 1 January 2009 (audited)	1,435,076	2,242,475	22,611	32,587	557,948	170,603	729,318	88,536	51,979	2,232,705	7,563,838	1,497,500	9,061,338
Loss for the period Exchange differences arising	-	-	-	-	-	-	-	-	-	(872,511)	(872,511)	(172,898)	(1,045,409)
on translation Fair value gain on available-for-sale	-	-	-	-	340	-	-	-	-	-	340	54	394
investments Share of other comprehensive	-	-	-	-	-	-	-	1,756,404	-	-	1,756,404	-	1,756,404
income of associates					474			10,844			11,318		11,318
Total comprehensive income for the period					814			1,767,248		(872,511)	895,551	(172,844)	722,707
Released on deemed disposa of partial interest in an associate Transfer to enterprise expansion fund and statuto	-	-	-	(39)	(860)	-	(189)	182	-	189	(717)	-	(717)
reserve fund	-	-	-	-	-	-	259	-	-	(259)	-	-	-
Share issued at premium	110,000	374,000	-	-	-	-	-	-	-	-	484,000	-	484,000
Share issue expenses Dividends recognised as	-	(30)	-	-	-	-	-	-	-	-	(30)	-	(30)
distribution	-	-	-	-	-	-	-	-	-	(231,762)	(231,762)	-	(231,762)
Dividend paid to minority inte Contribution from minority	rests –	-	-	-	-	-	-	-	-	-	-	(65,328)	(65,328)
shareholders	-	-	-	-	-	-	-	-	-	-	-	17,998	17,998
Recognition of equity-settled share based payment						29,849	_				29,849		29,849
At 30 June 2009 (unaudited)	1,545,076	2,616,445	22,611	32,548	557,902	200,452	729,388	1,855,966	51,979	1,128,362	8,740,729	1,277,326	10,018,055

Notes:

- (a) Revaluation reserve mainly represented the fair value recognised on prepaid lease rentals upon the acquisition of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") in 2005.
- (b) Enterprise expansion fund and statutory reserve fund, which are non-distributable, are appropriated from the profit after tax of the Company's subsidiaries and associates under the applicable laws and regulations in the People's Republic of China (the "PRC") (other than Hong Kong).
- (c) The non-distributable reserve represented the capitalisation of the dividends paid out of the enterprise expansion fund and statutory reserve fund.

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six me ended 3	
NOTE	2009 <i>HK\$'</i> 000 (unaudited)	2008 <i>HK\$'000</i> (unaudited)
Net cash from operating activities	31,129	2,304,883
Net cash used in investing activities Purchase of available-for-sale investments	(825,208)	_
Deposit paid for acquisition of property, plant and equipment Increase in pledged bank deposits	(647,270) (127,027)	(8,995) _
Purchase of property, plant and equipment Decrease (increase) in amounts	(120,190)	(845,360)
due from related companies Decrease (increase) in amount due from ultimate holding company of	216,286	(331,775)
controlling shareholder Subscription of shares of associates Net cash outflow from disposal of	412 _	(155,767) (415,689)
subsidiaries 5 Dividends received from an associate Other investing activities	_ _ (2,448)	(14,443) 6,866 41,749
-	(1,505,445)	(1,723,414)

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Six m ended 3	
NOTE	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)
Net cash from financing activities New borrowings raised Repayment of bank borrowings Payment of dividends Decrease in amounts due to related companies Decrease in amount due to ultimate holding company of	4,450,172 (2,404,445) (231,762) (51,827)	5,856,806 (3,300,860) (582,668) (101,583)
controlling shareholder Proceeds from issue of shares on subscription Repayment of loan from ultimate holding company of controlling shareholder Other financing activities	(29,515) _ (47,360)	(48,127) 105,390 (204,847) 59,129
Net increase in cash and cash equivalents Cash and cash equivalents at 1 January Effect of foreign exchange rate changes	1,685,263 210,947 3,382,952 243	1,783,240 2,364,709 3,256,837 74,088
Cash and cash equivalents at 30 June, represented by bank balances and cash	3,594,142	5,695,634

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 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) HKAS 23 (Revised 2007) HKAS 32 & 1 (Amendments)

HKFRS 1 & HKAS 27 (Amendments) HKFRS 2 (Amendment) HKFRS 7 (Amendment) Presentation of Financial Statements Borrowing Costs Puttable Financial Instruments and Obligations Arising on Liquidation Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate Vesting Conditions and Cancellations Improving Disclosures about Financial Instruments

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39	Embedded Derivatives
(Amendments)	
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

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:

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2009.
- <sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.
- <sup>4</sup> 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.

#### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 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 C HK\$'000	onsolidated HK\$'000
Revenue External sales Inter-segment sales	4,028,309 320,375	76,360 -	1,479,745	-	1,116 -	- (320,375)	5,585,530
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.

Result Segment (loss) profit	(793,796)	(11,957)	(40,762)	(9,141)	31,050	-	(824,606)
Interest income Central administration							24,920
costs Finance costs							(55,206) (204,513)
Loss on deemed disposal of partial							
interest in an associate Share of profit of an							(7,418)
associate							30,877
Loss before tax							(1,035,946)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2008 (unaudited)

			Con	tinuing operation	15			operation	
	Steel	Shipping	Steel	Mineral	Others	Flimination	Tatal	Electricity	On an all data d
	manufacturing HK\$'000	operations HK\$'000	trading HK\$'000	exploration HK\$'000	Others HK\$'000	Elimination HK\$'000	<b>Total</b> HK\$'000	HK\$'000	Consolidated 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

Discontinued

Inter-segment sales are charged at prevailing market rates.

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 Finance costs							(84,043) (200,724)	(5,475)	(84,043) (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

#### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 3. SEGMENT INFORMATION (continued)

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.

The following is an analysis of the Group's assets by operating segment:

	30 June 2009 <i>HK\$'000</i> (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
Steel manufacturing Shipping operations Steel trading Mineral exploration Others	13,095,899 15,809 157,954 922,648 11,315	14,342,481 23,568 226,515 416,057 15,578
Total segment assets	14,203,625	15,024,199

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 4. INCOME TAX EXPENSE

	Six months ended 30 June		
	2009 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)	
Continuing operations:			
Current tax: PRC Enterprise Income Tax Under(over) provision in prior periods:	8,852	30,992	
Hong Kong PRC Enterprise Income Tax	870 692	(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 Overprovision in prior periods:	-	6,374	
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.

#### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 4. INCOME TAX EXPENSE (continued)

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 <i>HK\$'000</i>
Profit of electricity generation operation for the period Gain on disposal of electricity generation operation	7,008 4,229
	11,237

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 5. DISCONTINUED OPERATION (continued)

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

	1 January 2008 to 12 June 2008 <i>HK\$'000</i>
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

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 5. **DISCONTINUED OPERATION (continued)**

The net assets of URL and its subsidiary at the Completion Date were as follows:

	12 June 2008
	HK\$'000
Net assets disposed of:	
Property, plant and equipment	260,592
Prepaid lease rentals	68,782
Inventories	17,356
Prepayment, deposits and other receivables	1,267
Amounts due from related companies	451,112
Bank balances and cash	14,443
Trade and bill payables	(3,931)
Other payable and accrued liabilities	(28,074)
Tax payable	(921)
Amounts due to related companies	(209,579)
	571,047
Minority interests	(279,526)
Attributable goodwill	65,107
Reserve realised	(44,357)
Gain on disposal	4,229
Total consideration	316,500
Satisfied by:	
Consideration receivable	316,500
Net cash outflow arising on disposal:	
Disposal of bank balances and cash	(14,443)

HK\$158,250,000 of the consideration receivable was settled in cash on 28 August 2008 by the acquirer and the Company expected that the remaining amount will be settled in cash before the end of year 2009.

