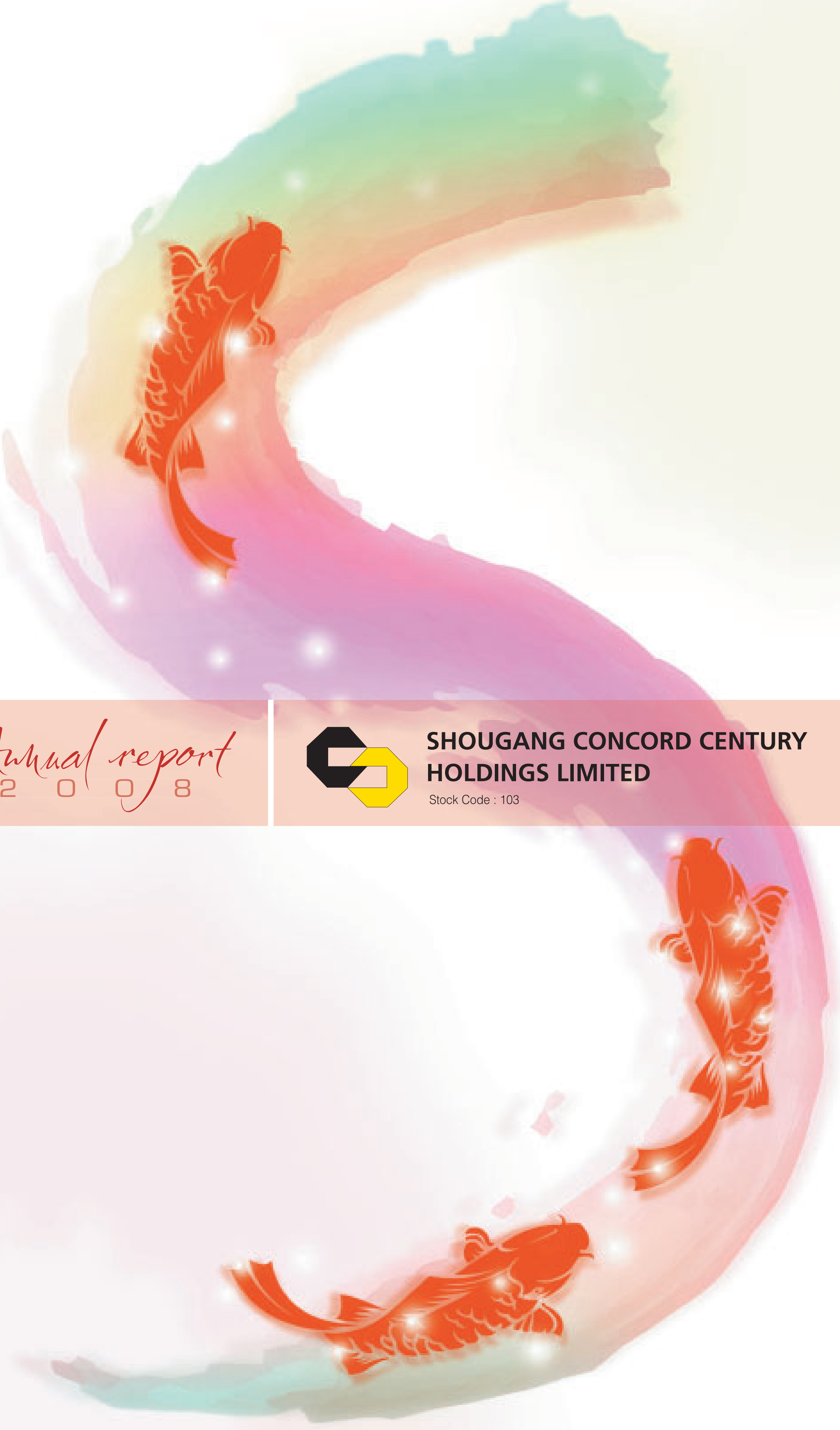

Annual report 2008

SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code : 103

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Tang Cornor Kwok Kau
(Deputy Managing Director)
Geert Johan Roelens

Non-executive Director

Leung Shun Sang, Tony

Independent Non-executive Directors

Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

AUDIT COMMITTEE

Yip Kin Man, Raymond *(Chairman)*
Law, Yui Lun
Chan Chung Chun

REMUNERATION COMMITTEE

Leung Shun Sang, Tony *(Chairman)*
Cao Zhong *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

NOMINATION COMMITTEE

Cao Zhong *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Yip Kin Man, Raymond
Law, Yui Lun
Chan Chung Chun

AUTHORISED REPRESENTATIVES

Tang Cornor Kwok Kau
Chan Lai Yee

COMPANY SECRETARY

Chan Lai Yee

QUALIFIED ACCOUNTANT

Wu Siu Man

PRINCIPAL BANKERS

Bank of China
Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China
Industrial and Commercial Bank of
China (Asia) Limited
The Bank of East Asia, Limited

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants

SHARE REGISTRARS

Tricor Tengis Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

5th Floor, Bank of East Asia Harbour View Centre
51-57 Gloucester Road
Wanchai
Hong Kong

WEBSITE

http://www.shougangcentury.com.hk

HKEx STOCK CODE

103

LISTING DATE

9 April 1992

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2008	2007	**Changes**
	HK$'000	HK$'000	**%**
Operations			
Revenue	**831,640**	704,716	**+18.0**
Net profit	**34,762**	105,762	**-67.1**
Net profit *(Before allowance for inventories and non-cash/non-recurring expenses* Note 1*)*	**120,927**	106,786	**+13.2**
Earnings per share, basic (HK cents)	**1.87**	8.22	**-77.3**
Financial Position			
Total assets	**2,095,651**	1,879,938	**+11.5**
Shareholders' funds	**1,835,845**	1,499,089	**+22.5**
Return on average equity (%)	**2.1**	9.0 Note 2	**-76.7**
Net book value per share (HK$)	**0.98**	1.08	**-9.3**

Notes:

1. Including (i) share-based payment expenses of HK$26,791,000 (2007: HK$1,291,000); (ii) exchange losses of HK$21,154,000 that mainly arising from the translation of HKD monetary assets and liabilities into RMB; (iii) realised loss on leveraged foreign exchange contract of HK$9,397,000; and (iv) change in fair value loss on leveraged foreign exchange contract of HK$1,396,000.

2. Excluding net proceeds of HK$101,500,000 from placing of 100,000,000 ordinary Shares to the independent placees in December 2007.

CORPORATE EVENTS DURING THE YEAR UNDER REVIEW

Jiaxing Eastern Steel Cord Co., Ltd.
Tengzhou Eastern Steel Cord Co., Ltd.
The Major Steel Cord Manufacturing Plants In The People's Republic Of China, At A Glance

June 2008

The second phase of facilities' installation in Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern"), a plant located at Jiaxing, Zhejiang Province, to increase the steel cord production capacity completed and testing started.

A Memorandum of Understanding was entered into on 18 June to implement the setting up of a plant located at Tengzhou City, Shandong Province in name of Tengzhou Eastern Steel Cord Co., Ltd. ("Tengzhou Eastern").

July 2008

The maximum annual production capacity of Jiaxing Eastern definitely increased from 30,000 tonnes to 60,000 tonnes upon completion of testing and operation commenced.

October 2008

Tengzhou Eastern obtained a business licence.

November 2008

A foundation-laying ceremony of Tengzhou Eastern was held on 11 November, such ceremony marked the establishment of a formal foothold of the Group in Shandong Province.

February 2009

Tengzhou Eastern's pilot plant commenced operation on 18 February. The first phase of production capacity is expected to be 30,000 tonnes per annum.

INFORMATION FOR INVESTORS

SHARE INFORMATION

Board lot size:	2,000 Shares
Nominal value per Share:	HK$0.1
Shares outstanding as at the last trading day of 2008:	1,867,736,556 Shares
Market capitalization as at the last trading day of 2008:	HK$644,369,112
Closing stock price as at the last trading day of 2008:	HK$0.345

Earnings per Share (basic) for 2008
Interim: HK cents 1.67
Final: HK cents 1.87

Dividend for 2008
Interim Dividend: HK 1 cent per Share
Final Dividend: Nil

KEY DATE

2009 Annual General Meeting:	1 June 2009
Announcement of 2008 Final Results:	9 April 2009
Payment Date of 2008 Interim Dividend:	10 October 2008
Closure of Register of Members for 2008 Interim Dividend:	23 to 24 September 2008

INVESTOR RELATIONS CONTACT

Address: 5th Floor, Bank of East Asia Harbour View Centre
51-57 Gloucester Road, Wanchai, Hong Kong
Telephone: (852) 2527 2218
Fax: (852) 2861 3527
E-mail address: business_link@shougangcentury.com.hk
ir@shougangcentury.com.hk
scchl@shougangcentury.com.hk
Website: http://www.shougangcentury.com.hk

SHAREHOLDER ENQUIRIES

Any matters relating to your shareholding, e.g. transfer of Shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Tricor Tengis Limited

Address: 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong
Telephone: (852) 2980 1888
Fax: (852) 2810 8185
Website: http://www.hk.tricorglobal.com

BUSINESS CONTACTS

Jiaxing Eastern Steel Cord Co., Ltd.

Address: 1 Dong Fang Road, Economic Development Zone, Jiaxing, Zhejiang Province, PRC
Postal code: 314003
Telephone: (86) 573 8221 3511
Fax: (86) 573 8221 3500
Website: http://www.etirecord.com
E-mail address: jemarket@mail.jxptt.zj.cn
easteel@mail.jxptt.zj.cn

Tengzhou Eastern Steel Cord Co., Ltd.

