

Notes to the Financial Statements

For the Year Ended 31 December 2004

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Shougang Corporation, a company established in the Peoples' Republic of China (the "PRC"). Shougang Corporation, together with its subsidiaries and associates other than members of the Group, will hereinafter be referred to as the "Shougang Group".

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in note 41.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRS(s)") (herein collectively referred to as "new HKFRS(s)") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and certain leasehold land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary and associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisition is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment has been established.

Notes to the Financial Statements

For the Year Ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income including rental invoiced in advance, from letting of properties under operating leases is recognised on a straight line basis over the term of the relevant lease.

Sales of electricity are recognised when electricity is generated and supplied to the power grid operated by the customers.

Sales of steam and hot water are recognised based on steam and hot water supplied as recorded by meters reading during the year.

Charter hire income from chartered-in vessels is recognised in accordance with the following basis:

Vessels time chartered-in and time chartered-out	Time proportion
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Freight revenues from chartered-in vessels are recognised in accordance with the following basis:

Time chartered-in and voyage chartered-out	Time proportion
Voyage chartered-in and voyage chartered-out	Completion of loading

Hire income from floating cranes is recognised on a time proportion basis.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, plus the goodwill in so far as it has not already been written off and amortised, less any identified impairment loss.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at costs.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at open market value. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this increase is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease including the renewable period, is 20 years or less.

Notes to the Financial Statements

For the Year Ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation, amortisation and accumulated impairment losses.

Construction in progress is stated at cost which includes all construction costs and other direct costs, including borrowing costs capitalised, attributable to such projects. Construction in progress is not depreciated until completion of construction. Costs on completed construction work are transferred to the appropriate categories of property, plant and equipment.

Advantage has been taken of the transitional relief provided by paragraph 80 of Statement of Standard Accounting Practice No. 17 "Property, Plant and Equipment" issued by the HKICPA from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30 September 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the revaluation reserve. Any future decrease in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the costs or valuation of items of property, plant and equipment over their estimated useful lives, and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land, buildings and structure	2% to 4%, or over the terms of the leases, or user rights, whichever is shorter
Leasehold improvements	2.5% to 25%, or over the terms of the leases, whichever is shorter
Furniture, fixtures and equipment	15% to 25%
Plant and machinery	3.6% to 25%
Motor vehicles	10% to 25%
Vessels	5% to 18%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The Group intends to apply for an extension of the tenure from 20 years to 50 years for Qinhuangdao Shougang Plate Mill Co., Ltd., a subsidiary of the Company. Such an application can only be made during the six-month period prior to the expiry of the original tenure in 2012, and the directors believe that such an extension will be granted upon application. Accordingly, the costs of the relevant items of property, plant and equipment of this enterprise are depreciated on the straight line basis to write off the cost of the assets over their estimated useful lives on the basis that a new tenure will be granted.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided using the straight line basis to write off the cost of intangible assets over their estimated economic lives.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the year plus the fee earned, measured by the proportion that costs incurred for work performed to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the year in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Financial Statements

For the Year Ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as revaluation increase under that Standard.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method or weighted average method.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources embodying economic benefits will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.



3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Financial Statements

For the Year Ended 31 December 2004

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

Retirement benefits schemes

Payments to the defined contribution retirement benefits schemes are charged as expenses as they fall due.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight line basis over the relevant lease term.



4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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:

Steel manufacturing	– manufacture and sale of steel products;
Shipping operations	– vessel chartering and the hiring of floating cranes;
Electricity generation	– generation of electricity, steam and hot water;
Steel trading	– trading of steel products;
Kitchen and laundry equipment	– manufacture and installation of kitchen and laundry equipment; and
Others	– management services business.

Notes to the Financial Statements

For the Year Ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 December 2004

	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
TURNOVER								
External customers	2,377,903	275,807	381,408	186,982	66,227	1,224	-	3,289,551
Inter-segment sales	39,612	-	-	-	-	-	(39,612)	-
Total	2,417,515	275,807	381,408	186,982	66,227	1,224	(39,612)	3,289,551
Inter-segment sales are charged at the terms agreed by both parties.								
Segment results	171,756	113,074	63,319	(10,720)	12,232	1,224	-	350,885
Unallocated other operating income								4,352
Unallocated corporate expenses								(23,597)
Profit from operations								331,640
Interest expenses								(12,870)
Share of results of associates	64,005	-	-	-	-	-	-	64,005
Loss on deemed disposal of a partial interest in an associate	(813)	-	-	-	-	-	-	(813)
Profit before taxation								381,962
Income tax expense								(9,639)
Profit before minority interests								372,323
Minority interests								(93,088)
Profit attributable to shareholders								279,235



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

At 31 December 2004

	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	Consolidated HK\$'000
ASSETS							
Segment assets	1,039,046	24,163	528,197	80,612	38,726	12,618	1,723,362
Interests in associates	480,806	-	-	2	-	-	480,808
Unallocated corporate assets							516,209
Consolidated total assets							<u>2,720,379</u>
LIABILITIES							
Segment liabilities	298,548	16,440	24,449	19,655	24,750	3,156	386,998
Unallocated corporate liabilities							460,441
Consolidated total liabilities							<u>847,439</u>

OTHER INFORMATION

For the year ended 31 December 2004

	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	Consolidated HK\$'000
Capital additions	229,627	495	401	371	1,847	3,068	235,809
Depreciation and amortisation of property, plant and equipment	31,780	1,389	29,037	206	1,742	106	64,260
Amortisation of intangible assets	1,026	-	-	-	-	-	1,026
Amortisation of goodwill	2,663	-	3,634	-	-	-	6,297
Deficit (surplus) arising on revaluation of investment properties	471	-	-	(220)	-	(1,000)	(749)
Impairment loss recognised in respect of investment securities	11,503	-	-	-	-	-	11,503
Loss (gain) on disposal of property, plant and equipment	26,484	37	150	-	(3,010)	383	24,044
Loss on deemed disposal of a partial interest in an associate	813	-	-	-	-	-	813
(Write-back of) allowance for bad and doubtful debts, net	<u>(15,543)</u>	<u>(3,770)</u>	<u>-</u>	<u>4,304</u>	<u>94</u>	<u>-</u>	<u>(14,915)</u>

Notes to the Financial Statements

For the Year Ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Business segments** (continued)**INCOME STATEMENT**

For the year ended 31 December 2003

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover from external customers	<u>1,678,142</u>	<u>209,235</u>	<u>374,944</u>	<u>62,859</u>	<u>1,512</u>	<u>2,326,692</u>
Segment results	<u>189,300</u>	<u>(9,652)</u>	<u>66,309</u>	<u>(3,620)</u>	<u>1,512</u>	243,849
Unallocated other operating income						1,771
Unallocated corporate expenses						<u>(18,499)</u>
Profit from operations						227,121
Interest expenses						(26,030)
Share of results of associates	23,727	-	-	-	-	23,727
Loss on deemed disposal of a partial interest in an associate	(13,479)	-	-	-	-	(13,479)
Loss on disposal of a jointly controlled entity	-	-	-	-	(177)	<u>(177)</u>
Profit before taxation						211,162
Income tax expense						<u>(34,261)</u>
Profit before minority interests						176,901
Minority interests						<u>(109,137)</u>
Profit attributable to shareholders						<u><u>67,764</u></u>