12 June 2008

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 5. DISCONTINUED OPERATION (continued)

	1 January 2008 to 12 June 2008 <i>HK\$'000</i>
Cash flows from URL and its subsidiary:	
Net cash flows from operating activities Net cash flows from investing activities Net cash flows from financing activities	177,579 1,488 (174,236)
Net cash flows	4,831

#### 6. (LOSS) PROFIT FOR THE PERIOD

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

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

#### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 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 ordinary 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 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (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) Effect of dilutive potential ordinary shares: Adjustment to the share of profit of an associate based on dilution of	(872,511)	1,092,279
its earnings per share	(206)	(275)
(Loss) earnings for the purpose of diluted (loss) earnings per share	(872,717)	1,092,004

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 8. (LOSS) EARNINGS PER SHARE (continued)

From continuing and discontinued operations (continued)

	Six months ended 30 June	
	2009	2008
Number of shares Weighted average number of ordinary shares for the purpose of basic (loss) earnings	7501 000 010	7 000 004 400
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.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 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 <i>HK\$'000</i> (unaudited)	2008 <i>HK\$'000</i> (unaudited)
(Loss) earnings figures are calculated as follows:		
(Loss) profit for the period attributable to the equity holders of the Company Less: Profit for the period from discontinued operation	(872,511) –	1,092,279 (11,237)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations Effect of dilutive potential ordinary shares: Adjustment to the share of profit of an	(872,511)	1,081,042
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.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

### 9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Directors are of the opinion that the market value of the Group's investment properties as at 30 June 2009 is not materially different from the carrying value of the investment properties. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties in the period.

During the period, the Group incurred approximately HK\$579,300,000 (HK\$857,541,000 for the six months ended 30 June 2008) on acquisition of property, plant and equipment in order to upgrade its operating capacities.

#### 10. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	30 June 2009 <i>HK\$</i> '000 (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
Equity securities listed in Hong Kong, at fair value <i>(Note a)</i> Equity securities listed in Australia,	2,354,000	_
at fair value Unlisted equity securities, at cost ( <i>Note b</i> )	967,659 133,832	315,659 26,767
Total	3,455,491	342,426

Notes:

(a) On 9 February 2009, the Company acquired 550,000,000 shares of Fushan International Energy Group Limited ("Fushan International"), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, at a consideration of HK\$1,199,000,000. The consideration was satisfied in full by (a) a cash consideration of HK\$715,000,000; and (b) the allotment and issue of 550,000,000 new shares of HK\$0.2 each of the Company at market price of HK\$0.88 per share. The shares acquired represented approximately 12.05% of the issued share capital of Fushan International on 10 February 2009.

On 3 July 2009, subsequent to the period ended 30 June 2009, the Company acquired an additional 450,000,000 shares of Fushan International as disclosed in Note 21.

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 10. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(b) The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

#### 11. 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 <i>HK\$'000</i> (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
0 - 60 days 61 - 90 days 91 - 180 days 181 - 365 days	553,727 28,169 1 20	920,111 20 
	581,917	920,131

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 12. 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 <i>HK\$</i> '000 (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
0 - 60 days 61 - 90 days 91 - 180 days 181 - 365 days	152,392 687,714 261,426 13,179	1,486,237 
	1,114,711	1,722,235

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

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 13. 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 <i>HK\$'000</i> (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
0 – 90 days 91 – 180 days 181 – 365 days 1 – 2 years Over 2 years	294,836 22 40 15 –	78,142 - - 26
	294,913	78,168

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 14. 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 <i>HK\$'</i> 000 (unaudited)	31 December 2008 <i>HK\$'000</i> (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

#### 15. BANK BORROWINGS

During the period, the Group obtained new bank loans of approximately HK\$4,450,172,000 (HK\$5,856,806,000 for the six months ended 30 June 2008). The loans carry interest at 0.90% to 7.18% per annum (3.19% to 7.47% per annum for the six months ended 30 June 2008). The proceeds were used to finance the acquisition of property, plant and equipment and the general operations of the Group. In addition, the Group also repaid bank loans of approximately HK\$2,404,445,000 (HK\$3,300,860,000 for the six months ended 30 June 2008) during the period.

### 16. LOANS FROM ULTIMATE HOLDING COMPANY OF CONTROLLING SHAREHOLDER

The amounts are unsecured, interest bearing at 5.76% to 7.47% per annum (5.76% to 7.47% per annum for the six months ended 30 June 2008) and are repayable according to the repayment schedules.

### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised: At 1 January 2008, 31 December 2008 and 30 June 2009	10.000.000.000	2,000,000
		2,000,000
Issued and fully paid: At 1 January 2008	7,003,197,214	1,400,639
Exercise of share options	280,144,000	56,029
At 30 June 2008	7,283,341,214	1,456,668
Shares repurchased and cancelled	(107,960,000)	(21,592)
At 31 December 2008 Issue for the acquisition of available-for-sale	7,175,381,214	1,435,076
investments (note 10)	550,000,000	110,000
At 30 June 2009	7,725,381,214	1,545,076

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### **18. COMMITMENTS**

	30 June 2009 <i>HK</i> \$'000 (unaudited)	31 December 2008 <i>HK\$'000</i> (audited)
CAPITAL COMMITMENT		
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	1,228,962	1,094,289
OTHER COMMITMENT		
Capital injection in respect of investees		124,419

#### 19. PLEDGE OF ASSETS

As at 30 June 2009, the following items were used to secure banking facilities granted to the Group:

- Restricted bank deposits amounting to approximately HK\$472,032,000 (31 December 2008: HK\$650,619,000).
- (b) Pledged bank deposits amounting to approximately HK\$127,027,000 (31 December 2008: Nil).
- (c) Pledge of total assets of Equity Dragon Assets Limited and Pointer Investments Limited, wholly owned subsidiaries of the Group, with total assets amounting to approximately HK\$156,320,000 and HK\$183,596,000 (31 December 2008: HK\$156,320,000 and HK\$183,596,000) respectively.
- (d) As at 30 June 2009, pledge of the Group's prepaid lease rentals with net book value of approximately HK\$127,331,000. The Group had no such pledge of assets as at 31 December 2008.

#### FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 20. RELATED PARTY DISCLOSURES

The significant transactions with related parties during the period, and significant balances with them at the balance sheet date are as follows:

#### (I) Transactions

		Six months ended 30 June		
		2009	2008	
	Notes	HK\$'000	HK\$'000	
		(unaudited)	(unaudited)	
Shougang Group				
Sales of goods by the Group	(a)	1,216,194	1,298,273	
Provision of electricity, steam and		, ,		
hot water by the Group	(b)	-	210,621	
Purchases of goods by the Group	(C)	2,544,331	2,196,225	
Lease rentals charged to the Group	(d)	2,308	2,252	
Management fees charged				
to the Group	(e)	480	480	
Purchases of spare parts	(0)		70 700	
by the Group	(f)	63,832	72,793	
Management fees charged		070	000	
by the Group Rental income charged	(g)	972	960	
by the Group	(h)	76	76	
Interest charged to the Group	(i)	23,215	25,464	
Service fees charged to the Group	(i)	50,700	76,101	
Service fees charged by the Group	(k)	9,591	58,584	
Purchase of property, plant and	. /	.,	,	
equipment by the Group	(1)	181,866	304,582	

#### Notes:

(a) Qinhuangdao Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill") and Shouqin, subsidiaries of the Company, sold steel products and scrap materials to Shougang Group. Shougang Concord Steel International Trading Co. Ltd., a subsidiary of the Company, sold iron ore to Shougang Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 20. RELATED PARTY DISCLOSURES (continued)

#### (I) Transactions (continued)

Notes: (continued)

- (b) Beijing Shougang Firstlevel Power Co., Ltd. ("Beijing Power Plant") sold electricity, steam and hot water to Shougang Group.
- (c) The Group purchased materials and steel products from Shougang Group.
- (d) The Group entered into various rental agreements with Shougang Group for renting office and residential apartments as staff quarters.
- (e) Management fees were paid to Shougang Holding (Hong Kong) Limited ("Shougang HK"), the controlling shareholder, for the provision of management services.
- (f) The Group purchased spare parts from Shougang Group.
- (g) The Group provided business and strategic development services to Shougang Group.
- (h) The Group entered into rental agreements with a subsidiary of Shougang HK for renting office.
- The interest expenses were charged by Shougang Group in respect of loans granted to the Group at interest rates from 5.76% to 7.47% (30.6.2008: 5.76% to 7.47%) per annum.
- (j) Shougang Group charged Qinhuangdao Plate Mill, Beijing Power Plant and Shouqin service fees in respect of processing and repair and maintenance services provided.
- (k) The Group charged Shougang Group service fees in respect of processing and administration services provided.
- (I) The Group acquired property, plant and equipment from the Shougang Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

## 20. RELATED PARTY DISCLOSURES (continued)

## (I) Transactions (continued)

On 12 June 2008, the Group disposed of URL, a wholly owned subsidiary of the Group to a subsidiary of Shougang HK, the controlling shareholder of the Group at a consideration of HK\$316,500,000, gain on disposal of approximately HK\$4,229,000 was resulted.