Address: No. 999 Yikang Dadao, Economic Development Zone, Tengzhou City, Shandong Province, PRC
Postal code: 277500
Telephone: (86) 632 5630998
Fax: (86) 632 5630996

Hing Cheong Metals (China & Hong Kong) Limited

Address: Unit 2-3, G/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong
Telephone: (852) 2498 7800
Fax: (852) 2498 7912
Website: http://www.shougangcentury.com.hk
E-mail address: business_link@shougangcentury.com.hk

Dongguan Xingtong Metal Ltd.

Address: San Zhong Jinlong Industrial Zone, Qingxi Dongguan, Guangdong Province, PRC
Postal code: 523660
Telephone: (86) 769 8709 1818
Fax: (86) 769 8709 1810

Meta International Limited

Address: Unit 2-3, G/F., TCL Tower, 8 Tai Chung Road, Tsuen Wan, Hong Kong
Telephone: (852) 2498 7942
Fax: (852) 2498 7912
Website: http://www.shougangcentury.com.hk
E-mail address: business_link@shougangcentury.com.hk

Dongguan Qingxi Sheng Xing Chang Metals Factory

Address: San Zhong Jinlong Industrial Zone, Qingxi Dongguan, Guangdong Province, PRC
Postal code: 523660
Telephone: (86) 769 8733 1185
Fax: (86) 769 8733 3212

Shanghai Shenjia Metal Products Co., Ltd.

Address: No.219 Huangxing Road, Shanghai, PRC
Postal code: 200090
Telephone: (86) 21 6518 1928
Fax: (86) 21 6519 5482
Website: http://www.shenjiametal.com
E-mail address: shenjabs@online.sh.cn

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cao Zhong, aged 49, graduated from Zhejiang University, The PRC and Graduate School, The Chinese Academy of Social Sciences with a Bachelor Degree in Engineering and a Master Degree in Economics. Mr. Cao was appointed the chairman of each of the Company and Shougang Technology, the deputy chairman and general manager of Shougang HK, the substantial Shareholder, the managing director of Shougang International, another substantial Shareholder and a director of Shougang Grand in November 2001. He is currently the vice chairman and managing director of Shougang Grand and the chairman and executive director of Global Digital Creations Holdings Limited ("GDC"), a subsidiary of Shougang Grand and APAC Resources Limited respectively. He also acts as an executive director of Fushan International Energy Group Limited ("Fushan International") and a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Furthermore, he acts as the assistant general manager of Shougang Corporation ("Shougang Corporation"), the holding company of Shougang HK, and the chairman of China Shougang International Trade and Engineering Corporation. In addition to the above, he serves as the chairman of the Nomination Committee and the vice-chairman of the Remuneration Committee of the Company and the chairman of one of the subsidiaries of the Company. Mr. Cao has extensive experience in corporate management and operation.

Other than his directorship disclosed above, Mr. Cao does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of the annual report, he has a personal interest of 82,002,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. Mr. Cao is entitled to receive a HK$220,000 monthly salary under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Cao with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. Owing to internal resources allocation, both Mr. Cao and the Company agree to suspend payment of salaries with effect from 1 August 2008. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Li Shaofeng, aged 42, Mr. Li holds a Bachelor Degree in Automation from University of Science and Technology Beijing. He joined Shougang Corporation in 1989. Mr. Li joined the Group in March 2000 and was appointed as deputy managing director of the Company. He was subsequently appointed as the managing director of the Company and deputy managing director of Shougang HK in September 2003 and September 2007 respectively. At present, he holds directorship in certain wholly owned subsidiaries of the Company. He had acted as managing director of Shougang Grand in 2002. In addition to above, he also was appointed as non-executive director of Sinocop Resources (Holdings) Limited ("Sinocop") on 10 October 2007. In all, Mr. Li has extensive experience in management and investment of listed companies, sino-foreign joint ventures and steel industry.

Other than his directorship disclosed above, Mr. Li does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he has a personal interest of 52,066,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. Mr. Li is entitled to receive a HK$220,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Li with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Tong Yihui, aged 59, is a Senior Engineer. Mr. Tong graduated from Yan Shan University in the PRC. Mr. Tong joined the Group in 1998 and serves as the deputy managing director of the Company. At present, he holds directorship in certain wholly owned subsidiaries of the Company. Prior to joining the Group, Mr. Tong had held the positions in Shougang Strip Steel Company Limited, Shenzhen Guan Shen Enterprise Company Limited, Jiaxing Eastern and Shougang Machinery Design & Research Institute. He has extensive experience in the management of steel cord manufacturing.

Other than his directorship disclosed above, Mr. Tong does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he has a personal interest of 55,920,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. Mr. Tong is entitled to receive a HK$150,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Tong with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Leung Shun Sang, Tony, aged 66, was appointed a non-executive director of the Company in 1995. He is also a non-executive director of Shougang International, Shougang Technology, Shougang Grand, GDC and Fushan International. He also serves as the vice-chairman of the Nomination Committee and the chairman of the Remuneration Committee of the Company. Mr. Leung holds a Master Degree in Business Administration from New York State University and has over 30 years' experience in finance, investment and corporate management. He is also the managing director of CEF Group.

Other than his directorship disclosed above, he has not previously held any position with the Company and/or its subsidiaries. Mr. Leung does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he has a personal interest of 24,244,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Leung and the Company for a term of three years commencing from 1 January 2008. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$190,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Tang Cornor Kwok Kau, aged 48, Mr. Tang joined the Group in 1998 and was appointed as the deputy managing director of the Company in March 2000. At present, he holds directorship in certain wholly owned subsidiaries of the Company and a jointly controlled entity of the Group. He holds a Bachelor Degree and a Master Degree in Business Administration from York University in Canada. Prior to joining the Group, Mr. Tang had held senior positions with various international investment banks. He also has over 15 years' experience in corporate and investment banking.

Other than his directorship disclosed above, Mr. Tang does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. At the date of this annual report, he beneficially owns 6,670,000 ordinary Shares and in which of 200,000 ordinary Shares are jointly owned by his wife within the meaning of the SFO. In addition, he has a personal interest of 10,500,000 underlying Shares attached to the share options granted by the Company. Mr. Tang is entitled to receive a HK$150,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Tang with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Geert Johan Roelens, aged 53, is a civil engineer. He graduated from the State University of Ghent, Belgium with a Bachelor of Civil Engineering Degree in Metallurgy and obtained his Master of Business Administration Degree from the National University of Singapore. Mr. Roelens was appointed as an executive director of the Company with effect from 15 December 2006 after Bekaert, a company listed on NYSE Euronext Brussels with Stock Code of BEKB, became a substantial Shareholder. He joined Bekaert Group in 1988 and held senior managerial position in various international group offices of Bekaert. Previously, he acted as Bekaert group vice president and general manager of Steelcord Asia. As of 1 March 2008, Mr. Roelens was appointed as group executive vice president of the global Steelcord business of Bekaert. Mr. Roelens served as president commissioner of PT Bekaert Indonesia, as plant manager of the Steelcord plant of Bekaert in AALTER (Belgium), and as general manager of Steelcord Europe. In all, Mr. Roelens has over 20 years' experience in operations, general management, and business development in the steel cord manufacturing industry.

Other than his directorship disclosed above, Mr. Roelens does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas and does not have any relationship with any other Directors, senior management or substantial Shareholders or controlling Shareholders. In addition, he has not previously held any position with the Company and/or its subsidiaries. At the date of this annual report, he has a personal interest of 2,000,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. There is no service contract with the Company and Mr. Roelens while he will be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$150,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Yip Kin Man, Raymond, aged 62, Mr. Yip was appointed the independent non-executive director of the Company in 1993, and was appointed the independent non-executive director of Shougang Grand with effective from 19 January 2007. He also serves as the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. Mr. Yip is a practising solicitor, notary public, Attesting Officer appointed by the Ministry of Justice of the PRC.

Other than the directorship disclosed above, Mr. Yip has not previously held any position with the Company and/or its subsidiaries, and is independent of and not connected with the Directors, chief executive and substantial Shareholders or controlling Shareholders or its subsidiaries or an associate of any of them. He does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 2,816,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Yip and the Company for a term of three years commencing from 1 January 2008. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Law, Yui Lun, aged 47, Mr. Law is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. He is also an associate member of each of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and a fellow member of the association of Chartered Certified Accountants of the United Kingdom respectively. Mr. Law holds a Master Degree in Business Administration from Oklahoma City University (USA). He was appointed as the independent non-executive director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company in April 2005. At present, Mr. Law is the sole proprietor of a Certified Public Accountants firm in Hong Kong. Prior to setting up his own practice, Mr. Law had worked for the audit department of KPMG and the China Division of the Hong Kong office of Ernst & Young for a total of 8 years. He had also been a partner in a medium-sized local accounting firm in Hong Kong for over 3 years. In all, Mr. Law has over 20 years' professional experience in the fields of auditing, accounting, corporate taxation, company liquidation and insolvency, financial advisory and management.