4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

BALANCE SHEET

At 31 December 2003

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Others HK\$'000	Consolidated HK\$'000
ASSETS						
Segment assets	991,018	23,682	555,945	67,446	8,428	1,646,519
Interests in associates	162,958	-	-	2	-	162,960
Unallocated corporate assets						173,611
Consolidated total assets						<u>1,983,090</u>
LIABILITIES						
Segment liabilities	163,801	24,825	34,229	38,061	2,118	263,034
Unallocated corporate liabilities						778,039
Consolidated total liabilities						<u>1,041,073</u>

OTHER INFORMATION

For the year ended 31 December 2003

	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Electricity generation HK\$'000	Kitchen and laundry equipment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	136,273	9	10,162	80	17	146,541
Depreciation and amortisation of property, plant and equipment	36,974	1,363	29,883	2,107	92	70,419
Amortisation of intangible assets	1,385	-	-	-	-	1,385
Amortisation of goodwill	-	-	3,634	-	-	3,634
Deficit arising on revaluation of investment properties	946	-	-	245	600	1,791
Impairment loss recognised in respect of investment securities	7,982	-	-	-	-	7,982
Loss on deemed disposal of a partial interest in an associate	13,479	-	-	-	-	13,479
Write-back of allowance for bad and doubtful debts	15,614	-	-	4,746	-	20,360

Notes to the Financial Statements

For the Year Ended 31 December 2004

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)**Geographical segments**

The Group's operations are located in the PRC including Hong Kong.

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods or services:

	Turnover	
	2004 HK\$'000	2003 HK\$'000
PRC, excluding Hong Kong	2,526,930	2,099,158
Hong Kong	295,925	227,534
Others	466,696	–
	<u>3,289,551</u>	<u>2,326,692</u>

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
PRC, excluding Hong Kong	2,107,004	1,663,837	232,156	146,515
Hong Kong	613,375	319,253	3,653	26
	<u>2,720,379</u>	<u>1,983,090</u>	<u>235,809</u>	<u>146,541</u>



5. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:		
Staff costs, including directors' emoluments		
– basic salaries and allowances	88,166	81,367
– retirement benefits scheme contributions	9,803	7,573
	97,969	88,940
Amortisation of intangible assets (included in administrative expenses)	1,026	1,385
Amortisation of goodwill (included in administrative expenses)	6,095	3,634
Auditors' remuneration	1,352	1,105
Cost of inventories recognised as expenses	2,597,592	1,695,124
Charter hire costs	158,381	210,846
Depreciation and amortisation of property, plant and equipment	64,260	70,419
Exchange loss (gain)	1,050	(12)
Impairment loss recognised in respect of investment securities	11,503	7,982
Loss (gain) on disposal of property, plant and equipment	24,044	(2,303)
and after crediting:		
Gain on disposal of an investment property	1,397	–
Interest income	4,352	1,771
Rental income from investment properties under operating leases, less outgoings of HK\$280,000 (2003: HK\$310,000)	1,367	1,518
Surplus (deficit) arising on revaluation of investment properties	749	(1,791)
Write-back of allowance for bad and doubtful debt, net	14,915	20,360
Write-back of allowance for inventories	20	2,715
Write-back of an amount due to a related company	–	765
Write-back of other payables and accrued liabilities	75	192

Notes to the Financial Statements

For the Year Ended 31 December 2004

6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and five highest paid individuals for the year are as follows:

(a) Directors' emoluments

	2004	2003
	HK\$'000	HK\$'000
Fees:		
Independent non-executive directors	190	120
Other directors	80	30
	270	150
Other emoluments for executive directors:		
Salaries and other benefits	6,848	6,800
Retirement benefits scheme contributions	65	65
	6,913	6,865
	7,183	7,015

In April 2005, a director has agreed to waive his emoluments of HK\$30,000 for the year ended 31 December 2004. No directors waived any emoluments for the year ended 31 December 2003.

The aggregate emoluments of each of the directors are within the following bands:

	Number of directors	
	2004	2003
Up to HK\$1,000,000	10	6
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	3
HK\$2,000,001 to HK\$2,500,000	1	–



6. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2003: four) were directors of the Company whose emoluments are included in the disclosures in note 6 (a) above. The emoluments of the remaining one (2003: one) individual are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	802	1,314
Retirement benefits scheme contributions	40	90
	842	1,404

7. INTEREST EXPENSES

	2004 HK\$'000	2003 HK\$'000
Interest on		
– bank and other borrowings wholly repayable within five years	12,838	20,030
– convertible note	16	6,000
– finance leases	16	–
	12,870	26,030

Notes to the Financial Statements

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8. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
Current tax:		
PRC	21,311	29,443
Other jurisdictions	13	12
Overprovision in prior years	<u>(16,415)</u>	<u>–</u>
	4,909	29,455
Deferred tax (note 29):		
Current year	<u>(4,423)</u>	<u>2,003</u>
Taxation attributable to the Company and its subsidiaries	486	31,458
Share of tax on results of associates	<u>9,153</u>	<u>2,803</u>
	<u>9,639</u>	<u>34,261</u>

Pursuant to Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill"), a principal subsidiary of the Company operating in Economic and Technology Development Zone of the PRC, is entitled to a preferential income tax rate of 15%. In addition, Qinhuangdao Plate Mill is subject to a local income tax rate of 3%. Pursuant to an approval granted by the local tax bureau in October 2004, Qinhuangdao Plate Mill is entitled to a reduction of income tax rate to 10% for the years from 2003 to 2005 as an Advanced Technology Enterprise and is exempted from the local income tax which is subject to further annual confirmation to be obtained from the local tax bureau for 2004 and 2005. The overprovision of tax charge for 2003 under such a tax concession amounted to approximately HK\$16 million.

Qinhuangdao Plate Mill and certain other subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC income tax. The PRC income tax charges are arrived at after taking into account these tax incentives.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



8. INCOME TAX EXPENSE (continued)

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	381,962	211,162
Taxation at the income tax rate of 18% (2003: 18%) (note)	68,753	38,009
Tax effect of share of results of associates	(2,404)	(1,468)
Tax effect of expenses not deductible for tax purpose	40,034	10,423
Tax effect of income not taxable for tax purpose	(48,237)	(1,405)
Overprovision in respect of prior year	(16,415)	–
Tax effect of deferred tax loss not recognised	6,082	4,200
Tax effect of deferred tax assets not recognised	217	2,158
Tax effect of utilisation of deferred tax losses previously not recognised	(2,014)	(1,295)
Tax effect of utilisation of deferred tax assets previously not recognised	(8,329)	(4,151)
Effect of tax exemption granted to a PRC subsidiary	(11,132)	(15,205)
Effect of different tax rates of subsidiaries	128	2,995
Income tax on concessionary rate	(17,044)	–
Tax expense for the year	9,639	34,261

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

Notes to the Financial Statements

For the Year Ended 31 December 2004

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2004	2003
	HK\$'000	HK\$'000
Profit for the purposes of basic earnings per share	279,235	67,764
Effect of dilutive potential ordinary shares:		
Adjustment to the share of result of an associate based on dilution of its earnings per share	(3,784)	(1,399)
Interest on convertible note	16	6,000
Earnings for the purposes of diluted earnings per share	275,467	72,365
Weighted average number of ordinary shares for the purposes of basic earnings per share	3,708,709,632	2,331,984,810
Effect of dilutive potential ordinary shares:		
Options	128,441,080	31,849,007
Convertible note	1,561,280	571,428,571
Weighted average number of ordinary shares for the purposes of diluted earnings per share	3,838,711,992	2,935,262,388



10. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
At 1 January 2004	18,309
Exchange adjustments	13
Transfer from property, plant and equipment	1,382
Disposal	(3,430)
Net surplus arising on revaluation	749
	<hr/>
At 31 December 2004	<u>17,023</u>

The Group's investment properties were revalued at 31 December 2004, on an open market value basis, by AA Property Services Limited, an independent firm of professional valuers. The revaluation surplus of approximately HK\$749,000 (2003: a revaluation deficit of approximately HK\$1,791,000) was credited to the income statement.

