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 2006

INTERIM RESULTS

The Board of Directors of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006. These interim results have been reviewed by the Company's Audit Committee and its Auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

		Six months ended 30 June	
	Notes	**2006** *HK$'000* **(unaudited)**	2005 *HK$'000* (unaudited)
Revenue	3	**2,192,096**	2,539,598
Cost of sales		**(1,868,918)**	(2,195,260)
Gross profit		**323,178**	344,338
Other income		**43,132**	15,120
Distribution costs		**(20,611)**	(10,242)
Administrative expenses		**(126,996)**	(77,485)
Other operating expenses		**(15,504)**	(1,578)
Interest expenses		**(105,171)**	(7,900)
Share of results of associates		**12,491**	98,669
Gain on disposal of an associate		**–**	4,355
Profit before taxation	4	**110,519**	365,277
Income tax expense	5	**(11,315)**	(16,777)
Profit for the period		**99,204**	348,500
Attributable to:			
Equity holders of the parent		**84,246**	334,385
Minority interests		**14,958**	14,115
		99,204	348,500
Earnings per share	6		
– Basic		**1.52 HK cents**	7.2 HK cents
– Diluted		**1.46 HK cents**	6.9 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006

	Notes	30 June 2006 HK$'000 (unaudited)	31 December 2005 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**22,665**	22,605
Property, plant and equipment		**6,019,226**	4,761,720
Prepaid lease rentals		**275,063**	278,086
Intangible assets		**737**	1,003
Goodwill		**292,170**	292,170
Interests in associates		**208,183**	193,835
Deposits for acquisition of property, plant and equipment		**15,313**	40,189
		6,833,357	5,589,608
CURRENT ASSETS			
Amounts due from customers for contract work		**–**	312
Inventories		**789,402**	541,778
Trade and bills receivable	7	**351,971**	324,621
Prepayments, deposits and other receivables		**84,640**	33,102
Prepaid lease rentals		**8,821**	8,706
Tax recoverable		**3,470**	9,535
Amounts due from related companies		**249,939**	162,016
Amount due from a minority shareholder of a subsidiary		**2,884**	2,884
Amount due from ultimate holding company of controlling shareholder		**491,072**	12,596
Restricted deposits		**130,588**	204,526
Bank balances and cash		**2,535,849**	558,317
		4,648,636	1,858,393
CURRENT LIABILITIES			
Amounts due to customers for contract work		**544**	866
Trade and bills payable	8	**639,091**	521,010
Other payables and accrued liabilities		**1,073,317**	290,464
Tax payable		**1,926**	2,230
Amounts due to related companies		**618,342**	234,105
Amount due to ultimate holding company of controlling shareholder		**252,100**	410,873
Obligations under a finance lease – due within one year		**534**	534
Bank borrowings – due within one year		**3,070,061**	1,994,372
Derivative financial instruments		**–**	2,103
Loan from a related company		**–**	242,189
Loans from ultimate holding company of controlling shareholder		**765,757**	–
		6,421,672	3,698,746
NET CURRENT LIABILITIES		**(1,773,036)**	(1,840,353)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,060,321**	3,749,255
NON-CURRENT LIABILITIES			
Obligations under a finance lease – due after one year		**–**	267
Bank borrowings – due after one year		**1,551,197**	429,642
Deferred tax liabilities		**37,950**	38,777
Other payables		**49,864**	–
Loans from ultimate holding company of controlling shareholder		**330,193**	796,328
		1,969,204	1,265,014
		3,091,117	2,484,241
CAPITAL AND RESERVES			
Share capital		**1,172,811**	986,811
Reserves		**1,613,904**	1,239,523
Equity attributable to equity holders of the parent		**2,786,715**	2,226,334
Minority interests		**304,402**	257,907
		3,091,117	2,484,241

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 the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Group had net current liabilities of approximately HK$1,773,036,000 as at 30 June 2006. Notwithstanding, the Directors are of opinion that the preparation of these financial statements under going concern basis is appropriate due to the following considerations:

(1) a subsidiary of the Company is currently in negotiation with a financial institution to obtain long term loan facility for approximately HK$1,460 million to improve its liquidity position;

(2) a subsidiary of the Company has concluded a new loan facility with a financial institution for approximately HK$377 million with a tenor of 18 months which is due 2008;

(3) most of the bank financing of the Group is in the form of short-term bank loans in the PRC. As a result, the Group had net current liabilities of approximately HK$1,773,036,000 as at 30 June 2006. The Directors are confident that the Group will be able to renew its short term bank loan facilities upon maturity or to identify new sources of financing to replace the current ones.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA which are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of these new HKFRSs had no material effect on how the result for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results of operations and financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 March 2006.
[3] Effective for annual periods beginning on or after 1 May 2006.
[4] Effective for annual periods beginning on or after 1 June 2006.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information.

Six months ended 30 June 2006 (unaudited)

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

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

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Electricity generation *HK$'000*	Steel trading *HK$'000*	Kitchen and laundry equipment *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Result								
Segment results	**125,826**	**37,343**	**36,035**	**2,059**	**2,366**	**6,443**	**–**	**210,072**
Unallocated other operating income								**16,849**
Unallocated corporate expenses								**(23,722)**
Interest expenses								**(105,171)**
Share of result of an associate	**12,491**	**–**	**–**	**–**	**–**	**–**	**–**	**12,491**
Profit before taxation								**110,519**
Income tax expense								**(11,315)**
Profit for the period								**99,204**

Six months ended 30 June 2005 (unaudited)

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Electricity generation *HK$'000*	Steel trading *HK$'000*	Kitchen and laundry equipment *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Revenue								
External customers	1,439,952	121,340	200,614	749,062	27,942	688	–	2,539,598
Inter-segment sales	200,625	–	–	–	–	–	(200,625)	–
Total	1,640,577	121,340	200,614	749,062	27,942	688	(200,625)	2,539,598

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

	Steel manufacturing	Shipping operations	Electricity generation	Steel trading	Kitchen and laundry equipment	Others	Elimination	Consolidated
Result								
Segment results	189,219	48,077	32,281	16	7,461	688	–	277,742
Unallocated other operating income								3,055
Unallocated corporate expenses								(10,644)
Interest expenses								(7,900)
Share of results of associates	98,669	–	–	–	–	–	–	98,669
Gain on disposal of an associate								4,355
Profit before taxation								365,277
Income tax expense								(16,777)
Profit for the period								348,500

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June **2006** *HK$'000* **(unaudited)**	2005 *HK$'000* (unaudited)
Amortisation of intangible assets	**275**	390
Amortisation of prepaid lease rentals	**4,778**	2,111
Depreciation of property, plant and equipment	**95,632**	26,349
Total depreciation and amortisation	**100,685**	28,850
Allowance (write-back) for bad and doubtful debts, net	**81**	(9,930)
Cost of arrangement of bank borrowings (included in interest expenses)	**2,111**	–
(Write-back) allowance for inventories	**(11,226)**	1,883
Interest income	**(16,849)**	(3,055)
Loss on disposal of land use rights (included in prepaid lease rentals)	**–**	1,004
Loss on disposal of property, plant and equipment	**1,286**	5,527
Share of tax of associates (included in share of results of associates)	**1,363**	931

During the period, there was significant increase in net realisable value of finished goods because the market price of certain finished goods increased. As a result, a reversal of allowance for inventories of HK$11,226,000 (30.6.2005: Nil) has been recognised in cost of sales in the current period.

5. INCOME TAX EXPENSE

	Six months ended 30 June **2006** *HK$'000* **(unaudited)**	2005 *HK$'000* (unaudited)
Current tax:		
PRC	**11,487**	16,401
Hong Kong – underprovision in prior year	**946**	–
	12,433	16,401
Deferred tax	**(1,118)**	376
	11,315	16,777

No provision for Hong Kong Profits Tax has been made for each of the six months ended 30 June 2006 and 2005 as the group companies which are subject to Hong Kong Profits Tax either incurred tax losses for the period or have tax losses brought forward to set off assessable profit for the period.