Other than the directorship disclosed above, Mr. Law has not previously held any position with the Company and/or its subsidiaries, and is independent of and not connected with the Directors, chief executive and substantial Shareholders or controlling Shareholders or its subsidiaries or an associate of any of them. He does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 2,816,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Law and the Company for a term of three years commencing from 1 January 2008. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. Chan Chung Chun, aged 49, Mr. Chan is a fellow member and an associate member of the Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree of Commerce from University of New South Wales in Australia. He had worked for the audit department of Ernst & Young for about 7 years. He was appointed as the independent non-executive director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company in October 2007. In all, he has extensive working experience in accounting and commercial fields, particularly in the manufacturing, marketing and retailing of consumer products in Hong Kong and the PRC. Mr. Chan is currently the deputy chairman and executive director of Sinocop.

Mr. Chan has not previously held any position with the Company and/or its subsidiaries, and is independent of and not connected with the Directors, chief executive and substantial Shareholders or controlling Shareholders or its subsidiaries or an associate of any of them, save for both Sinocop, in which he is currently deputy chairman and executive director, and the Company have common substantial shareholder, Shougang HK. Other than the directorship disclosed above, he does not hold any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas. At the date of this annual report, he has a personal interest of 1,800,000 underlying Shares attached to the share options granted by the Company within the meaning of Part XV of the SFO. A service contract was entered into between Mr. Chan and the Company for a term of three years commencing from 1 January 2008. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$240,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

Save as disclosed above, there are no other matters relating to his particulars as being a Director that need to be brought to the attention of the Shareholders and there is no other information which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

MAIN OPERATIONAL STRUCTURE

(As at 9 April 2009)

Shougang Concord Century Holdings Limited
http://www.shougangcentury.com.hk

- **Metal Products Processing**
  (manufacturing of steel cord for radial tyres)
  - 100% — JEsc
    Jiaxing Eastern Steel Cord Co., Ltd.
    (Zhejiang, PRC)
    http://www.etirecord.com
  - 100% — TEsc
    Tengzhou Eastern Steel Cord Co., Ltd.
    (Shandong, PRC)
- **Metal Products Processing**
  (manufacturing of pre-stressed concrete strands and wires)
  - 25% — Shanghai Shenjia Metal Products Co., Ltd.
    (Shanghai, PRC)
    http://www.shenjiametal.com
- **Processing and Trading of Copper and Brass Products**
  - 100% — Hing Cheong Metals (China & Hong Kong) Limited
    (Hong Kong)
    http://www.shougangcentury.com.hk
  - 100% — SHC
    Meta International Limited
    (Hong Kong)
    http://www.shougangcentury.com.hk
  - 100% — Dongguan Xingtong Metal Ltd.
    (Guangdong, PRC)

CHAIRMAN'S STATEMENT

Dear Shareholders,

RESULTS FOR THE YEAR

For the Group, 2008 was indeed a year full of tremendous challenges and difficulties. In particular, the fourth quarter was seriously affected by the financial tsunami which resulted in the Euro-American economies going on the verge of recession. Under this unfavourable operating environment, the Group's financial performance for the year was unavoidably affected. The Group's net profit would amount to HK$120,927,000 when excluding the non-cash expenses and provision made for the year, representing an increase of 13.2% as compared to the same for the previous year. However, due to (i) the foreign exchange loss that was mainly attributable to the translation of HKD assets to RMB in accordance to the functional currency principle under accounting standard requirement; (ii) share-based payment from the issue of share options granted under the share option scheme of the Company and (iii) a significant drop in raw material and commodity prices at the year end which also caused large amount impairment losses in our inventories, the Group's net profit attributable to the equity holders recorded a significant decline to HK$34,762,000, representing a decrease of 67.1% as compared to that of the previous year. Owing to the increases in sales volume of steel cord segment and our business of pre-stressed concrete strands and wires trading during the year, the Group's revenue increased by 18% over that of the previous year from HK$704,716,000 to HK$831,640,000.

BUSINESS DEVELOPMENT

Notwithstanding the unfavourable results recorded for the year of 2008, we inexorably impose our vision of enlargement of our market share in steel cord industry and maximization of profitability to our shareholders, we are encouraged that (i) the second phase of expansion of annual production capacity of Jiaxing Eastern from 30,000 tonnes to 60,000 tonnes was completed in June 2008 and (ii) the investment in the construction of large-scaled steel cord manufacturing plant with annual production capacity of 100,000 tonnes and metallic product processing centre in Tengzhou Economic Development Zone of Shandong Province ("Tengzhou Project") had commenced.

We are also pleased that the first phase of Tengzhou Project, in the construction of a steel cord plant with 30,000 tonnes of annual production capacity, is expected to complete at the end of 2009 and the first production line in respect of manufacturing of brass coated wire is expected to be operational by June 2009, and we believe, the added economies of scale will abate our production cost and in turn increase our profit margin of Steel cord segment.

LOOKING AHEAD

Looking forward, the global financial crisis will continue to have an effect on the business environment. Global recession is expected in the year 2009, and our businesses will be inevitably and negatively impacted in various aspects. Nevertheless, the Group's financial position remains stable and its effectiveness of operation is also up to higher level. With the right degree of pragmatism and optimism, we believe where there are risks, there are opportunities ahead for us to capture.

China is still one of the fastest growing countries in the world. In the past several quarters, domestic consumption has become a major force in driving China's economy. The Central Government has also promulgated a range of policies and measures in order to boost domestic consumption and stabilize the development of economy. In view of the abovesaid favourable conditions, the Group will continue to invest in the PRC with a view to focus our effort in the PRC domestic market. Further, the Group will continue to consolidate our market share in our various business segments which we believe is pivotal to our betterment in profitability when the PRC as well as global economy return to strength in the long run. We will also adopt an operation principle of enhancing technological skill and techniques and improving level of quality, controlling effectiveness of production cost and strengthening cash position in order to expedite our development for the coming three years.

With our dedication and determination, we hope that year 2009 will be the time of rejuvenation and high growth.

ACKNOWLEDGEMENTS

Finally, I would like to express my heartfelt thanks to our staff, Shareholders, investors and business partners for their dedication, support, cooperation and encouragement during a very difficult 2008.

By order of the Board

Cao Zhong
Chairman

Hong Kong
9 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year, the Group's principal business activities were affected by the intensified economic recession originated from the financial tsunami in various degrees. The performance of its businesses suffered from the sharp decline in customers' demand during the fourth quarter. The sharp fall in raw material and commodity prices at the year end also caused substantial amounts of allowance for the inventories of various business segments of the Group. Overall, the above factors imposed a negative impact on the profitability of the Group's businesses for the year under review.

Steel cord

The sales volume of Jiaxing Eastern amounted to 35,416 tonnes for the year, an increase of 7.1% as compared to that of 33,068 tonnes for the previous year. The expansion of its production capacity from 30,000 tonnes to 60,000 tonnes per annum has been completed in June 2008. However, since the occurrence of the financial tsunami in September 2008, customers' demand for our products dropped substantially in general. Jiaxing Eastern was thus adversely affected and recorded a significant drop in sales in the fourth quarter and as a result its overall performance for the year was impacted. The analysis of sales volume of this segment for the year is as follows:

	2008		2007		
	Sales volume (tonne)	**% of total sales volume**	Sales volume (tonne)	% of total sales volume	**% change**
Steel cord for:					
– truck tyres	**25,129**	**71.0**	25,086	75.9	**+0.2**
– passenger car tyres	**9,952**	**28.1**	7,289	22.0	**+36.5**
Others and steel wires	**335**	**0.9**	693	2.1	**-51.7**
Total	**35,416**	**100.0**	33,068	100.0	**+7.1**

Revenue of this segment increased by 31.4% to HK$573,840,000 (2007: HK$436,767,000) for the year. In addition to the 7.1% increase in sales volume, the revenue growth was also contributed by the increase in selling price of steel cords during the year. Average selling price was RMB14,429 per tonne for the year, an increase of 11.5% as compared to that of RMB12,945 per tonne for the previous year. The volume of export sales increased by 27.1% over the pervious year to 4,702 tonnes (2007: 3,699 tonnes), and accounted for 13.3% (2007: 11.2%) of total sales volume for the year.

Gross profit of this segment increased by 5.7% to HK$77,640,000 (2007: HK$73,468,000) for the year. Gross profit margin dropped from 16.8% in the previous year to 13.5% for the year. When excluding share-based payment expenses of HK$3,480,000 in relation to the granting of share options during the year and allowance for inventories of HK$8,380,000 at the year end, gross profit for the year would be HK$89,500,000 and gross profit margin would be 15.6%, slightly decreased by 1.2 percentage points as compared to that of 16.8% for the previous year.

In view of the expansion of annual production capacity by Jiaxing Eastern, Jiaxing Eastern was granted a one-off subsidy of HK$11,536,000 as an incentive by the Administrative Committee of the Jiaxing Economic and Technological Development Zone during the year, which demonstrates the full support of the local administrative authority to our Steel cord business and its encouragement to the ongoing business development of Jiaxing Eastern.

Distribution and selling expenses increased in line with the increase in sales. Administrative expenses increased as additional expenditures were incurred for the expansion of production capacity of Jiaxing Eastern and for the development of the new production facility in Tengzhou City, Shandong.

In all, this segment achieved an increase in operating profit of 16.2% over the previous year to HK$61,346,000 (2007: HK$52,804,000).

Copper and brass products

The performance of our Copper and brass products segment was negatively affected by various factors, including deteriorating economies in developed countries, tightening credit supply to its downstream customers, appreciation of the RMB exchange rate and significant fluctuations in copper price during the year. In view of the foregoing, the management has adopted a strident approach in cash collection and inventory reduction in order to preserve cash and reduce its loss in inventory impairment. Nonetheless, sales volume dropped by 27.7% over the previous year to 3,173 tonnes (2007: 4,391 tonnes) for the year.