All of the Group's investment properties are held for rental income under operating leases.

The carrying value of the Group's investment properties is analysed as follows:

	2004	2003
	HK\$'000	HK\$'000
Situated in Hong Kong and held under		
– medium-term lease	8,400	7,400
– long lease	2,982	1,380
	<hr/>	<hr/>
	11,382	8,780
Situated in the PRC and held under medium-term land use rights	5,641	9,529
	<hr/>	<hr/>
	17,023	18,309
	<hr/>	<hr/>

Notes to the Financial Statements

For the Year Ended 31 December 2004

11. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structure	Leasehold improvements	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles	Vessels	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$000	HK\$'000	HK\$'000	HK\$000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1 January 2004	422,964	48,279	45,492	1,073,853	23,851	26,754	7,252	1,648,445
Exchange adjustments	781	91	81	2,106	36	-	15	3,110
Additions	215	2,147	4,391	4,635	4,350	-	13,430	29,168
Transfers from construction in progress	-	-	329	4,799	-	-	(5,128)	-
Transfer to investment properties	(1,350)	(405)	-	-	-	-	-	(1,755)
Disposals	(12,292)	(614)	(4,674)	(52,576)	(17,009)	-	-	(87,165)
At 31 December 2004	<u>410,318</u>	<u>49,498</u>	<u>45,619</u>	<u>1,032,817</u>	<u>11,228</u>	<u>26,754</u>	<u>15,569</u>	<u>1,591,803</u>
Comprising:								
At cost	404,318	49,498	45,619	1,032,817	11,228	26,754	15,569	1,585,803
At 1988 directors' valuation	6,000	-	-	-	-	-	-	6,000
	<u>410,318</u>	<u>49,498</u>	<u>45,619</u>	<u>1,032,817</u>	<u>11,228</u>	<u>26,754</u>	<u>15,569</u>	<u>1,591,803</u>
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1 January 2004	116,442	31,074	25,490	552,749	20,891	15,928	-	762,574
Exchange adjustments	182	61	42	1,020	29	-	-	1,334
Provided for the year	13,376	99	2,246	46,095	1,416	1,028	-	64,260
Transfer to investment properties	(239)	(134)	-	-	-	-	-	(373)
Eliminated on disposals	(8,074)	(233)	(4,499)	(24,190)	(14,101)	-	-	(51,097)
At 31 December 2004	<u>121,687</u>	<u>30,867</u>	<u>23,279</u>	<u>575,674</u>	<u>8,235</u>	<u>16,956</u>	<u>-</u>	<u>776,698</u>
NET BOOK VALUE								
At 31 December 2004	<u>288,631</u>	<u>18,631</u>	<u>22,340</u>	<u>457,143</u>	<u>2,993</u>	<u>9,798</u>	<u>15,569</u>	<u>815,105</u>
At 31 December 2003	<u>306,522</u>	<u>17,205</u>	<u>20,002</u>	<u>521,104</u>	<u>2,960</u>	<u>10,826</u>	<u>7,252</u>	<u>885,871</u>

At 31 December 2004, if the land, buildings and structure had not been revalued, they would have been included in these financial statements at historical costs less accumulated depreciation at approximately HK\$286,531,000 (2003: HK\$304,361,000).



11. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land, buildings and structure held by the Group is analysed as follows:

	2004	2003
	HK\$'000	HK\$'000
Situated in Hong Kong and held under medium-term lease	3,713	9,251
Situated in the PRC and held under:		
– medium-term land use rights	283,617	296,567
– long term land use rights	1,301	704
	284,918	297,271
	288,631	306,522

At 31 December 2004, the net book value of plant and machinery includes an amount of HK\$1,483,000 (2003: Nil) in respect of assets held under a finance lease.



Notes to the Financial Statements

For the Year Ended 31 December 2004

12. INTANGIBLE ASSETS

	THE GROUP
	Deferred product
	design fees
	HK\$'000
<hr/>	
COST	
At 1 January 2004	10,395
Exchange adjustments	<u>20</u>
At 31 December 2004	<u>10,415</u>
AMORTISATION	
At 1 January 2004	7,738
Exchange adjustments	13
Charge for the year	<u>1,026</u>
At 31 December 2004	<u>8,777</u>
NET BOOK VALUE	
At 31 December 2004	<u><u>1,638</u></u>
At 31 December 2003	<u><u>2,657</u></u>

The intangible assets are amortised on a straight line basis over a period of not exceeding 10 years.



13. GOODWILL

	THE GROUP
	HK\$'000
<hr/>	
COST	
At 1 January 2004	72,677
Additions	<u>196,951</u>
At 31 December 2004	<u>269,628</u>
AMORTISATION	
At 1 January 2004	3,937
Charge for the year	<u>6,095</u>
At 31 December 2004	<u>10,032</u>
NET BOOK VALUE	
At 31 December 2004	<u><u>259,596</u></u>
At 31 December 2003	<u><u>68,740</u></u>

The additions to goodwill during the year arise from the acquisition of an additional 47% equity interest in Qinhuangdao Plate Mill through Equity Dragon Assets Limited ("Equity Dragon"), details of which are set out in note 31(e). The goodwill is amortised on a straight line basis over 20 years.

14. NEGATIVE GOODWILL

	THE GROUP
	HK\$'000
<hr/>	
GROSS AMOUNT	
Arising on acquisition during the year and at 31 December 2004	<u><u>3,710</u></u>

The negative goodwill arose on the Group's additional acquisition of 2% equity interest in Qinhuangdao Plate Mill for a cash consideration of HK\$10,652,000 in December 2004. No negative goodwill was released to income during the year as the acquisition was just completed by the end of the year.

Notes to the Financial Statements

For the Year Ended 31 December 2004

15. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	527,464	527,466
Amounts due from subsidiaries	1,604,867	2,057,930
Amount due to a subsidiary	–	(190,456)
	2,132,331	2,394,940
Less: Impairment losses recognised	(881,225)	(1,971,028)
	1,251,106	423,912

At 31 December 2004, the amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months of the balance sheet date and they are therefore shown as non-current.

At 31 December 2004, the amount due to a subsidiary is unsecured, interest-free and has no fixed repayment terms except for the amount of HK\$4,000,000 (2003: Nil) due to a subsidiary which is repayable on 31 December 2006. In the opinion of the directors, the whole amount will not be repaid within twelve months of the balance sheet date and it is therefore shown as non-current.