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

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

6. EARNINGS PER SHARE

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

	Six months ended 30 June **2006** *HK$'000* **(unaudited)**	2005 *HK$'000* (unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**84,246**	334,385
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of an associate based on dilution of its earnings per share	**(631)**	(602)
Earnings for the purposes of diluted earnings per share	**83,615**	333,783

	Six months ended 30 June 2006 (unaudited)	2005 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**5,560,482,629**	4,643,961,987
Effect of dilutive potential ordinary shares on share options	**176,635,533**	174,131,618
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**5,737,118,162**	4,818,093,605

7. TRADE AND BILLS RECEIVABLE

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

The following is an aged analysis of trade and bills receivable at the balance date:

	30 June 2006 *HK$'000* **(unaudited)**	31 December 2005 *HK$'000* (audited)
Within 60 days	**178,876**	204,585
61 – 90 days	**100,182**	3,613
91 – 180 days	**64,303**	42,715
181 – 365 days	**6,128**	70,661
1 – 2 years	**2,482**	3,047
	351,971	324,621

8. TRADE AND BILLS PAYABLE

An aged analysis of trade and bills payable is as follows:

	30 June 2006 *HK$'000* **(unaudited)**	31 December 2005 *HK$'000* (audited)
Within 90 days	**567,110**	421,018
91 – 180 days	**16,519**	12,747
181 – 365 days	**47,799**	39,187
1 – 2 years	**5,361**	45,765
Over 2 years	**2,302**	2,293
	639,091	521,010

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2006 (2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2006, the Group recorded a consolidated turnover of HK$2,192.1 million. Core Earnings before Interest, Tax, Depreciation and Amortization ("EBITDA") for the period was HK$316.4 million, comparing with HK$402.0 million for the last period, which showed a drop of 21.3%. The net profit attributable to shareholders amounted to HK$84.2 million. Basic and Diluted Earnings per share was HK 1.52 cents and HK 1.46 cents respectively.

1. ***Expanded production of Steel manufacturing segment***

   Following the completion of acquisition in Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"), the Group has expanded its scale and produced 401,800 mt of steel plates and 656,000 mt. of steel slabs in the interim period, which was a huge leap forward comparing with 367,100 mt of steel plates in the corresponding period last year. The integrated steel manufacturing operations recorded sales volume (before elimination) 375,700 mt of steel plates and 590,000 mt of steel slabs, comparing with only 348,000 mt of steel plates in the same period last year.

2. ***Completed placement of 929 million new shares***

   Carlo Tassara International S.A. has become one of the major shareholders of the Group in this interim period, which subscribed for 929 million ordinary shares of the Company at HK$0.53 per share, representing approximately 15.8% of the enlarged share capital immediately after Completion. The said subscription has provided net proceeds of approximately HK$492.0 million to the Group for working capital purposes. The new subscriber is expected to bring invaluable knowledge and connections to the Group.

3. ***Secured US$150 million in consortium loan financing***

   The Company has secured US$150 million consortium loan financing in February 2006. This presents a significant step for the Company to apply the financing should suitable investment opportunities arise. Part of the proceeds has already been applied to increase the capital base of Shouqin in March 2006 to progress on its expansion plan.

FINANCIAL REVIEW

Six Months Ended 30 June 2006 compared to Six Months Ended 30 June 2005

Turnover and Cost of Sales

For the interim period, the Group recorded a consolidated turnover of HK$2,192.1 million as compared to HK$2,539.6 million for the same period last year, representing a decrease of HK$347.5 million, or 13.7%. The drop is principally due to across-the-board lower market prices of steel products in the steel manufacturing segment.