Despite the volatility in the market, the management was able to maintain the average selling price similar to that of the previous year at HK$60,885 per tonne (2007: HK$60,702 per tonne). As such, revenue of this segment decreased in line with sales volume of 27.5% over the previous year to HK$193,215,000 (2007: HK$266,554,000).

International copper price fluctuated significantly during the year, the 3-month copper price as quoted by the London Metals Exchange once climbed from approximately US$6,710 per tonne at the beginning of 2008 to US$8,585 per tonne in mid 2008, while it dropped sharply to US$2,935 per tonne at the end of 2008. The effectiveness of inventory management was affected by such huge volatility in copper price, as such, gross profit margin lowered from 6.6% in the previous year to 3.9% for the year. Owing to the sharp drop in copper price during the fourth quarter of 2008, an allowance of HK$11,747,000 had been provided against the inventories at the year end. As such, this segment recorded a gross loss of HK$4,298,000 for the year.

Attributable to the decrease in revenue and allowance for inventories, this segment recorded an operating loss of HK$11,990,000 for the year, as compared to an operating profit of HK$10,958,000 for the previous year.

Investment

During the year, the Group had disposed of 15,239,320 "A" shares in Xinyu Iron at the average selling price of approximately RMB6.99 per share on the Shanghai Stock Exchange. As at 31 December 2008, the closing price of Xinyu Iron was RMB4.04 per share. We recorded a gain of HK$95,624,000 on the disposal. After deducting the related income tax of HK$5,130,000, the net gain after tax on the disposal of shares in Xinyu Iron for the year amounted to HK$90,494,000 (2007: HK$59,635,000).

FINANCIAL REVIEW

The Group achieved net profit from business operations and other investments of HK$120,927,000 for the year, an increase of 13.2% as compared to that of HK$106,786,000 for the previous year. However, attributable to the allowance for inventories totalling HK$27,427,000 (2007: reversal of allowance for inventories totalling HK$267,000) and the following non-cash/non-recurring expenses during the year, net profit of the Group decreased by 67.1% over the previous year to HK$34,762,000 for the year.

1. 100,300,000 share options to subscribe for the shares of the Company were granted to Directors and employees of the Group during the year. The fair value of these share options amounted to HK$26,791,000 (2007: HK$1,291,000) was expensed in the consolidated income statement;

2. The Company issued totalling 600,000,000 new Shares to one of its substantial Shareholders and other independent third parties at a price of HK$1.03 each in December 2007 and January 2008, and raised net proceeds of approximately HK$610,000,000. The majority of these funds were placed in bank deposits in Hong Kong during the year of 2008. The functional currency of the Company and the majority of its subsidiaries is in RMB as the business activities of the

Group are primarily carried out in the PRC. Due to the appreciation of the exchange rate of RMB against HKD of approximately 6.2% during the year, an exchange loss of approximately HK$21,154,000 that was mainly incurred on the translation of these deposits and other HKD monetary assets and liabilities into RMB at the year end; and

3. During the middle of the year of 2008, Jiaxing Eastern entered into several contracts with European suppliers for the acquisitions of certain plant and machineries for its expansion of production capacity. These contracts were denominated in Euro, and in anticipation of the strengthening Euro exchange rate in mid 2008, the Group entered into a structured forward exchange contract to hedge against the Euro exposure with the view to partially lock in the cost of these plant and machineries to be delivered in 2009. However, the exchange rate of Euro moved in an adverse direction, especially after the occurrence of the financial tsunami, therefore, the Group recorded an exchange loss of approximately HK$10,793,000 (including the loss on change in fair value of the structured forward exchange contract of HK$1,396,000 at the year end) on this contract. Although the purpose of this contract is to hedge against the cost of purchasing of plant and machineries in Euro, it was not able to meet the criteria of hedge accounting given the variation of machine delivery date and the eventual settlement amount of the supply contracts. Hence, such loss on this contract was required to be charged to the consolidated income statement for the year.

Revenue

Revenue of the Group amounted to HK$831,640,000 for the year, an increase of 18% as compared to that of the previous year. The breakdown of revenue (excluding inter-segment sales) by business segments is as follows:

	2008		2007		
	HK$'000	**% of total revenue**	HK$'000	% of total revenue	**% change**
Steel cord	**573,840**	**69.0**	436,767	62.0	**+31.4**
Copper and brass products	**192,974**	**23.2**	266,554	37.8	**-27.6**
Others *(Note)*	**64,826**	**7.8**	1,395	0.2	**+4547.0**
Total	**831,640**	**100.0**	704,716	100.0	**+18.0**

Note: Mainly comprises trading of pre-stressed concrete strands and wires and property investment.

Gross profit

Gross profit of the Group decreased by 23.2% as compared to that of the previous year to HK$70,882,000 for the year. Gross profit margin dropped from 13.1% in the previous year to 8.5%, as the gross profit margin of both our Steel cord and Copper and brass products segments dropped. The gross profit margin was 12.2% before deducting share-based payment expenses and allowance for inventories, lowered by 0.9 percentage point as compared to that of the previous year. The breakdown of gross profit by business segments is as follows:

	2008		2007		
	HK$'000	**Gross profit margin (%)**	HK$'000	Gross profit margin (%)	**% change**
Steel cord	**89,500**	**15.6**	73,468	16.8	**+21.8**
Copper and brass products	**7,449**	**3.9**	17,590	6.6	**-57.7**
Others	**4,840**	**7.5**	912	65.4	**+430.7**
Sub-total	**101,789**	**12.2**	91,970	13.1	**+10.7**
Share-based payment expenses	**(3,480)**		–		**N/A**
(Provision for) reversal of allowance for inventories	**(27,427)**		267		**N/A**
Gross profit	**70,882**	**8.5**	92,237	13.1	**-23.2**

Other income and gains, and Other expense and losses

The net amount of other income and gains, and other expense and losses of the Group was HK$80,842,000 for the year, declined by 1.6% as compared to that of HK$82,120,000 for the previous year. The breakdown is as follows:

	2008	2007	
	HK$'000	HK$'000	**% change**
Gain on disposal of listed available-for-sale investments, as mentioned in "Investment" section above	**95,624**	66,736	**+43.3**
Local government grant *(Note)*	**11,536**	–	**N/A**
Reversal of allowance for bad and doubtful debts, net	**2,520**	1,841	**+36.9**
Foreign exchange (losses) gains, net	**(18,763)**	8,011	**N/A**
Realised loss on leveraged foreign exchange contract	**(9,397)**	–	**N/A**
Change in fair value loss on leveraged foreign exchange contract	**(1,396)**	–	**N/A**
Others	**718**	5,532	**-87.0**
Total	**80,842**	82,120	**-1.6**

Note: This local government grant refers to the subsidy received by Jiaxing Eastern from the Administrative Committee of the Jiaxing Economic and Technological Development Zone as mentioned in the section of "Steel cord" under "BUSINESS REVIEW" above.

Distribution and selling expenses

These expenses increased by 72.8% over the previous year to HK$15,382,000 (2007: HK$8,903,000). In addition to the increase in transportation costs following the growth in sales volume of Jiaxing Eastern, the increase in distribution and selling expenses primarily represented the transportation costs incurred on the sales of pre-stressed concrete strands and wires during the year.

Administrative expenses

Administrative expenses of the Group amounted to HK$88,583,000 for the year under review, an increase of 78.4% over HK$49,650,000 for the previous year. When the share-based payment expenses in relation to the grant of share options of HK$23,311,000 (2007: HK$1,291,000) was excluded, administrative expenses would be HK$65,272,000 for the year, an increase of 35% as compared to that of HK$48,359,000 for the previous year, as additional costs were incurred on the ongoing business development plans of the Group including the ongoing second phase expansion plan of Jiaxing Eastern, the development of domestic sales activities of the Group's Copper and brass products segment in the PRC, which had commenced operation in the first half of the year, and the construction of a new steel cord production plant in Tengzhou City, Shandong.

Segment results

Profit from the Group's business segments amounted to HK$140,796,000 for the year, representing an increase of 3.7% as compared to that of HK$135,760,000 for the previous year. The breakdown by business segments is as follows:

	2008 **HK$'000**	2007 HK$'000	**% change**
Steel cord	**61,346**	52,804	**+16.2**
Copper and brass products	**(11,990)**	10,958	**N/A**
Investment	**97,476**	66,736	**+46.1**
Others	**(6,036)**	5,262	**N/A**
Total	**140,796**	135,760	**+3.7**

Finance costs

The finance costs of the Group was HK$4,361,000 (2007: HK$11,786,000) for the year, representing a decrease of 63% as compared to that of the previous year. The Group repaid a portion of its bank borrowings from net proceeds received on the issue of totalling 600,000,000 new Shares in December 2007 and January 2008, therefore the Group's interest expenses reduced significantly during the year.

Share of results of a jointly controlled entity and an associate

The revenue of Shanghai Shenjia amounted to HK$605,149,000 for the year, an increase of 28.9% as compared to that of HK$469,303,000 for the previous year. However, its gross profit margin dropped significantly from 16.8% in the previous year to 10.8%, primarily due to increase in raw material prices during the year. Attributable to the decline in gross profit margin, its gross profit dropped by 17.3% as compared to that of the previous year to HK$65,053,000. Besides, other operating costs, particularly finance charges, also increased during the year which caused Shanghai Shenjia to incur a net loss of HK$7,281,000 for the year, vis-a-vis to a net profit of HK$12,060,000 for the previous year. As such, the Group shared a loss of HK$1,820,000 for the year, as opposed to a share of profit of HK$3,015,000 for the previous year.