At 31 December 2003, other than an amount due from a subsidiary of HK\$18,720,000 which carried interest at 5.125% and of HK\$24,180,000 which carried interest at 0.5% above the USD prime rate per annum, the remaining balances due from subsidiaries were unsecured, interest-free and had no fixed terms of repayment.

Particulars of the Company's principal subsidiaries as at 31 December 2004 are set out in note 41.

At 31 December 2003, the amount due from a subsidiary shown as current assets of the Company was unsecured, carried interest at 5% per annum and was repayable within one year. Pursuant to a board resolution of the Company dated 25 May 2004, the entire amount was waived during the year ended 31 December 2004.



16. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Share of net assets	471,320	162,960
Goodwill (<i>Note</i>)	9,488	–
	<u>480,808</u>	<u>162,960</u>
Market value of listed securities in Hong Kong	<u>214,991</u>	<u>318,969</u>
<i>Note:</i>		
GOODWILL		HK\$'000
<hr/>		
COST		
Arising on acquisition of an associate during the year and at 31 December 2004		9,690
AMORTISATION		
Charge for the year and at 31 December 2004		<u>(202)</u>
NET BOOK VALUE		
At 31 December 2004		<u>9,488</u>

The goodwill arise from the acquisition of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") during the year and is amortised on a straight line basis over 20 years. The amortisation charge for the year is included in the share of results of associates in the income statement.

Particulars of the Company's principal associates as at 31 December 2004 are set out in note 41.

The following details have been extracted from the audited financial statements of the Group's significant associates, Shougang Concord Century Holdings Limited and its subsidiaries ("Shougang Century Group") and Shouqin.

Notes to the Financial Statements

For the Year Ended 31 December 2004

16. INTERESTS IN ASSOCIATES (continued)

Results for the year	Shougang Century Group		Shouqin
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	427,864	297,271	1,378,198
Profit from operations	80,703	83,278	107,133
Finance costs	(4,463)	(3,178)	(38,433)
Share of results of jointly controlled entities	7,833	6,847	–
Share of result of an associate	4,562	5,251	–
Gain on disposal of subsidiaries	76,651	–	–
Loss on disposal of a jointly controlled entity	(9,410)	–	–
Profit before taxation	155,876	92,198	68,700
Income tax expense	(7,762)	(8,468)	(13,838)
Profit before minority interests	148,114	83,730	54,862
Minority interests	–	(17,638)	–
Net profit attributable to shareholders	148,114	66,092	54,862
Financial position			
Investment properties	8,966	8,386	–
Property, plant and equipment	480,213	322,093	2,002,619
Interests in jointly-controlled entities	44,883	48,911	–
Interests in associates	45,620	44,813	–
Other non-current assets	59,328	87,091	1,185
Current assets	310,111	214,927	625,211
Total assets	949,121	726,221	2,629,015
Current liabilities	200,938	81,303	892,438
Non-current liabilities	106,026	51,048	1,164,676
Net assets	642,157	593,870	571,901



16. INTERESTS IN ASSOCIATES (continued)

Financial position (continued)	Shougang Century Group		Shouqin
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000
Contingent liabilities:			
Guarantee for bank loans granted to a jointly controlled entity	<u>10,721</u>	<u>10,721</u>	<u>–</u>
Capital commitments:			
Commitments in respect of the acquisition of property, plant and equipment			
– contracted for but not provided in the financial statements	690	126,210	–
– authorised but not contracted for	<u>8,560</u>	<u>54,250</u>	<u>206,327</u>
	<u>9,250</u>	<u>180,460</u>	<u>206,327</u>
Attributable to the Group:			
Profit after taxation	<u>17,385</u>	<u>20,924</u>	<u>37,669</u>
Net assets	<u>179,649</u>	<u>162,958</u>	<u>291,669</u>

17. INVESTMENT SECURITIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unlisted equity securities	19,485	19,485
Less: Impairment losses recognised	<u>(19,485)</u>	<u>(7,982)</u>
	<u>–</u>	<u>11,503</u>

Notes to the Financial Statements

For the Year Ended 31 December 2004

18. DEPOSIT MADE ON INVESTMENT IN AN ASSOCIATE

At 31 December 2003, the amount represented a deposit paid by the Group in connection with the acquisition of a 24% equity interest in Shouqin.

During the year ended 31 December 2004, the Group completed the relevant registration procedures and the deposit was transferred to interests in associates.

19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus recognised profits		
less recognised losses	216,793	213,258
Less: Progress billings	(207,526)	(207,526)
	9,267	5,732
Represented by:		
Amounts due from customers included in current assets	9,914	7,649
Amounts due to customers included in current liabilities	(647)	(1,917)
	9,267	5,732



20. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
COST		
Raw materials	251,449	217,940
Work in progress	5,894	1,734
Finished goods	23,916	2,557
	281,259	222,231

21. TRADE AND BILL RECEIVABLES

An aged analysis of trade and bill receivables is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	126,242	45,458
91 – 180 days	6,027	4,163
181 – 365 days	677	3,183
1 – 2 years	323	2,526
Over 2 years	–	8,188
	133,269	63,518

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.

At 31 December 2004, retentions held by customers for contract work amounted to HK\$1,233,000 (2003: HK\$2,072,000).

Notes to the Financial Statements

For the Year Ended 31 December 2004

22. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The balances represent amounts due from (to) the members of the Shougang Group. The balances are unsecured, interest-free and have no fixed terms of repayment except for the following:

- (i) At 31 December 2003, an unsettled portion of short term loans with an aggregate outstanding principal amount of HK\$7,852,000 and interest amounting to HK\$16,529,000 accrued on the outstanding balances of the principals of the loans since the respective dates of grants from Shougang Corporation to one of the Company's subsidiaries in the PRC, which were unsecured, carried interest at 7.05% per annum and had no fixed repayment terms.
- (ii) At 31 December 2004, interest payable amounting to HK\$16,393,000 arising from the short term loans from Shougang Corporation referred to (i) above was waived by Shougang Corporation. The remaining balances were fully repaid during the year ended 31 December 2004.

The trade receivables from related companies and an aged analysis of such balances are as follows:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Within 90 days	129,235	60,954
91 – 180 days	177	15,914
181 – 365 days	11	6,679
1 – 2 years	98	50,757
Over 2 years	5,851	5,155
	135,372	139,459

The Group allows a range of a credit period normally not more than 60 days for sales to its related companies.



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

The trade payable to related companies and an aged analysis of such balances are as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	13,444	21,767
91 – 180 days	545	2,826
181 – 365 days	716	609
1 – 2 years	–	542
Over 2 years	8,223	8,212
	22,928	33,956

23. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and have no fixed terms of repayment.

24. TRADE AND BILL PAYABLES

An aged analysis of trade and bill payables is as follows:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Within 90 days	32,643	35,849
91 – 180 days	5,335	22
181 – 365 days	1,324	2,963
1 – 2 years	742	626
Over 2 years	2,536	2,380
	42,580	41,840

Notes to the Financial Statements

For the Year Ended 31 December 2004

25. OBLIGATION UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amount payable under finance lease:				
Within one year	561	—	534	—
In the second to fifth years inclusive	809	—	801	—
	<u>1,370</u>	—	<u>1,335</u>	—
Less: Future finance charges	(35)	—	—	—
Present value of lease obligation	<u>1,335</u>	—	<u>1,335</u>	—
Less: Amount due for settlement within one year shown under current liabilities			(534)	—
Amount due for settlement after one year			<u>801</u>	—

The average lease term is 3 years. For the year ended 31 December 2004, the average effective borrowing rate is 2% per annum. Interest rates are fixed at the contract date. The lease is on a fixed repayment basis.