Cost of sales for the current period was HK$1,868.9 million as compared to HK$2,195.3 million for the same period last year, representing a drop of HK$326.4 million, or 14.9%. The resulting gross profit margin was 14.7% in the current period, compared to 13.6% in the same period last year. The rise in overall margin was a result of a change in revenue mix, whereby steel trading segment at an average gross margin of approximately 2% became a lesser component of overall turnover, although the steel manufacturing segment did command a lower overall margin comparing the two periods, which will be explained below.

Other revenue
Other revenue increased from HK$15.1 million for the interim period last year to HK$43.1 million this year, or 185.4%. The increase is mainly represented by tax refund on re-investment in China and increase in interest income.

Interest expenses
For the interim period this year, interest expenses became HK$105.2 million, increased from HK$7.9 million last period, or 12.3 times. The increase is attributable to interest rate hikes and increased combined borrowing with consolidation of Shouqin's bank loans coupled with additional finance cost of the Company's newly-incepted consortium loans at HK$25.4 million.

REVIEW OF OPERATIONS
Manufacture and Sale of Steel Products
The Group operates in this business segment through its wholly-owned subsidiary, Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill") and its 96% owned subsidiary, Shouqin.

Qinhuangdao Plate Mill
Qinhuangdao Plate Mill recorded a turnover of HK$1,332.2 million for the six months ended 30 June 2006, a decrease of HK$308.4 million, or 18.8% when compared with the same period last year. Although the sales volume has increased from 348,000 mt to 375,700 mt this interim period, the average selling price per mt has decreased from HK$4,187 to HK$3,226, dropping by approximately 23%. While the decrease in selling price is partially offset by a 20% decrease in cost of steel slabs, one of the major raw materials, the cost of electricity and other manufacturing overheads have increased, the resulting gross profit margin has deteriorated to 7.2%, against 14.4% last period. The gross profit reported decreased from HK$235.9 million in 2005 to HK$95.3 million in the current period.

Shouqin
During the period under review, the Group has held an effective interest of 96% in Shouqin (72% held by the Group directly and 24% through Qinhuangdao Plate Mill). In the last interim period, the Group held an effective interest of 51% in Shouqin, and its results were included only as part of the "Share of results of associates".

Shouqin is a relatively new entity and is still in a preliminary investment stage with strong profit potentials. Phase II of Shouqin has commenced production since June 2006 with steel slabs as an intermediate product. Shouqin reported a turnover of HK$1,473.8 million with gross profit of HK$121.0 million for the interim period, before elimination. It has sold approximately 590,000 mt (before elimination) of steel slabs at an average price of approximately HK$2,500 per mt. Gross profit margin was hard hit by sharp increase in import price of iron ore from mid-2005, while not compensated by a corresponding increase in market selling price.

Net profit of the segment for the current period was HK$48.7 million, comparing to HK$174.7 million (not including Shouqin) recorded in the same period last year. The decrease can be explained by the lower gross profit margins described above, and increased financial cost resulting from necessary leverage on execution of Shouqin's business plan, partially offset by stringent cost containment measures that reduce selling expenses and administrative expense outlay.

Shipping operations
Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net operating profit of HK$38.1 million for the current period, a decrease of HK$8.6 million from the corresponding period last year. The pressure resulting from excess supply of container shipping capacity over demand has driven freight rates lower, coupled with increase in contracted rental charges, causing the gross profit to reduce in this period. Its time charter business and floating crane reported an operating profit of HK$38.9 million and HK$1.2 million for the interim period, comparing to HK$45.0 million and HK$1.0 million for the same period last year. Shougang Shipping Group has managed to maintain its expenses to a minimum level to partially reduce the adverse impact of decreased market rates.

Electricity generation
Beijing Shougang Firstlevel Power Company Limited ("Beijing Power Plant") reported a turnover of HK$202.3 million for the current period, representing a healthy increase of HK$1.7 million from HK$200.6 million for the same period last year. After accounting for minority interests, the Group's share of profit of Beijing Power Plant for the six months ended 30 June 2006 was HK$14.3 million, which showed a moderate increase of HK$1.8 million as compared to HK$12.5 million for the last period.