As mentioned in the Company's 2007 Annual Report, Xinyu Iron (previously Xinhua Metal Products Co., Ltd.) ceased to be an associate of the Group and reclassified as an available-for-sale investment with effect from 22 October 2007. There was no share of profit of an associate for the year (2007: share of profit of HK$7,423,000) whereas the Group received a dividend of HK$1,852,000 from Xinyu Iron during the year.

Income tax expenses

Income tax expenses of the Group amounted to HK$18,552,000 for the year, significantly increased by 41.5% as compared to that of HK$13,110,000 for the previous year, primarily as Jiaxing Eastern's income tax expenses increased by 134.7% over the previous year to HK$11,383,000 for the year, as its profit increased and the implementation of the new enterprise income tax law in the PRC changed the income tax rate of Jiaxing Eastern from previous 15% to 18% in 2008.

SHARE CAPITAL, LIQUIDITY AND FINANCIAL RESOURCES

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long-term reasonable return to its shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

On 29 November 2007, the Company entered into subscription agreements with Shougang International, a substantial Shareholder, and Li Ka Shing Foundation respectively, pursuant to which, Shougang International and Li Ka Shing Foundation would subscribe for 400,000,000 and 100,000,000 new Shares at a price of HK$1.03 each (the "Subscription"). The Subscription was completed on 18 January 2008 and raised net proceeds of approximately HK$515,000,000 for the Group, which was used for expediting the expansion of production capacity of the steel cord business including but not limited to the establishment of a new steel cord production plant in Tengzhou City, Shandong, and reducing finance costs.

Further to the above, there were the following changes to the share capital of the Company during the year:

1. A Director exercised 500,000 share options and therefore 500,000 new Shares were issued during the year; and

2. The Company repurchased totaling 17,110,000 Shares on the Stock Exchange during September and October 2008 at a total consideration (including expenses) of approximately HK$7,831,000. These shares were cancelled accordingly.

Following the above events, the total issued share capital of the Company changed from 1,384,346,556 Shares at 31 December 2007 to 1,867,736,556 Shares at 31 December 2008. The net assets of the Group increased from HK$1,499,929,000 at 31 December 2007 to HK$1,836,685,000 at 31 December 2008. Net asset value was HK$0.98 per Share at 31 December 2008, as compared to HK$1.08 per Share at 31 December 2007.

As at 31 December 2008, the Group's bank balances and cash (including restricted bank deposits) amounted to HK$402,322,000, a slight increase of 1.4% as compared to HK$396,624,000 at the end of 2007. The Group's total bank borrowings amounted to HK$115,731,000, decreased by HK$157,415,000 as compared to HK$273,146,000 as at 31 December 2007.

As at 31 December 2008, all the bank loans of the Group were variable-rate borrowings except HK$17,733,000 which were collared at a rate ranging from 2.08% to 7.20% per annum. The nature and maturity profile of the Group's bank borrowings as at 31 December 2008 were as follows:

	HK$'000
Due within one year or on demand	
– Trust receipt loans	11,393
– Bank advances for discounted bills	15,466
– Short term bank loan and current portion of medium term loan	29,018
Sub-total	55,877
Portion of medium term loan that is due in the second year	59,854
Total	115,731

Because of the strengthening of capital base from issue of new Shares, the Group maintained net cash position at 31 December 2007 and 2008. The current ratio of the Group was 5.6 times at 31 December 2008, as compared to 3.5 times at 31 December 2007.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are in RMB, HKD and USD. The currency mix of bank borrowings of the Group at 31 December 2008 was as follows:

	31 December 2008	31 December 2007
	%	%
HKD	**84.7**	97.2
RMB	**15.3**	–
USD	**–**	2.8
Total	**100.0**	100.0

The major source of the Group's revenue is in RMB. However, the majority of the Group's bank borrowings at 31 December 2008 were denominated in HKD as its borrowing rate was relatively lower than its RMB counterpart. We believe this arrangement could reduce our interest costs and minimize our exposure to currency risks.

We would keep monitoring the currency composition of our bank borrowings under the guidance of the Group's Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

In respect of the currency risk exposure arisen on the substantial HKD cash balance on our balance sheet, the Group had considered various measures to allay the impact vis-à-vis the strength of the RMB. Given the prevailing relevant regulations in the PRC, hedging against the RMB is of limited means. As such, the Group endeavored to convert its HKD holding into RMB by ways of continued investment in the PRC. The Group had converted substantial amount of HKD and remitted to the PRC for the development of the steel cord plant in Tengzhou City, Shandong (the "Tengzhou Project") in the second half of 2008. Further injection to the Tengzhou Project will be made in 2009 to curb the potential loss due to the unremitting strength of the RMB.

Regarding the Group's exposure to its Euro holding arising on the structure forward exchange contract, we will monitor the position in consideration of factors including the exchange rate movement of Euro and the cashflow requirements of the Group with the view to minimize any potential loss.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The expansion of Jiaxing Eastern's production capacity from 30,000 tonnes to 60,000 tonnes per annum had been completed in June and had already been operating since July 2008. In order to ensure operational proficiency could be stably achieved, further capital expenditure on development of Jiaxing Eastern will be increased to approximately HK$556,000,000. Capital expenditure of RMB315,914,000 (equivalent to HK$358,224,000) had been incurred up to 31 December 2008, and the whole capital expenditure would be financed by the Group's internal resources and bank borrowings.

In addition to the above, the Group announced on 18 June 2008 that it had entered a letter of intent with the Municipal Government of Tengzhou City, Shandong, for the construction of a steel cord production plant with production capacity of 100,000 tonnes per annum. This development project will be implemented by phases. The first phase with 30,000 tonnes of annual production capacity is scheduled to be completed by the end of 2009. For the remaining phases of the development, we will determine the progress of construction based on the general economic condition, steel cord market operating environment and the cashflow position of the Group. Capital expenditure (excluding working capital requirements) of the first phase of 30,000 tonnes annual production capacity is estimated to be approximately HK$545,000,000, which will be financed by the Group's internal resources and bank borrowings.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2008, the Group had a total of 1,258 employees located in Hong Kong and the PRC. The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. Remuneration packages, which include an element of discretionary bonuses, are generally reviewed annually. In addition to salary payments, other employee benefits include medical subsidies, hospitalization scheme and a defined contribution provident fund, Mandatory Provident Fund Scheme and other retirement scheme or other similar defined contribution provident fund stipulated by the State Regulations of the PRC which provided retirement benefits to employees in Hong Kong and the PRC respectively. The Group's contributions to these schemes are charged against profits as they are incurred. The amount charged to the consolidated income statement for the year amounted to approximately HK$4,141,000. The Group had also provided training programme or course for the mainland staff at all levels from different departments so as to further enhance their technical skills in production operation.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company had adopted a share option scheme (the "Scheme"). Under the Scheme, the Board shall, subject to and in accordance with the provisions of the Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for Shares in the capital of the Company for the purpose of providing incentives or rewards to him/her for contribution to the Group. The Scheme will remain in force for a period of ten years from the date of its adoption. During the year, a total of 100,300,000 share options were granted to all Directors and employees of the Group to subscribe for Shares and also 500,000 share options were exercised by a Director.

PLEDGE OF ASSETS

As at 31 December 2008, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings and investment properties with an aggregate net book value of HK$6,650,000; and

2. Bank deposits amounting to HK$3,000,000.

BUSINESS OUTLOOK

Despite the current difficult and complicated business environment, we are cautiously optimistic about our business performance in the coming years.

In particular, with the launch of a RMB4,000 billion program which mainly focuses on infrastructure projects such as roads and railways, policies to stimulate domestic consumption and ultimately, to stimulate the PRC economy to achieve a 8% growth in gross domestic product for 2009, the Group expects demand for steel cords will rebound from the unprecedented low in the last quarter of 2008.

The Group has been well preparing for full radialization of tyres in the PRC. On one hand, we have completed the second phase of expansion of annual production capacity of Jiaxing Eastern from 30,000 tonnes to 60,000 tonnes and on the other hand, we have invested in another steel cord plant in Tengzhou City, Shandong for the goals of enlargement of market share in the steel cord industry and the increase of annual production capacity for high quality steel cords by a further 100,000 tonnes in the next few years. If these goals are materialised, we believe the Group will become one of the leading independent steel cord manufacturers in the globe.

In the meantime, the Directors will continue to control the production costs effectively by enhancing skill of techniques and technologies, broaden its customer base primarily in the mainland in the near term and its overseas market when the signs of a global economic recovery become palpable.

In respect of Copper and brass products segment, domestic sales will be our focus. We will consolidate our raw materials processing business with our domestic sales so that production costs will not be duplicated and greater economies of scale can be achieved.

Furthermore, we will painstakingly look into any potential investment opportunities, such as other metal products businesses in the PRC in the future that will nurture sustainable growth and within the acceptable risk profile of the Group.

CORPORATE GOVERNANCE REPORT

The Board is committed to practicing and achieving a high standard of corporate governance. The Board also recognizes that an effective internal control system is crucial to the long term development of the Company. In order to maintain a sound and effective internal control system, the Board periodically reviews the daily governance practices and procedures of the Company. As such, the Company has strictly complied with the relevant laws and regulations, and the rules and guidelines of regulatory bodies, such as the Stock Exchange.