The Group's obligation under the finance lease is secured by the lessor's charge over the leased assets.



26. BANK BORROWINGS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Bank loans repayable within one year or on demand	301,825	240,028
Bank overdrafts	–	158
	301,825	240,186
Analysed as:		
Secured	57,162	38,305
Unsecured	244,663	201,881
	301,825	240,186

27. PROVISION FOR A COMPENSATION CLAIM

	THE GROUP
	HK\$'000
At 1 January 2004 and 31 December 2004	707

A provision for compensation payable was recognised in 2001 as the Group failed to complete certain obligations arising from certain contracts of affreightment and is, under the terms of such contracts, liable to compensate the counterparties of such contracts. The balance as at 31 December 2004 represents the Group's estimate of the probable future payments for an unsettled compensation claim as at 31 December 2004.

28. CONVERTIBLE NOTE

On 7 June 2002, a subsidiary of the Company issued convertible note with a principal amount of HK\$200,000,000 to a wholly-owned subsidiary of Shougang Holding (Hong Kong) Limited ("Shougang HK" or the "Subscriber"), the controlling shareholder of the Company. The convertible note would mature on 7 June 2004 under its original terms. On 2 January 2004, the Subscriber exercised in full its conversion right of the convertible note, at the conversion price of HK\$0.35 per share, resulting in an issue of 571,428,571 ordinary shares of the Company with a par value of HK\$0.20 each.

Notes to the Financial Statements

For the Year Ended 31 December 2004

29. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	27,788	1,171	(311)	28,648
Charge (credit) to				
income for the year	3,094	14	(1,105)	2,003
Exchange differences	(128)	–	–	(128)
Effect of change in				
tax rate charge (credit)				
to the income statement	27	110	(137)	–
At 1 January 2004	30,781	1,295	(1,553)	30,523
Charge (credit) to income				
for the year	(4,591)	169	(1)	(4,423)
Exchange differences	67	–	–	67
At 31 December 2004	<u>26,257</u>	<u>1,464</u>	<u>(1,554)</u>	<u>26,167</u>

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31 December 2004, the Group has unused tax losses of approximately HK\$508 million (2003: HK\$487 million) available to offset against future profits. The unrecognised tax losses may be carried forward indefinitely. At 31 December 2004, the Group has deductible temporary difference of approximately HK\$145 million (2003: HK\$162 million). The above deferred tax assets have not been recognised due to the unpredictability of future profit streams.



29. DEFERRED TAX (continued)

THE COMPANY

At the balance sheet date, the Company has unused tax losses of approximately HK\$122 million (2003: HK\$114 million) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

30. LOAN FROM A SHAREHOLDER/FELLOW SUBSIDIARY

THE GROUP

At 31 December 2003, the amount represented a loan granted by Shougang HK to one of the Company's subsidiaries in the PRC. The loan was transferred on 2 January 2004 to a wholly-owned subsidiary of Shougang HK and the balance was partially settled during the year. Accordingly, the amount is reclassified as an amount due to a fellow subsidiary of the Company at 31 December 2004.

The amount at 31 December 2004 is unsecured and interest-free. The fellow subsidiary has undertaken to provide the loan on an unspecified long term basis. Accordingly, the loan balance has been classified as non-current.

Notes to the Financial Statements

For the Year Ended 31 December 2004

31. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 1 January 2003 and 1 January 2004	5,000,000,000	1,000,000
Increase in authorised share capital (<i>Note a</i>)	5,000,000,000	1,000,000
	<u>10,000,000,000</u>	<u>2,000,000</u>
At 31 December 2004		
Issued and fully paid:		
At 1 January 2003	2,295,546,454	459,109
Issue of shares (<i>Note b</i>)	350,000,000	70,000
	<u>2,645,546,454</u>	<u>529,109</u>
At 31 December 2003	2,645,546,454	529,109
Issue of shares upon conversion of convertible note (<i>Note c</i>)	571,428,571	114,286
Issue of shares on subscriptions (<i>Note d</i>)	450,000,000	90,000
Issue of shares in consideration for the acquisition of further interest in a subsidiary (<i>Note e</i>)	958,476,190	191,695
Issue of shares upon exercise of share options (<i>Note f</i>)	11,800,000	2,360
	<u>4,637,251,215</u>	<u>927,450</u>
At 31 December 2004	<u>4,637,251,215</u>	<u>927,450</u>



31. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to the ordinary resolution passed at the extraordinary general meeting held on 28 September 2004, the Company increased its authorised share capital from HK\$1,000,000,000 to HK\$2,000,000,000 by the creation of 5,000,000,000 shares of HK\$0.20 each.
- (b) On 7 October 2003, the Company entered into a subscription agreement with Grand Invest International Limited, a wholly-owned subsidiary of Shougang HK and Max Same Investment Limited ("Max Same"), a wholly-owned subsidiary of Cheung Kong (Holdings) Limited for subscription of 300,000,000 and 50,000,000 new shares of HK\$0.20 each in the Company at a price of HK\$0.32 per share, respectively, representing a discount of approximately 15.79% to the closing market price of the Company's shares on 6 October 2003. The proceeds were used to reduce borrowings and to provide additional working capital for the Group. On 24 November 2003, the new shares were issued pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 18 November 2003.
- (c) On 2 January 2004, the Subscriber exercised in full its conversion right of the convertible note of the Company at the conversion price of HK\$0.35 per share, resulting in an issue of 571,428,571 ordinary shares of the Company with a par value of HK\$0.20 each.
- (d) On 1 March 2004, arrangements were made for a private placement to independent private investors of 300,000,000 shares of HK\$0.20 each in the Company held by Shougang HK, at a price of HK\$0.66 per share, representing a discount of approximately 7.04% to the closing price of the Company's shares on 1 March 2004 as quoted on the Stock Exchange.

On the same date, the Company entered into a subscription agreement with Shougang HK for the subscription of 300,000,000 new shares of HK\$0.20 each in the Company at a price of HK\$0.66 per share. The proceeds would be used to invest in the Company's existing business and provide additional general working capital for the Company.

On 18 August 2004, the Company entered into a subscription agreement with Max Same for subscription of 150,000,000 new shares of HK\$0.20 each in the Company at a price of HK\$0.315 per share, representing a discount of 10.0% to the closing price of the Company's shares on 17 August 2004 as quoted on the Stock Exchange. The proceeds were used to finance the acquisition of Equity Dragon (see note (e) below). On 13 October 2004, the new shares were issued pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 28 September 2004.