For the current period, Beijing Power Plant sold approximately 545 million kwh of electricity and generated sales revenue of HK$169.4 million, in contrast with selling 577 million kwh of electricity and sales revenue of HK$170.5 million for the same period last year. Higher gross profit for the period is a result of increase in market tariff and cost containment measures, driving the profit margin of electricity generation from 38.5% to 39.3%.

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") achieved solid performance during the interim period. It reported turnover of HK$322.6 million, a growth of HK$53.1 million from that of last period, while net profit increased from HK$36.1 million to HK$44.7 million for the current period. Therefore, the Group's share of its net profit rose from HK$9.9 million to HK$12.5 million in the current interim period, recording an increase of 26%.

Shougang Century Group has enjoyed a marked increase in sales and hence profitability of its processing and trading of copper and brass product segment in the interim period. Turnover of this segment increased by 66% to HK$123.6 million, and the corresponding gross profit grew by 394% to HK$28.6 million. The growth can be explained by the sharp increase in copper price. The 3-month LME Copper Futures surged by 69% during the first half of the year 2006 with tight worldwide demand and supply, the gross profit margin for the segment has increased from 7.8% to 23% in this period.

In addition, the operating segment of manufacturing of steel cord for radial tyres recorded satisfactory turnover of HK$198.4 million in the interim period, being 2% increase from that of last year. The gross profit margin was squeezed from 24% last period to 20.3% through increased market competition and raw material cost.

Trading of steel products, manufacture and installation of kitchen and laundry equipment
Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported a turnover of HK$491.5 million and net profit of HK$5.4 million in the interim period. The corresponding figures for the last period were HK$777.0 million and HK$11.6 million respectively.

Trading of steel products has contracted over the periods, while the turnover of the kitchen and laundry segment, however, grew from HK$27.9 million last period to HK$42.0 million in this period. The captioned changes caused the overall gross profit amount to decline from HK$14.9 million to HK$12.0 million. The management shall remain cautious in controlling cost and seek ways to improve profitability of this segment in the future.

LIQUIDITY AND FINANCIAL RESOURCES

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

1. **Leverage**

The financial leverage of the Group as at 30 June 2006, as compared to 31 December 2005, is summarized below:

HK$ million	**30 June 2006 (unaudited)**	31 December 2005 (audited)
Total Debt		
– from banks	**4,621**	2,424
– from ultimate holding company of controlling shareholder	**1,096**	796
– from fellow subsidiary	**–**	242
Sub-total	**5,717**	3,462
Bank balances and cash	**2,666**	763
Net debt	**3,051**	2,699
Total capital (Equity and debt)	**8,504**	5,688
Financial leverage		
– Net debt to total capital	**35.9%**	47.5%
– Net debt to total assets	**26.6%**	36.2%

It can be observed that financial leverage has improved between 30 June 2006 and that of 31 December 2005, although the total debt level has increased, corresponding to the fact that Group debt financing is used in a controlled manner.

2. **Currency and Interest Rate Risk**

The Group conducts its businesses mainly in Hong Kong and Mainland China, therefore it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. For the six months ended 30 June 2006, 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.

CAPITAL STRUCTURE

During the current period, the issued share capital of the Company has increased due to (i) subscription of 929 million newly-issued shares by Carlo Tassara International S.A. ("subscriber") and (ii) the exercise of options of granted to a director.

In March 2006, the Company has placed 929 million ordinary shares to the subscriber at an issue price of HK$0.53 per share, representing approximately 15.8% of the Company's enlarged share capital immediately after completion of the subscription, raising net proceeds of approximately HK$492.0 million. The subscriber has become the second largest shareholder of the Company after the subscription.

In May 2006, a director of the Group exercised the granted options, pursuant to which 1 million new shares were issued at an exercise price of HK$0.295, for net proceeds of approximately HK$0.3 million.