## (II) Balances

Details of balances with the Group's related companies are set out in the condensed consolidated statement of financial position and notes 12, 13 and 16.

Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group for nil consideration. At 30 June 2009, the Group has bank loans guaranteed by Shougang Corporation amounting to approximately HK\$6,005,444,000 (31 December 2008: HK\$5,540,433,000).

# (III) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is a part of a larger group of companies under Shougang Corporation which is controlled by the PRC government.

The Group has entered into various transactions, including deposits, placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that there are no other significant transactions with other state-controlled entities.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 20. RELATED PARTY DISCLOSURES (continued)

#### (IV) Compensation of key management personnel

The remuneration of Directors and other members of key management during the period was as follows:

Six months ended 30 June		
2009	2008	
HK\$'000	HK\$'000	
(unaudited)	(unaudited)	
5,948	5,869	
291	240	
27,916	52,298	
34,155	58,407	
	ended 3 2009 <i>HK\$'000</i> (unaudited) 5,948 291 27,916	

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

# 21. EVENT AFTER THE END OF THE INTERIM PERIOD

On 3 July 2009 (the "Agreement Date"), the Company and Shougang HK entered into an agreement (the "Agreement"), pursuant to which Shougang HK has conditionally agreed to sell the entire issued share capital of Fine Power Group Limited ("Fine Power") to the Company at a consideration of HK\$1,930,500,000 (the "Acquisition"), which will be satisfied in full by a cash consideration of HK\$1,350,000,000; and the allotment and issue of the 450,000,000 shares of the Company to Shougang HK or its wholly owned subsidiary at HK\$1.29 per share, representing the closing price of the Company's shares on the Agreement Date. The Acquisition will be completed in accordance with the Agreement when the conditions precedent are fulfilled.

The main asset held by Fine Power is the holding of 450,000,000 shares of Fushan International. These 450,000,000 shares represented approximately 9.80% of the issued share capital of Fushan International on the Agreement Date.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2009

#### 21. EVENT AFTER THE END OF THE INTERIM PERIOD (continued)

On 21 July 2009, Fushan International announced that 400,000,000 new shares have been allotted on 28 July 2009 (the "Placing") pursuant to the placing and subscription agreement dated 21 July 2009. Upon completion of the Placing, the number of issued shares of Fushan International has been increased from 4,589,955,352 to 4,989,955,352.

As a result, upon completion of the Acquisition and Placing, together with the 550,000,000 shares of Fushan held by the Company as at 30 June 2009 as disclosed in Note 10, the Company will indirectly hold approximately 20.04% of the issued share capital of Fushan International, which will be accounted for as an associate in accordance with HKAS 28. The above mentioned transactions have been disclosed in a circular issued by the Company on 21 August 2009.

# **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**Deloitte.** 德勤

TO THE BOARD OF DIRECTORS OF SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED 首長國際企業有限公司 (incorporated in Hong Kong with limited liability)

# Introduction

We have reviewed the interim financial information set out on pages 4 to 39 which comprises the condensed consolidated statement of financial position of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries as of 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The Directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

# Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants* Hong Kong 7 September 2009

# 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<sup>1</sup>, 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<sup>1</sup> 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 Add: Non cash charges Fair Value (gain)/loss on Australasian	(873)	1,092
Resources Limited options Employee share option expenses Less: Asset realization - Power plant	(7) 30	83 56 (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.

# FINANCIAL REVIEW (continued)

# 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	4 440	4.044		766
	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.

# **REVIEW OF OPERATIONS (continued)**

# Shouqin (continued)

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:

- 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,
- 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.