Notes to the Financial Statements

For the Year Ended 31 December 2004

31. SHARE CAPITAL (continued)

Notes: (continued)

- (e) On 18 August 2004, Firstlevel Holdings Limited ("Firstlevel Holdings"), a wholly owned subsidiary of the Company, entered into an acquisition agreement with Shougang HK to acquire the entire issued share capital of, and the shareholder's loan to, Equity Dragon for a total consideration of HK\$377,400,000, which was satisfied as to HK\$301,920,000 by the issue of 958,476,190 shares ("Consideration Shares") and as to the remaining of HK\$75,480,000 in cash. The principal asset of Equity Dragon is its 47% interest in the registered capital of Qinhuangdao Plate Mill. The Consideration Shares were valued and recognised in the financial statements of the Company at the closing price of the Company's shares of HK\$0.435 per share as quoted on the Stock Exchange on 13 October 2004, being the completion date of the transaction.

Details of this acquisition were set out in the circular issued by the Company to the shareholders dated 10 September 2004.

- (f) During the year ended 31 December 2004, 11,800,000 share options were exercised at prices ranging from HK\$0.295 to HK\$0.41 per share, resulting in issues of a total of 11,800,000 ordinary shares of HK\$0.20 each in the Company.

All new shares issued rank pari passu with then existing shares in all respects.

32. SHARE OPTION SCHEME

Pursuant to the changes of the Rules Governing the Listing of Securities on the Stock Exchange in relation to share option schemes, on 7 June 2002, the Company adopted a new share option scheme (the "New Scheme").

The purpose of the New Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies (as defined under the New Scheme). The New Scheme will remain in force for a period of 10 years commencing 7 June 2002.

Under the New Scheme, the directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or certain other eligible participants, share options to subscribe for shares of the Company.



32. SHARE OPTION SCHEME (continued)

The following table discloses details of the share options held by directors and other employees and movements in such holdings during the years ended 31 December 2004 and 2003:

Grantees	Number of share options				At 31.12.2004	Date of grant	Exercise period	Exercise price per share HK\$
	At 1.1.2004	Transfer during the year (Note)	Granted during the year	Exercised during the year				
Directors of the Company	114,000,000	(23,950,000)	-	(4,200,000)	85,850,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	18,360,000	-	-	-	18,360,000	12.3.2003	12.3.2003 – 11.3.2013	0.280
	229,550,000	-	-	(5,800,000)	223,750,000	18.11.2003	18.11.2003 – 17.11.2013	0.410
	<u>361,910,000</u>	<u>(23,950,000)</u>	<u>-</u>	<u>(10,000,000)</u>	<u>327,960,000</u>			
Directors of subsidiaries	-	110,000	-	-	110,000	12.3.2003	12.3.2003 – 11.3.2013	0.280
Other employees of the Group	3,900,000	-	-	(800,000)	3,100,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	-	-	11,000,000	-	11,000,000	18.3.2004	18.3.2004 – 17.3.2014	0.660
	<u>3,900,000</u>	<u>-</u>	<u>11,000,000</u>	<u>(800,000)</u>	<u>14,100,000</u>			
Other eligible participants	31,100,000	23,950,000	-	(1,000,000)	54,050,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	61,960,000	(110,000)	-	-	61,850,000	12.3.2003	12.3.2003 – 11.3.2013	0.280
	-	-	5,000,000	-	5,000,000	18.3.2004	18.3.2004 – 17.3.2014	0.660
	<u>93,060,000</u>	<u>23,840,000</u>	<u>5,000,000</u>	<u>(1,000,000)</u>	<u>120,900,000</u>			
<u>458,870,000</u>	<u>-</u>	<u>16,000,000</u>	<u>(11,800,000)</u>	<u>463,070,000</u>				

Notes to the Financial Statements

For the Year Ended 31 December 2004

32. SHARE OPTION SCHEME (continued)

Grantees	Number of share options			At 31.12.2003	Date of grant	Exercise period	Exercise price per share HK\$
	At 1.1.2003	Granted during the year	Transfer during the year (Note)				
Directors of the Company	114,000,000	-	-	114,000,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	-	18,360,000	-	18,360,000	12.3.2003	12.3.2003 – 11.3.2013	0.280
	-	229,550,000	-	229,550,000	18.11.2003	18.11.2003 – 17.11.2013	0.410
	<u>114,000,000</u>	<u>247,910,000</u>	<u>-</u>	<u>361,910,000</u>			
Other employees of the Company	-	22,950,000	(22,950,000)	-	12.3.2003	12.3.2003 – 11.3.2013	0.280
Directors of subsidiaries	24,100,000	-	(24,100,000)	-	23.8.2002	23.8.2002 – 22.8.2012	0.295
Other employees of subsidiaries	3,900,000	-	-	3,900,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
Other eligible participants	7,000,000	-	24,100,000	31,100,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	-	39,010,000	22,950,000	61,960,000	12.3.2003	12.3.2003 – 11.3.2013	0.280
	<u>7,000,000</u>	<u>39,010,000</u>	<u>47,050,000</u>	<u>93,060,000</u>			
	<u>149,000,000</u>	<u>309,870,000</u>	<u>-</u>	<u>458,870,000</u>			

Note: Transfer of share options upon the redemption/termination of services of certain directors and employees during the year.



32. SHARE OPTION SCHEME (continued)

Total consideration received during the year from directors and other employees for taking up the options granted amounted to HK\$4 (2003: HK\$8).

The fair values of the Company's share at the dates of issue for the exercise of share option during the year are HK\$0.45 and HK\$0.70.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Notes to the Financial Statements

For the Year Ended 31 December 2004

33. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY					
At 1 January 2003	913,523	1,019	1,800,000	(2,811,453)	(96,911)
Premium arising on issue of shares	42,000	–	–	–	42,000
Share issue expenses	(79)	–	–	–	(79)
Loss for the year	–	–	–	(8,438)	(8,438)
At 31 December 2003	955,444	1,019	1,800,000	(2,819,891)	(63,428)
Premium arising on issue of shares upon conversion of convertible note	85,714	–	–	–	85,714
Premium arising on issue of shares	382,280	–	–	–	382,280
Share issue expenses	(12,126)	–	–	–	(12,126)
Loss for the year	–	–	–	(116,924)	(116,924)
At 31 December 2004	<u>1,411,312</u>	<u>1,019</u>	<u>1,800,000</u>	<u>(2,936,815)</u>	<u>275,516</u>

The Company's capital reserve was created through the reduction of its share premium account on 29 November 1993, as approved by the Supreme Court of Hong Kong.



34. MAJOR NON-CASH TRANSACTIONS

- (a) Part of the consideration for the acquisition of Equity Dragon was satisfied by an issue of 958,476,190 shares which were valued at HK\$0.435 per share (see note 31(e)).
- (b) On 2 January 2004, the Subscriber exercised in full its conversion right of the convertible note with a principal amount of HK\$200,000,000 at the conversion price of HK\$0.35 per share, resulting in an issue of 571,428,571 ordinary shares of the Company with a par value of HK\$0.20 each (see note 28).
- (c) During the year, the Group completed the relevant registration procedures for the acquisition of a 24% equity interest in Shouqin and the deposit amounting to HK\$123,862,000 paid by the Group in 2003 is transferred to interests in associates (see note 18).
- (d) During the year, an amount of HK\$16,393,000 due to the ultimate holding company was waived (see note 22).
- (e) During the year, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$1,602,000.