CORPORATE GOVERNANCE PRACTICES

The Company has made detailed disclosures in relation to the accounting period covered in this annual report in compliance with the requirements of Corporate Governance Report set out in Appendix 23 of the Listing Rules. Also, the Company has applied and complied with all the principles and the Code throughout the year ended 31 December 2008. In order to comply with and align with the Listing Rules Amendments, the Company has revised the terms of reference of the Audit Committee. The revised terms of reference was adopted with effect form 1 January 2009. The changes to such terms of reference are also formed as part of the relevant sections of the SCCHL Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTION

On 6 April 2004, the Board has adopted a SCCHL Code on terms no less exacting than the required standard of the Model Code as the Company's code of conduct and rules governing dealing by all Directors in the securities of the Company. In order to bring the SCCHL Code in line with the changes brought upon by the relevant amendments to law, rules and regulations, the Board has also adopted the revised SCCHL Code on 4 April 2005, 7 April 2008 and 1 January 2009. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard set out in the SCCHL Code for the year ended 31 December 2008.

THE BOARD

The Board is currently consists of nine members, including five executive Directors (namely Messrs. Cao Zhong, Li Shaofeng, Tong Yihui, Tang Cornor Kwok Kau and Geert Johan Roelens), a non-executive Director (namely Mr. Leung Shun Sang, Tony) and three independent non-executive Directors (namely Messrs. Yip Kin Man, Raymond, Law, Yui Lun and Chan Chung Chun). The Directors' biographical details are set out on pages 7 to 13 under the heading "**BIOGRAPHICAL DETAILS OF DIRECTORS**".

The major duties of the Board are set out below:

- Formulating the strategies, planning and development of the Company;
- Setting up objectives of management;
- Monitoring the performance of management;
- Ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed;
- Reviewing and approving the Company's results and operations to be disclosed on a regular basis to the public; and
- Approving the Group's operating strategies, budget and strategies in collaboration with various jurisdictions enterprises, as well as other major investments, application of funds and other substantial exercises with other enterprises.

Each Director owes a fiduciary duty towards the Company. He should act in good faith and in the best interests for both the Company and its Shareholders as a whole. Also, the Board has three independent non-executive Directors which represents one-third of the Board so that there is a strong element of independence in the Board. Each of the independent non-executive Directors has different professional qualification and experience in various aspects: including but not limited to (i) legal professional qualification and experience; (ii) auditing, accounting and tax professional; and (iii) financial and commercial management expertise, which has fully complied with Rules 3.10(1) and (2) of the Listing Rules. Hence, we believe that we have of sufficient caliber and number for their views to carry weight.

The Company has received from each of independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Also, the Company considers all of independent non-executive Directors are independent throughout the year under review. Furthermore, all independent non-executive Directors should be re-elected at least every three years at annual general meeting and the reasons the Board believes that the individual to be independent are set out in the relevant circulars. In addition to the above, to the best knowledge of the Directors, there is no financial, business, family or other material/relevant relationship among members of the Board and in particular, between the Chairman and the Managing Director.

During the year under review, the Company held four board meetings and the details of Directors' attendance (including the board meetings, audit committee meetings, remuneration committee meeting, annual general meeting and extraordinary general meeting) are set out in the following table:

Record of attendance of Directors at the meetings held during the year ("Attendance Record")

	Number of Meetings Attended and Held				
Name of Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Cao Zhong	4/4		1/1	1/1	1/1
Li Shaofeng	4/4			1/1	1/1
Tong Yihui	4/4			1/1	1/1
Leung Shun Sang, Tony	4/4		1/1	1/1	0/1
Tang Cornor Kwok Kau	4/4	1/1		1/1	1/1
Geert Johan Roelens	2/4			1/1	1/1
Yip Kin Man, Raymond	4/4	4/4	1/1	1/1	1/1
Law, Yui Lun	4/4	4/4	1/1	1/1	1/1
Chan Chung Chun	4/4	3/4	1/1	1/1	1/1

CHAIRMAN AND MANAGING DIRECTOR

The roles of the Chairman and Managing Director are segregated and performed by Mr. Cao Zhong and Mr. Li Shaofeng respectively. The Chairman, Mr. Cao Zhong, is responsible for formulating the overall strategies and policies of the Company, while the Managing Director, Mr. Li Shaofeng is authorized by the Board to manage the day-to-day business operations of the Company in accordance with the goals set up by the Board and the guidance of the internal management and control policies and procedures of the Company. He is also supported by the Board members and senior management.

NON-EXECUTIVE DIRECTORS

Non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years commencing from 1 January 2008, and also subject to retirement by rotation and re-election at least every three years at annual general meeting in accordance with the Articles.

BOARD COMMITTEES

The Board has established the Board Committees, namely Remuneration Committee, Nomination Committee and Audit Committee to manage particular aspects of the Company's affairs and aid in sharing the responsibilities of the Board. Moreover, all the Board Committees have formulated their specific written terms of reference in accordance with the requirements of the Code. The Board Committee members will also from time to time report their decisions and recommendations to the Board, if necessary.

Remuneration Committee

The Remuneration Committee has been established on 4 April 2005 and consists of five members with a majority of independent non-executive Directors. They are:

Mr. Leung Shun Sang, Tony *(Chairman)*
Mr. Cao Zhong *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)*

and its terms of reference are summarized as follows:

i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

ii) to have the delegated responsibility to determine the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

iv) to review and approve the compensation payable to executive Directors in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

v) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;

vi) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

vii) to exercise such other powers, authorities and discretion, and perform such other duties, of the Directors in relation to the remuneration as the Board may from time to time delegate to it, having regard to the Code; and

viii) to advise Shareholders on how to vote with respect to any service contracts of Directors that require Shareholders' approval under Rule 13.68 of the Listing Rules amended from time to time.

During the year under review, a Remuneration Committee Meeting was held and the attendance record of the committee members is set out in the table: Attendance Record on page 31 of this report.

The information in respect of emolument policy of the Group is set out in the Report of the Directors.

Nomination Committee

The Nomination Committee has been established on 4 April 2005 and consists of five members with a majority of independent non-executive Directors. They are:

Mr. Cao Zhong *(Chairman)*
Mr. Leung Shun Sang, Tony *(Vice-Chairman)*
Mr. Yip Kin Man, Raymond *(Independent Non-executive Director)*
Mr. Law, Yui Lun *(Independent Non-executive Director)*
Mr. Chan Chung Chun *(Independent Non-executive Director)*

and its terms of reference are summarized as follows:

i) to review and monitor the structure, size and composition of the Board and make recommendations to the Board with particular regard to ensuring a substantial majority of the Directors on the Board being independent of management;

ii) to identify and/or nominate and then select qualified individuals for appointment as additional Directors other than the Chairman and Managing Director or Chief Executive Officer or to fill Board vacancies as and when they arise. Such appointment is subject to the approval of the Board; and

iii) the committee shall make a statement or report to the Board after each meeting about its activities, the process used for appointments and explain if external advice has been used and disclose and publish in the annual report or other report as required subject to the Listing Rules amended from time to time.

During the year under review, in the opinion of the Nomination Committee, the existing composition and structure of the Nomination Committee are in place. As such, no Nomination Committee Meeting was held during the year. However, the Company shall endeavour to hold at least a meeting for each financial year, if necessary.

Audit Committee

The Audit Committee has been established on 30 September 1998. At present, it consists of three members and all of them are independent non-executive Directors. They are:

Mr. Yip Kin Man, Raymond *(Chairman)*
Mr. Law, Yui Lun
Mr. Chan Chung Chun

and its terms of reference are summarized as follows:

Relationship with the Company's external auditors

i) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of the external auditors;

Note: Rule 13.51(4) of the Listing Rules requires an announcement to be published when there is a change of auditors. The announcement must also include a statement as to whether there are any matters that need to be brought to holders of securities of the Issuer.

ii) to review and monitor the external auditors' independence and objectivity;

iii) to review and monitor the effectiveness of the audit process in accordance with applicable standards and to discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

iv) to develop and implement policy on the engagement of external auditors to supply non-audit services. For this purpose, external auditors shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally;

v) to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

Review of financial information of the Company

vi) to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review any significant financial reporting judgments contained in them. In this regard, in reviewing the Company's annual report and accounts, half year report and quarterly reports (if applicable) before submission to the Board and the Audit Committee shall focus particularly on:

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

(f) compliance with the Listing Rules and any other legal requirements in relation to financial reporting.

vii) In regard to (vi) above:

(a) members of the Audit Committee must liaise with the Board and senior management;

(b) the Audit Committee must meet, at least once a year, with the Company's external auditors; and

(c) the Audit Committee shall consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer (if any) (or person occupying the same position), or external auditors.

Oversight of the Company's financial reporting system and internal control procedures

viii) to review the Company's financial controls, internal control and risk management systems;

ix) to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

x) to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;

xi) to ensure co-ordination between the internal auditors (if any) and external auditors and to ensure that the internal audit function (if any) is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

xii) to review the Group's financial and accounting policies and practices;

xiii) to review the external auditors' management letter, any material queries raised by the external auditors to management in respect of the accounting records, financial accounts or systems of control and the management's response;

xiv) to ensure that the Board will provide a timely response to the issues raised in the external auditors' management letter;

xv) to report on all of the above matters to the Board; and

xvi) to consider any other matters specifically referred to the Audit Committee by the Board.

During the year under review, four Audit Committee Meetings were held and the attendance record of the committee members is set out in the table: Attendance Record on page 31 of this report.