# **REVIEW OF OPERATIONS (continued)**

# 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 (RmB500 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.

# **REVIEW OF OPERATIONS (continued)**

# Other businesses (continued)

# 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:

	30 June 2009	31 December 2008
HK\$ million	(Unaudited)	(Audited)
Total Debt		
– from banks	9,327	7,280
<ul> <li>from parent company</li> </ul>	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		
<ul> <li>Net debt to total capital</li> </ul>	31.9%	26.5%
- Net debt to total assets	25.6%	19.8%

# LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

# 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.

# INTERIM DIVIDEND

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

# 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.

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 30 June 2009 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 30 June 2009 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

		underlying	Total interests as to % to the issued share		
Name of Director	Capacity in which interests are held	Interests in shares	Total interests	capital of the Company as at 30.06.2009	
Cao Zhong	Beneficial owner	10,000,000	65,000,000	75,000,000	0.97%
Chen Zhouping	Beneficial owner	-	45,000,000	45,000,000	0.58%
Zhang Wenhui	Beneficial owner	-	35,000,000	35,000,000	0.45%
Luo Zhenyu	Beneficial owner	-	25,000,000	25,000,000	0.32%
Ip Tak Chuen, Edmond	Beneficial owner	-	12,590,000	12,590,000	0.16%
Leung Shun Sang, Tony	Beneficial owner	7,590,000	-	7,590,000	0.09%
Kan Lai Kuen, Alice	Beneficial owner	-	1,500,000	1,500,000	0.01%
Wong Kun Kim	Beneficial owner	-	1,500,000	1,500,000	0.01%
Leung Kai Cheung	Beneficial owner	-	1,500,000	1,500,000	0.01%

# (a) Long positions in the shares and underlying shares of the Company

\* The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK\$0.20 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Options" below.

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

- (b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company
  - *(i)* Long positions in the shares of Shougang Century

Name of Director	Capacity in which interests are held	Number of shares held in Shougang Century	Interests as to % to the issued share capital of Shougang Century as at 30.06.2009
Cao Zhong	Beneficial owner	7,652,000	0.40%
Chen Zhouping	Beneficial owner	7,652,000	0.40%
Luo Zhenyu	Beneficial owner	7,652,000	0.40%

(ii) Long positions in the underlying shares of Shougang Century

	Options to	Options to subscribe for shares of Shougang Century'							Interests as to % to the issued share capital of
Name of Director	At the beginning of the period	Granted during the period	Exercised during the period <sup>2</sup>	At the end of the period	Date of grant	Exercise period	Exercise price per share	Capacity in which interests are held	Shougang Century as at 30.06.2009
Cao Zhong	7,652,000	-	(7,652,000)	-	23.08.2002	23.08.2002 - 22.08.2012	HK\$0.295	Beneficial owner	
	57,350,000	-	-	57,350,000	02.10.2003	02.10.2003 - 01.10.2013	HK\$0.780	Beneficial owner	
	17,000,000	-	-	17,000,000	28.01.2008	28.01.2008 - 27.01.2018	HK\$0.864	Beneficial owner	
	82,002,000	-	(7,652,000)	74,350,000					3.90%

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DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

- (b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company (continued)
  - (ii) Long positions in the underlying shares of Shougang Century (continued)

	Options to	subscribe for s	hares of Shoug	ang Century <sup>1</sup>			Exercise price per share	Capacity in which interests are held	Interests as to % to the issued share capital of Shougang Century as at 30.06.2009
Name of Director	At the beginning of the period	Granted during the period	Exercised during the period <sup>2</sup>	At the end of the period	Date of grant	Exercise period			
Chen Zhouping	7,652,000	-	(7,652,000)	-	23.08.2002	23.08.2002 - 22.08.2012	HK\$0.295	Beneficial owner	-
Luo Zhenyu	7,652,000	-	(7,652,000)	-	12.03.2003	12.03.2003 - 11.03.2013	HK\$0.325	Beneficial owner	-
Leung Shun Sang, Tony	4,592,000	-	-	4,592,000	23.08.2002	23.08.2002 - 22.08.2012	HK\$0.295	Beneficial owner	
0. 7	3,060,000	-	-	3,060,000	12.03.2003	12.03.2003 - 11.03.2013	HK\$0.325	Beneficial owner	
	4,592,000	-	-	4,592,000	25.08.2003	25.08.2003 - 24.08.2013	HK\$0.740	Beneficial owner	
	12,000,000	-	-	12,000,000	28.01.2008	28.01.2008 - 27.01.2018	HK\$0.864	Beneficial owner	
	24,244,000	-	-	24,244,000					1.27%
	121,550,000		(22,956,000)	98,594,000					