Notes to the Financial Statements

For the Year Ended 31 December 2004

35. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Land and buildings	1,632	1,614
Vessels time charter hire	134,073	133,371
	135,705	134,985

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises and vessels time charter hire which fall due as follows:

	Vessels time charter hire		Land and buildings		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	137,761	135,281	375	1,750	138,136	137,031
In the second to fifth years inclusive	576,039	567,268	493	1,851	576,532	569,119
After five years	435,379	581,912	1,592	2,844	436,971	584,756
	1,149,179	1,284,461	2,460	6,445	1,151,639	1,290,906

The Group leases vessels through two time charter hires. The time charter hires commenced on 26 September 1997 and with a lease period of 15 years, plus two months more or less at the Group's option. The daily rates of the time charter hires increase by US\$250 every half year until December 2007, and thereafter the daily rates will increase by US\$125 every half year.



35. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee (continued)

The Group leases certain of its office premises and staff quarters in Hong Kong and the PRC under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. In addition, one of the Company's subsidiaries in the PRC leases land use rights for certain of its office premises and factories under an operating lease arrangement. Lease for the land use rights is negotiated for the tenure of that subsidiary.

The Company had no non-cancellable operating lease commitments at the balance sheet date.

The Group as lessor

Property rental income earned under operating leases during the year is approximately HK\$1,647,000 (2003: HK\$1,828,000). Leases are generally negotiated for an average term of one year.

At 31 December 2004, the Group had no non-cancellable operating lease commitments with tenants. At 31 December 2003, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises amounting to HK\$822,000 which fall due within one year.

36. COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	19,067	1,152

The Company had no significant commitment at the balance sheet date.

Notes to the Financial Statements

For the Year Ended 31 December 2004

37. RETIREMENT BENEFITS SCHEMES

At 31 December 2003, the Group operated a defined contribution retirement benefits scheme for certain qualifying employees in Hong Kong. In July 2004, these employees switched from the scheme to Mandatory Provident Fund Scheme. The assets of these schemes were separately held in funds under the control of an authorised insurer. The cost charged to the income statement represented contributions payable to the funds by the Group at rates specified in the rules of the schemes.

In addition to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong, the Group is required to contribute to central pension schemes for certain Group's employees in the PRC based on applicable rates of monthly salary in accordance with government regulations.

38. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Guarantees in favour of a bank to secure credit facilities granted to subsidiaries	–	–	46,800	46,800
Guarantee in favour of the Subscriber of the convertible note	–	–	–	200,000
Guarantees in favour of certain banks to secure credit facilities granted to third parties	18,616	39,223	–	–
	18,616	39,223	46,800	246,800

The Company has provided guarantees to vessel owners for the due and punctual performance and observance by a wholly-owned subsidiary of the Company of each and every of its obligation, undertakings and liabilities as time charterer under two time charter hires entered into by that subsidiary, further details of which are set out in note 35.



39. PLEDGE OF ASSETS

THE GROUP

The following items were used to secure banking facilities granted to the Group:

- (a) At 31 December 2003, a subsidiary of the Group pledged a bank deposit of HK\$8,011,000 (2004: Nil) in the PRC with Hua Xia Bank, which was a related company of Shougang HK;
- (b) At 31 December 2003, bills receivable of HK\$18,767,000 (2004: Nil) of a subsidiary of the Group was held under the custody of a bank;
- (c) pledge of the Group's investment properties and land and buildings with net book value of HK\$9,782,000 (2003: HK\$8,780,000) and HK\$3,713,000 (2003: HK\$9,251,000) respectively; and
- (d) pledge of the Group's plant and machinery with net book value of HK\$308,150,000 (2003: HK\$291,725,000).

Notes to the Financial Statements

For the Year Ended 31 December 2004

40. RELATED PARTY DISCLOSURES

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

(I) Transactions

	Notes	2004 HK\$'000	2003 HK\$'000
Shougang Group			
Sales of goods by the Group	(a)	155,313	210,116
Provision of electricity, steam and hot water by the Group	(b)	381,408	374,944
Purchases of goods by the Group	(c)	1,576,681	754,486
Lease rentals charged to the Group	(d)	1,559	2,246
Management fee charged to the Group	(e)	960	960
Purchases of spare parts by the Group	(f)	19,681	17,728
Corporate guarantees for bank loans granted to the Group	(g)	164,536	201,745
Loans advanced to the Group	(h)	–	35,670
Management fees charged by the Group	(i)	480	557
Rental income charged by the Group	(j)	744	792
Convertible note interest expense charged to the Group	(k)	16	6,000
Interest charged to the Group	(l)	–	9,703
Service fees charged to the Group	(m)	28,801	35,781
Freight income charged by the Group	(n)	–	79,874
Commission charged to the Group	(o)	–	426
Service fees charged by the Group	(p)	4,530	133
Purchase of property, plant and equipment by the Group	(q)	39	5,725
Acquisition of additional interests in an associate	(r)	140,094	–
Acquisition of additional interests in a subsidiary	(s)	492,417	–
Waiver of amount due to ultimate holding company	(t)	16,393	–
Associates			
Management fees charged by the Group	(u)	–	240



40. RELATED PARTY DISCLOSURES (continued)

(II) Balances

Details of balances with the Group's related companies are set out in note 22; and

Details of balances with the Group's associates are set out in note 23.

Notes:

- (a) Qinhuangdao Plate Mill, a wholly-owned subsidiary of the Company, sold steel products and scrap materials to Shougang Group at a consideration determined between the parties.
- (b) Beijing Shougang Firstlevel Power Co., Ltd. ("Beijing Power Plant") sold electricity, steam and hot water to Shougang Group at a consideration determined between the parties.
- (c) The Group purchased materials and steel products from Shougang Group at a consideration determined between the parties.
- (d) The Group entered into various rental agreements with Shougang Group for renting office and residential apartments as staff quarters. The rentals were determined between the parties.
- (e) Management fees were paid to Shougang HK for the provision of management services at rates determined between the parties.
- (f) The Group purchased spare parts from Shougang Group at a consideration determined between the parties.
- (g) Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group.
- (h) During the year ended 31 December 2003, unsecured loans of HK\$35,365,000 and HK\$305,000 bearing interest at 5% and 4% respectively per annum were granted by Shougang Group to the Group for working capital purposes. The loans were repaid during the year ended 31 December 2003.
- (i) The Group provided business and strategic development services to Shougang Group at rates determined between the parties.
- (j) The Group entered into a rental agreement with a subsidiary of Shougang Concord Technology Holdings Limited, an associate of Shougang HK, for renting an investment property. The rental was determined between the parties.