The Audit Committee members met with the external auditors to discuss the half year and annual financial statements for the financial year of 2008. The external auditors also met the Audit Committee members without executive Director (save for the Financial Controller and the Company Secretary who may attend to answer any query regarding the financial results) present.

The Audit Committee members also discuss matters falling within its terms of reference with the external auditors in the presence of the Financial Controller and the Company Secretary from time to time as they request. When there are uncertainties or ambiguities in interpretation of accounting standards in preparing the half year and annual accounts that may likely to materially impact the financial position of the Group, the Company will prepare certain analysis explaining the scenario in relation thereto for the Audit Committee members consideration and understanding. The Audit Committee members have full access to, and the co-operation of, the Company's management in ensuring that it is satisfied with the Company's internal controls.

During the financial year of 2008, the Audit Committee members had given many great and positive contribution, and independent and informed comments for the development of the Company's strategy and policies, including but not limited to their efforts on the corporate exercises regarding new investment project in Tengzhou city, Shandong Province. The Audit Committee members had also reviewed certain areas of the internal control system and given advice to the management of the Company to further improve the internal control policy of the subsidiaries of the Company.

In order to bring the terms of reference in line with the changes brought upon the implementation of the Listing Rules Amendments, the Company has adopted the revised terms of reference with effect from 1 January 2009.

Auditors' Remuneration

During the year ended 31 December 2008, the fee paid/payable to the external auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

The fees charged by the external auditors of the Company, Deloitte Touche Tohmatsu for the year ended 31 December 2008 amounted to HK$1,080,000 for audit services and HK$300,000 for non-audit services comprising fees for review of interim financial statements.

SHAREHOLDERS' RIGHTS

The Board recognizes its responsibility to ensure the interests of the Shareholders, to communicate with Shareholders and to enhance their value. In order to maintain ongoing dialogue with Shareholders, the Company has particular opportunities of direct communication with Shareholders at various annual general meetings and other general meetings where Shareholders are encouraged to actively attend. In addition, the Chairman of the Board and the Chairman of each of Remuneration Committee, Nomination Committee and Audit Committee were present to answer any Shareholder's questions at the 2008 annual general meeting.

The procedures of 2008 annual general meeting are in line with the standard of the Code. Notice of annual general meeting and related papers (including circular together with proxy form) are despatched to all Shareholders at least 21 days prior to the meeting. For any other general meeting, the related papers are sent to Shareholders at least 14 days prior to the meeting unless the business to be conducted at the meeting requires special notice. Moreover, circular regarding granting of general mandates for the issuance and repurchases of Shares and notice of the annual general meeting has set out the details of each proposed resolutions, voting procedures (including the procedures for demanding and conducting a poll) and other relevant information. The Chairman will explain the procedures for demanding and conducting a poll at the commencement of the meeting and there will be sufficient time for shareholders to raise their questions and opinions.

Voting by poll is mandatory on all resolutions at all general meetings and minimum notice provided for shareholders' meetings will be 20 clear business days for annual general meeting and 10 clear business days for all other general meeting, pursuant to the Listing Rules Amendments with effect from 1 January 2009. We will comply with the new minimum notice requirements for annual general meetings in future and arrange for voting by poll at the forthcoming annual general meeting.

INVESTOR RELATIONS

The Company puts a high regard for the aspect of investor relations and it recognizes that investor relations can enhance its transparency, maximize its value and increase investors' understanding of and trust in the Company. Therefore, the management regularly meets with Shareholders, potential and institutional investors and research analysts. The management also provides them with the information of the latest business development of the Group and answers their queries. The corresponding presentation material is available upon request.

In order to further promote a sound communication, the Company fully utilizes its website (http://www.shougangcentury.com.hk) as a means to provide the latest and updated information in a timely manner and from time to time enhances the homepage of the website. The Company has released its information regarding business development by way of press release on the Company's website during the year of 2008. Also, the Company Secretarial Department of the Company will respond to the telephone enquiries and email correspondences from Shareholders or investors in respect of various issues. Any opinions, view and suggestions of Shareholders will be solicited and brought to the attention of the Board and senior management, if necessary.

During the year, the following general meetings were held by the Company:

On 10 January 2008, an extraordinary general meeting was held to approve the subscription of new Shares by Shougang International and Li Ka Shing Foundation. The relevant resolutions were duly passed by way of poll.

In addition, the 2008 annual general meeting was held on 6 June 2008 to approve ordinary businesses of annual general meeting. The resolutions of annual general meeting were duly passed by show of hands.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system of the Company and also for reviewing and monitoring the internal operation of the Company. The Company has adopted the Internal Control Manual and implemented the internal control system since 1999. The internal control system covers all material functions, including financial, operational and compliance controls and risk management. In order to align with the changes of relevant laws, rules and regulations as well as enhance advance improvement of the internal control system, the Board will review and refine the system periodically, if necessary.

During the year under review, an audit committee meeting was held to review certain areas of the internal control system and subsequently the Board had adopted the revised Internal Control Manual on 25 April 2008 to further improve the internal control policy of the main subsidiaries of the Company. Furthermore, in order to comply and align with the Listing Rules Amendments, the Board has also adopted the revised terms of reference of the Audit Committee and various provisions of SCCHL Code, which are also formed part of the relevant sections of the Internal Control Manual with effect from 1 January 2009.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Further details of the principal activities of the principal subsidiaries are set out in note 48 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 59 to 140.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements of the Group, is set out below:

	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**34,762**	105,762	76,031	62,228	148,524
TOTAL ASSETS	**2,095,651**	1,879,938	1,386,781	967,215	939,780
TOTAL LIABILITIES	**(258,966)**	(380,009)	(429,427)	(273,462)	(305,538)
	1,836,685	1,499,929	957,354	693,753	634,242
MINORITY INTEREST	**(840)**	(840)	–	–	–
SHAREHOLDERS' EQUITY	**1,835,845**	1,499,089	957,354	693,753	634,242

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in the investment properties and property, plant and equipment of the Company and the Group during the year are set out in notes 16 and 17, respectively to the financial statements.

Particulars of the Group's investment properties as at 31 December 2008 are summarised on page 141 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 38 to the financial statements. The Company introduced a share option scheme in 2002. Details of share options are set out under the headings **"SHARE OPTION SCHEME", "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES"** hereunder and in note 46 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 63 and 64 of this annual report and in note 39 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$35,821,000.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Cao Zhong *(Chairman)*
Li Shaofeng *(Managing Director)*
Tong Yihui *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tang Cornor Kwok Kau *(Deputy Managing Director)*
Geert Johan Roelens *(Executive Director)*
Yip Kin Man, Raymond *(Independent Non-executive Director)*
Law, Yui Lun *(Independent Non-executive Director)*
Chan Chung Chun *(Independent Non-executive Director)*

The Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with articles 91 and 92 of the Articles. Messrs. Cao Zhong, Tang Cornor Kwok Kau and Yip Kin Man, Raymond, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Apart from as disclosed under the heading **"DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES"** and in note 46 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SHARE OPTION SCHEME

Particulars of the Company's share option scheme and details of movements in the Company's share options during the year are set out under the heading **"DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES"** hereunder and in note 46 to the financial statements.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES

As at 31 December 2008, save for the interest of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

(a) Ordinary Shares of HK$0.10 each of the Company

Name of Director	Total number of Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Tang Cornor Kwok Kau ("Mr. Tang")	6,670,000	0.35	Beneficial owner *(Note)*

Note: Those Shares were beneficially owned by Mr. Tang and in which of 200,000 Shares were also jointly owned by his wife.

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

(b) Share options

As at 31 December 2008, there were a total of 234,164,000 outstanding share options of the Company granted to Directors, details of which are summarized in the following table:

Name of Director	Options to subscribe for Shares: Number of share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Date of exercise	Number of outstanding share options at the end of the year	Date of grant (*Note b*)	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Cao Zhong	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	57,350,000 (*Note a*)	–	–	–	57,350,000	2/10/2003	2/10/2003 to 1/10/2013	0.780		
	–	17,000,000	–	–	17,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	65,002,000	17,000,000	–		82,002,000				Beneficial owner	4.39
Li Shaofeng	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	30,614,000 (*Note a*)	–	–	–	30,614,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	–	13,800,000	–	–	13,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	38,266,000	13,800,000	–		52,066,000				Beneficial owner	2.78
Tong Yihui	7,652,000	–	–	–	7,652,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	38,268,000 (*Note a*)	–	–	–	38,268,000	25/6/2003	25/6/2003 to 24/6/2013	0.365		
	–	10,000,000	–	–	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	45,920,000	10,000,000	–		55,920,000				Beneficial owner	2.99

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

(b) Share options (continued)

Name of Director	Options to subscribe for Shares: Number of share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Date of exercise	Number of outstanding share options at the end of the year	Date of grant (Note b)	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Leung Shun Sang, Tony	4,592,000	–	–	–	4,592,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	3,060,000	–	–	–	3,060,000	12/3/2003	12/3/2003 to 11/3/2013	0.325		
	4,592,000	–	–	–	4,592,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	–	12,000,000	–	–	12,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	12,244,000	12,000,000	–		24,244,000				Beneficial owner	1.29
Mr. Tang	1,000,000	–	(500,000)	23/1/2008	500,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	–	10,000,000	–	–	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	1,000,000	10,000,000	(500,000)		10,500,000				Beneficial owner	0.56
Geert Johan Roelens	–	2,000,000	–	–	2,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.10

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

(b) Share options (continued)

Name of Director	Options to subscribe for Shares: Number of share options held at the beginning of the year	Number of share options granted during the year	Number of share options exercised during the year	Date of exercise	Number of outstanding share options at the end of the year	Date of grant (Note b)	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Yip Kin Man, Raymond	382,000	–	–	–	382,000	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	382,000	–	–	–	382,000	25/8/2003	25/8/2003 to 24/8/2013	0.740		
	252,000	–	–	–	252,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	–	1,800,000	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	1,016,000	1,800,000	–		2,816,000				Beneficial owner	0.15
Law, Yui Lun	1,016,000	–	–	–	1,016,000	26/1/2007	26/1/2007 to 25/1/2017	0.656		
	–	1,800,000	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864		
	1,016,000	1,800,000	–		2,816,000				Beneficial owner	0.15
Chan Chung Chun	–	1,800,000	–	–	1,800,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.09
	164,464,000	70,200,000	(500,000)		234,164,000					

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

(b) Share options (continued)

Notes:

(a) Share options granted were in excess of the individual limit and the approval from Shareholders was obtained in general meetings held on 25 June and 2 October 2003.