# Notes:

- The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of Shougang Century adopted on 7 June 2002. Upon exercise of the share options in accordance with the share option scheme of Shougang Century, ordinary shares of HK\$0.10 each in the share capital of Shougang Century are issuable. The share options are personal to the respective Directors.
- 2. The weighted average closing price of the shares of Shougang Century immediately before the dates on which the share options were exercised was HK\$0.49 per share.

# DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Save as disclosed above, as at 30 June 2009, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other than those disclosed in this section and the section headed "Share Options", no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any Directors or chief executives (including their spouses or children under 18 years of age) during the six months ended 30 June 2009.

# INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2009, according to the register kept by the Company under Section 336 of the SFO (the "Register"), the following companies and persons had interests or short positions of 5% or more in the shares of the Company ("Notifiable Interest") which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

# (a) Long positions in the shares of the Company

		Number of	Interests as to % to the issued share capital of	
Name of shareholder	Capacity in which interests are held	shares held in the Company	the Company as at 30.06.2009	Note(s)
Shougang Holding (Hong Kong) Limited ("Shougang Holding")	Beneficial owner, interests of controlled corporations	2,996,152,686	38.78%	1
China Gate Investments Limited ("China Gate")	Beneficial owner	1,529,904,761	19.80%	1
Grand Invest International Limited ("Grand Invest")	Beneficial owner	768,340,765	9.94%	1
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	455,401,955	5.89%	2, 3
Max Same Investment Limited ("Max Same")	Beneficial owner	423,054,586	5.47%	2
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	455,401,955	5.89%	3
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	455,401,955	5.89%	3
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	455,401,955	5.89%	3

# INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

# Name of share held Capacity in which interests are held in the Company as shareholder Number of shares held the Company as 30.06.2009 Li Ka-Shing Unity Trustee, beneficiary 455.401.955 5.89%

(a) Long positions in the shares of the Company (continued)

Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	455,401,955	5.89%	3
Wong Lik Ping	Beneficial owner	550,000,000	7.11%	
Lazard Asset Management LLC	Investment manager	541,429,100	7.00%	
Baring Asset Management Limited	Investment manager	434,726,000	5.62%	
Northern Trust Fiduciary Services (Ireland) Limited	Trustee	401,936,000	5.20%	

# (b) Lending pool

Name of shareholder	Capacity in which interests are held	Number of shares held in the Company	Interests as to % to the issued share capital of the Company as at 30.06.2009
The Northern Trust Company (ALA)	Approved lending agent	402,252,000	5.20%

Note(s)

# INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

- 1. Shougang Holding indicated in its disclosure form dated 26 February 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 24 February 2009, its interests included 1,529,904,761 and 768,340,765 shares of the Company held by China Gate and Grand Invest respectively, both were wholly-owned subsidiaries of Shougang Holding. China Gate was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Shougang Holding.
- 2. Cheung Kong indicated in its disclosure form dated 27 February 2009 (being the latest disclosure form filed up to 30 June 2009) that as at 24 February 2009, its interests included 423,054,586 shares of the Company held by Max Same, a wholly-owned subsidiary of Cheung Kong. Max Same was recorded as having a Notifiable Interest in the Register and the records relating thereto was updated in accordance with the said disclosure form filed by Cheung Kong.
- 3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 30 June 2009, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position of 5% or more in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

# **SHARE OPTIONS**

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company. No share option was granted, exercised, cancelled or lapsed in accordance with the terms of the Scheme during the six months ended 30 June 2009. Details of outstanding share options under the Scheme during the period are as follows:

Category or name of grantees	Options to subscribe for shares of the Company at the beginning and at the end of the period	Date of grant	Exercise period	Exercise price per share
Directors of the Company				
Cao Zhong	65,000,000 <sup>1</sup>	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Chen Zhouping	45,000,000 <sup>1</sup>	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Zhang Wenhui	35,000,000 <sup>1</sup>	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Luo Zhenyu	25,000,000 <sup>1</sup>	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Ip Tak Chuen, Edmond	8,000,000 4,590,000	23.08.2002 12.03.2003	23.08.2002 - 22.08.2012 12.03.2003 - 11.03.2013	HK\$0.295 HK\$0.280
	12,590,000			
Kan Lai Kuen, Alice	1,500,000	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Wong Kun Kim	1,500,000	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Leung Kai Cheung	1,500,000	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
	187,090,000			
Employees of the Group	37,500,000 <sup>1</sup>	20.12.2007	20.12.2007 - 19.12.2014	HK\$2.944
Other participants	50,000 1,000,000 <sup>1</sup>	23.08.2002 20.12.2007	23.08.2002 - 22.08.2012 20.12.2007 - 19.12.2014	HK\$0.295 HK\$2.944
	1,050,000			
	225,640,000			

# SHARE OPTIONS (continued)

Note:

1. Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the relevant grantees.

# AUDIT COMMITTEE

The Company has engaged the Auditor to assist the Audit Committee to review the 2009 interim results of the Group. A meeting of the Audit Committee was held with the Auditor and the management of the Company on 31 August 2009 for, amongst other things, reviewing the interim results of the Group for the six months ended 30 June 2009.

# 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 Listing Rules 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 did not attend 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, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

# COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the six months ended 30 June 2009.

# **DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES**

- (a) Under the loan agreement dated 22 November 2007 entered into between Bank of China (Hong Kong) Limited and Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"), a 76% owned subsidiary of the Company, in relation to a loan in an amount of RMB1,500,000,000, breach of any of the following undertakings by Shougang Corporation during the term of the loan agreement will constitute an event of default upon which the loan will, among others, become immediately due and payable: (i) Shougang Corporation will beneficially own at least 51% interests in Beijing Shougang Company Limited; (ii) Shougang Corporation will beneficially own at least 35% of the issued share capital of the Company; and (iii) the net asset value of Shougang Corporation will not be less than RMB15,000,000,000. The loan shall be repaid by Shouqin by instalments with the last instalment due on the date falling 36 months after the date of first drawn of the loan (i.e. 23 November 2007).
- (b) Under the facility agreement dated 28 February 2008 entered into between a syndicate of banks and the Company in relation to term and revolving credit facilities in a total principal amount of US\$320,000,000 made available by the banks to the Company, each of the following will constitute an event of default upon which the facilities will, among others, become immediately due and payable: (i) Shougang Holding ceases to be the single largest beneficial shareholder of the Company; (ii) Shougang Holding ceases to be a wholly-owned subsidiary of Shougang Corporation, the holding company of Shougang Holding; and (iii) Shougang Corporation ceases to have management control in Shougang Holding. The US\$200,000,000 term loan facility shall be repaid by the Company by instalments with the last instalment due on the date falling 48 months after the date of the facility agreement. The US\$120,000,000 revolving loan facility may be reborrowed by the Company and the final maturity day is the date falling 48 months after the date of the facility agreement.

# **DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)**

(c) Under the loan agreement dated 26 March 2008 entered into between Bank of China (Hong Kong) Limited and Shouqin in relation to a loan in an amount of RMB350,000,000 and the loan agreement dated 14 August 2008 entered into between Nanyang Commercial Bank (China), Limited and Shouqin in relation to a loan in an amount of RMB250,000,000, breach of any of the following undertakings by Shougang Corporation during the term of the loan agreements will constitute an event of default upon which the loans will, among others, become immediately due and payable: (i) Shougang Corporation will beneficially own at least 51% interests in Beijing Shougang Company Limited; (ii) Shougang Corporation will beneficially own at least 35% of the issued share capital of the Company; and (iii) the net asset value of Shougang Corporation will not be less than RMB15,000,000,000. The loans shall be repaid by Shouqin by instalments with the last instalment due on 23 November 2010.

# DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

There is no change in the directors' information, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# **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