Consequent to the aforesaid events, the issued share capital of the Company was increased by HK$186 million (represented by 930 million ordinary shares) to HK$1,172.8 million (represented by 5,864.1 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 3,300 employees as at 30 June 2006.

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

China's prevailing Steel Industry Policy sets out guidelines to accelerate structural changes by promoting larger, more efficient steel enterprises while eliminating non-productive ones. This will certainly benefit superior companies like ours that command economies of scale, know how and constant product improvement.

Looking ahead, with two major steel manufacturing plants under one umbrella, the Group's major task is to continue the integration we have orchestrated in order to achieve efficiencies and improved product quality. While Phase II of Shouqin is expected to be fully operational later this year, the ability to produce medium and thick plates with maximum widths in excess of 4m is going to bring the Group to a new level of technological competence. High value-adding steel products are more competitive in price, and this shall create a niche market with a much readily demand which commands higher profit margin, and thus increased profitability to the Group.

Although the profitability of the Group has been dented by lower market prices and increased finance cost in the short run, we are optimistic on the medium to long term prospects of the businesses we are in. Steel manufacturing segment is clearly the growth engine of the Group and without doubt, this segment shall soon bore fruit with more attractive returns to our shareholders.

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

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 30 June 2006, except for the following deviations:

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

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

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

  The Chairman of the Board had not attended the annual general meeting of the Company held on 26 May 2006 (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.

APPOINTMENT OF DIRECTOR

Mr. Zhang Wenhui ("Mr. Zhang") has been appointed as Deputy Managing Director, as well as a member of the Executive Committee of the Company with effect from 22 September 2006.

Mr. Zhang, aged 51, graduated from the University of Science and Technology Beijing and has extensive experience in management and company operations. Mr. Zhang joined Shougang Corporation, the holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding") which in turn is the controlling shareholder of the Company, in 1982 and had been working in various companies under Shougang Corporation during the period from 1990 to 2001. Mr. Zhang was appointed the General Manager of the Shipping Division of the Company in July 2001 and the Deputy Managing Director of Shougang Holding in June 2004. Mr. Zhang previously held directorship as Deputy Managing Director of the Company for the period from July 2002 and up to January 2005. He was a Director and the President of Shougang Concord Technology Holdings Limited ("Shougang Technology") during the period from July 2004 to July 2006, and was the Vice Chairman of Shougang Technology from July 2006 to September 2006. Mr. Zhang also holds directorships in certain subsidiaries of each of Shougang Corporation, Shougang Holding and the Company.

A service contract has been entered into between Mr. Zhang and the Company for a term of three years commencing from 22 September 2006, which may be terminated by either party by giving to other party not less than three month's written notice without payment of compensation (other than statutory compensation). Under the service contract, Mr. Zhang is entitled to a monthly salary of HK$150,000 which is determined with reference to his experience and duties as well as prevailing market conditions. Mr. Zhang is also entitled to a discretionary bonus as may be determined by the Board from time to time by reference to the performance of the Company as well as his individual performance. In accordance with the articles of association of the Company, Mr. Zhang will hold office until the next annual general meeting of the Company, at which time he will be eligible for re-election. Thereafter, Mr. Zhang will be subject to rotation requirements as contained in the articles of association of the Company and shall retire from office by rotation at least once every three years. As at the date hereof, Mr. Zhang has a beneficial interest of 75,746,000 underlying shares attached to the share options granted by the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr. Zhang does not hold any directorships in other listed public companies in the last three years and is independent of and not connected with the directors, senior management or substantial or controlling shareholders of the Company or any of its subsidiaries. There is no information relating to the appointment of Mr. Zhang as a Director of the Company which is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

APPRECIATION

On behalf of the Board, I take this opportunity to welcome Mr. Zhang to join the Board. I also would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By order of the Board
Cao Zhong
Managing Director

Hong Kong, 21 September 2006

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. 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).

Please also refer to the published version of this announcement in South China Morning Post - Classified.