Notes to the Financial Statements

For the Year Ended 31 December 2004

40. RELATED PARTY DISCLOSURES (continued)

Notes: (continued)

- (k) The interest expenses were charged by Shougang Group in respect of the 3% convertible note with a principal amount of HK\$200,000,000 issued by the Group. The convertible note was fully converted on 2 January 2004.
- (l) During the year ended 31 December 2003, the interest expenses were charged by Shougang Group in respect of outstanding loans granted to the Group at interest rates ranging from 4% to 7.05% per annum. The loans were fully settled during the year ended 31 December 2004.
- (m) Shougang Group charged Qinhuangdao Plate Mill and Beijing Power Plant service fees in respect of processing and repair and maintenance services at rates determined between the parties.
- (n) During the year ended 31 December 2003, the Group arranged for shipments of iron ore from Australia and Brazil to the PRC for Shougang Group at freight rates determined between the parties.
- (o) During the year ended 31 December 2003, the commission expense represented rebates on the freight income for shipments of iron ore from Australia to the PRC at a rate determined between the parties.
- (p) The Group charged Shougang Group service fees in respect of processing and administration services provided at rates determined between the parties.
- (q) Beijing Power Plant acquired property, plant and equipment from Shougang Group at a consideration determined between the parties.
- (r) In August 2004, Central Pro Investments Limited, a wholly-owned subsidiary of the Company, acquired a 27% equity interest in Shouqin for a total consideration of HK\$140,094,000 from Shougang Corporation.
- (s) In October 2004, a wholly-owned subsidiary of the Company, Firstlevel Holdings, acquired from Shougang HK the entire equity interest in Equity Dragon for a cash consideration of HK\$75,480,000 and a share consideration of 958,476,190 shares of the Company. The principal assets of Equity Dragon is a 47% interest in the registered capital of Qinhuangdao Plate Mill.
- (t) An amount of HK\$16,393,000 due to Shougang Corporation was waived during the year.
- (u) During the year ended 31 December 2003, the Group provided management services in relation to the business and strategic development services to its associate at rate determined between the parties.



41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Central Pro Investments Limited	Samoa/ Hong Kong	US\$1 Ordinary share	100	–	Investment holding
Equity Dragon Assets Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary shares	–	100	Investment holding
Shougang Concord Steel Holdings Limited	British Virgin Islands/Hong Kong	US\$1,000 Ordinary shares	100	–	Investment holding
Shougang Concord Steel Group Limited	Hong Kong	HK\$25,000,000 Ordinary shares	–	100	Investment holding
Shougang Concord Construction Materials Limited	Hong Kong	HK\$14,000,000 Ordinary shares	–	100	Provision of interior decoration and renovation services
Radnor Limited	Hong Kong	HK\$1,775,920 Ordinary shares	–	100	Manufacture and installation of kitchen and laundry equipment and investment holding
Radnor Engineering Limited	Hong Kong/ PRC	HK\$200,000 Ordinary shares	–	100	Manufacture and installation of kitchen and laundry equipment



Notes to the Financial Statements

For the Year Ended 31 December 2004

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
東莞蕾洛五金制品有限公司 Dongguan Roulop Metal Products Co. Limited ^{AA}	PRC	HK\$13,847,724 Registered capital	–	78	Manufacture and installation of kitchen and laundry equipment
江門蕾洛廚房洗衣房設備安裝維修有限公司 Jiangmen Radnor Kitchen & Laundry Engineering Limited ^{AA}	PRC	HK\$500,000 Registered capital	–	95	Installation of kitchen and laundry equipment
Shougang Concord Godown Limited	Hong Kong	HK\$2 Ordinary shares HK\$2,000,000 Non-voting deferred shares	–	100	Provision of warehousing services
Shougang Concord Management Company Limited	Hong Kong	HK\$100,000 Ordinary shares	–	100	Provision of management services and investment holding
Shougang Concord Steel (International) Company Limited	British Virgin Islands/Hong Kong	US\$1,000 Ordinary shares	–	100	Investment holding



41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Shougang Concord Steel International Trading Co. Ltd.	British Virgin Islands/PRC	US\$1 Ordinary share	–	100	Trading of steel bars and investment holding
Star Field (H.K.) Limited	Hong Kong/ PRC	HK\$10,000 Ordinary shares	–	100	Property investment
Shougang Concord Shipping Holdings Limited	British Virgin Islands/Hong Kong	US\$641,025 Ordinary shares	100	–	Investment holding
Shougang Concord International Transport Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary share	–	100	Investment holding and chartering of vessels
Ryegar Limited	United Kingdom/ Hong Kong	£2 Ordinary shares	–	100	Chartering of vessels
Shougang Concord Shipping Services Limited	Hong Kong	HK\$2 Ordinary shares	–	100	Provision of management services
SCIT (Chartering) Limited	British Virgin Islands/PRC	US\$1 Ordinary share	–	100	Chartering of vessels
Centralink International Limited	British Virgin Islands/Hong Kong	US\$2,000,000 Ordinary shares	–	70	Investment holding



Notes to the Financial Statements

For the Year Ended 31 December 2004

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
舟山首和中轉儲運有限公司 Zhoushan Shouhe Centra-link Co. Ltd.	PRC	US\$5,000,000 Registered capital	#	#	Hiring of floating cranes
Fair Union Holdings Limited	Samoa/ Hong Kong	US\$1 Ordinary share	100	–	Investment holding
Richson Limited	Samoa/ Hong Kong	US\$1 Ordinary share	–	100	Investment holding
Casula Investments Limited	Samoa/ Hong Kong	US\$1 Ordinary share	–	100	Investment holding
Firstlevel Holdings Limited	Samoa/ Hong Kong	US\$1 Ordinary share	100	–	Investment holding
Shougang Concord Power Plant Holdings Limited	British Virgin Islands/Hong Kong	US\$1 Ordinary share	–	100	Investment holding
秦皇島首鋼板材有限公司 Qinhuangdao Shougang Plate Mill Co., Ltd. ^A	PRC	US\$29,950,000 Registered capital	–	100	Manufacture and sale of steel plates
北京首鋼超群電力有限公司 Beijing Shougang Firstlevel Power Co., Ltd. ^{AA}	PRC	RMB261,170,000 Registered capital	–	51	Power generation
Pointer Investments Limited	Samoa/ Hong Kong	US\$1	–	100	Investment holding



41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company		Principal activities
			Directly	Indirectly	
			%	%	
Good News Investment Limited	Hong Kong	HK\$2 Ordinary shares	–	100	Property investment
Shougang Concord Services Limited	Hong Kong	HK\$2 Ordinary shares	100	–	Provision of management services

Zhoushan Shouhe Centra-link Co. Ltd. ("Zhoushan") is a cooperative joint venture which was established in 1993 in the PRC for a period of 30 years. The entire registered capital of Zhoushan was contributed by Centralink International Limited ("Centralink"). Centralink is a non wholly-owned subsidiary of the Company. Centralink is entitled to 90% of the net profit generated by Zhoushan but bears all losses. Upon the expiry or early termination of the tenure, all residual assets will belong to Centralink.

△ Foreign investment enterprise established in the PRC

△△ Sino-foreign equity joint venture established in the PRC

Notes to the Financial Statements

For the Year Ended 31 December 2004

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(continued)

Details of the Company's principal associates at 31 December 2004 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Group Indirectly %	Principal activities
Shougang Concord Century Holdings Limited	Incorporated	Hong Kong	Ordinary shares	27.9	Investment holding
Gainrise Holdings Limited	Incorporated	Hong Kong	Ordinary shares	20.0	Investment holding
Shouqin (Note)	Incorporated	PRC	Registered capital	51.0	Design, manufacture and sale of steel and related products

Note: The Group holds a 51% equity interest in Shouqin. However, according to the articles of association of Shouqin, the Group does not control the composition of the board of directors of Shouqin and therefore the Group does not control Shouqin. The directors consider that the Group does exercise significant influence over Shouqin and it is therefore classified as an associate of the Group.

The above tables list the subsidiaries and associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.