(b) The vesting period of the share option is from the date of grant to the end of the exercise period.

The above share options are unlisted cash settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary Shares of HK$0.1 each in the share capital of the Company are issuable. The share options are personal to the respective Directors.

Other than the holdings and option holdings disclosed above, none of the Directors, chief executives and their associates had any interests or short positions in any Shares, debentures or underlying Shares or any of its associated corporations at 31 December 2008.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, save as disclosed below, none of the Directors is considered to have interest in the following businesses which are considered to compete or likely to compete, either directly or indirectly, with businesses of the Group pursuant to Rule 8.10 of the Listing Rules:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Geert Johan Roelens *(Note 1)*	Bekaert Ansteel Tire Cord (Chongqing) Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Binjiang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Legal Representative

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Geert Johan Roelens *(continued)*	Bekaert Industries Private Limited	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Japan Co., Ltd.	Sale of steel wire and/or cord products	Director
	Bekaert (Shandong) Tire Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Chairman and Legal Representative
	Bekaert Binjiang Advanced Products Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Chairman
	Bekaert Shenyang Advanced Products Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Chairman and Legal Representative
	Bekaert-Shenyang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Chairman and Legal Representative
	China Bekaert Steel Cord Company Limited	Manufacturing and sale of steel wire and/or cord products	Chairman and Legal Representative
	OOO Bekaert Lipetsk	Manufacturing and sale of steel wire and/or cord products	Chairman

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of Director's interest in the entity
Geert Johan Roelens *(continued)*	Bekaert Slovakia, s.r.o.	Manufacturing and sale of steel wire and/or cord products	Managing Director
	OOO Bekaert Wire	Manufacturing and sale of steel wire and/or cord products	Member
	Delta Wire, LLC	Manufacturing and sale of steel wire and/or cord products	Chairman and Manager
	Bekaert	Manufacturing and sale of steel wire and/or cord products	Member
	Industrias del Ubierna, S.A.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Izmit Celik Kord Sanayi ve Ticaret A.S.	Manufacturing and sale of steel wire and/or cord products	Chairman and Member
	BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda	Manufacturing and sale of steel wire and/or cord products	Consultative Counsellor
	PT Bekaert Indonesia	Manufacturing and sale of steel wire and/or cord products	President Commissioner
Chan Chung Chun *(Note 2)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Deputy Chairman and Executive Director
	Zhong Xing Heng He Holdings Limited	Trading of metals and minerals	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Notes:

(1) Pursuant to a subscription agreement and a supplemental agreement (the "Bekaert Subscription") entered into by the Company and Bekaert in September 2006, a nominee of Bekaert should be appointed as an executive Director to represent the interest of Bekaert after the completion of the Bekaert Subscription on 15 December 2006 and as such, Mr. Geert Johan Roelens was appointed.

(2) Mr. Chan Chung Chun was appointed as an independent non-executive director of the Company on 1 October 2007. He shall perform his duties towards the interest of the Company.

In general, directors should owe their fiduciary duties towards the company as a whole and as such the Board believes that all board members will act in the best interest of the Company and its Shareholders when they discharge their duties and responsibilities as directors.

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE COMPANY UNDER THE SFO

As at 31 December 2008, so far as was known to the Directors, the following parties had an interest or long position or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered in the register referred therein:

Long position in Shares or underlying Shares

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Richson	148,537,939	7.95	Beneficial owner
Fair Union	686,655,179	36.76	Beneficial owner and interests of controlled corporations Note (1)
Casula	402,395,304	21.54	Beneficial owner
Shougang International	686,655,179	36.76	Interests of controlled corporations Note (2)

SHAREHOLDERS' INTERESTS AND SHORT POSITIONS OR UNDERLYING SHARES OF THE COMPANY UNDER THE SFO (continued)

Long position in Shares or underlying Shares (continued)

Name of Shareholder	Total number of Shares/ underlying Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Able Legend	126,984,000	6.79	Beneficial owner
Shougang HK	879,715,179	47.10	Interests of controlled corporations Note (3)
Bekaert Holding	250,000,000	13.38	Beneficial owner Note (4)
Bekaert	250,000,000	13.38	Interests of controlled corporations Note (5)
Li Ka Shing Foundation	100,000,000	5.35	Beneficial owner Note (6)

Notes:

(1) Fair Union is beneficially interested in 135,721,936 Shares and by virtue of the SFO, it is deemed to be interested in the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are its wholly owned subsidiaries.

(2) By virtue of the SFO, Shougang International is deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as Richson and Casula are wholly owned by Fair Union, a wholly owned subsidiary of Shougang International.

(3) By virtue of the SFO, Shougang HK is deemed to be interested in the 126,984,000 Shares and the 52,206,000 Shares held by Able Legend and Prime Success Investments Limited ("Prime Success") respectively as Able Legend and Prime Success are its wholly owned subsidiaries and is deemed to be interested in the 13,870,000 Shares held by Lyre Terrace Management Limited, a subsidiary of Shougang Grand and Shougang HK is the controlling shareholder of Shougang Grand. It is also deemed to be interested in the 135,721,936 Shares held by Fair Union, the 148,537,939 Shares held by Richson and the 402,395,304 Shares held by Casula as it is the controlling shareholder of Shougang International.

(4) Bekaert Holding is beneficially interested in the 250,000,000 Shares.

(5) By virtue of the SFO, Bekaert is deemed to be interested in the 250,000,000 Shares held by Bekaert Holding, which is a wholly owned subsidiary of Bekaert.

(6) Li Ka Shing Foundation is beneficially interested in 100,000,000 Shares.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN CONTRACTS

Details of the contracts of significance between the Group, Shougang HK and its subsidiaries, Shougang International and its subsidiaries, and Bekaert and its subsidiaries, respectively are set out under the heading "CONNECTED TRANSACTIONS" and/or in note 47 to the financial statements.

CORPORATE GOVERNANCE

The Company is committed to practicing and achieving a high standard of corporate governance and the Board has approved and adopted the SCCHL Corporate Governance Code on terms no less exacting than those set out in the provisions of the Code. Further information on the Company's Corporate Governance Practices is set out in the **Corporate Governance Report** on pages 29 to 39 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Set out below are particulars of repurchases by the Company of its own ordinary Shares made on the Stock Exchange during the year:

Month of repurchase	Total number of ordinary Shares of HK$0.1 each	Price per Share Highest	Price per Share Lowest	Total consideration (before expenses)
		HK$	HK$	HK$
September	15,300,000	0.490	0.420	7,099,340
October	1,810,000	0.435	0.230	710,318
Total	17,110,000			7,809,658

All Shares repurchased were cancelled and destroyed and accordingly, the Company's issued share capital was reduced by the nominal value of those Shares.

The above repurchases were made for the purpose of achieving an increase in the consolidated net asset value and/or earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting standard. These mainly relate to contracts entered into by the Group in the ordinary and usual course of business which contracts were negotiated on normal commercial terms and on an arm's length basis. Further details are set out in note 47 to the financial statements. Some of these transactions also constituted "connected transactions" under the Listing Rules, as identified below.

CONNECTED TRANSACTIONS

The Group has the following connected and continuing connected transactions required to be disclosed under the Listing Rules:

(A) Continuing connected transactions exempt from the independent Shareholders' approval requirements

Tenancy Agreement

i) A tenancy agreement dated 3 January 2007 whereby a portion of the 5th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong with an aggregate gross floor area of approximately 6,000 square feet was leased by Billioncorp Development Limited, an indirect wholly owned subsidiary of Shougang HK, a substantial Shareholder, to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$126,000 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

ii) A tenancy agreement dated 3 January 2007 whereby a premises known as Flat 1612, Block Q, Kornhill, Hong On Street, Quarry Bay, Hong Kong with gross floor area of approximately 756 square feet was leased by Linksky Limited, an indirect wholly owned subsidiary of Shougang Grand which is an associate of Shougang HK to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$11,800 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

iii) A tenancy agreement dated 3 January 2007 whereby a premises known as Flat 1906A, Hongway Garden, 8 New Market Street, Sheung Wan, Hong Kong with gross floor area of approximately 508 square feet was leased by Shougang HK to a wholly owned subsidiary of the Company for a term of three years commencing from 1 January 2007 to 31 December 2009 at a monthly rental of HK$8,000 (exclusive of rates and other charges payable to independent third parties not connected with Shougang HK or any of its subsidiaries or any of their respective directors, chief executives or substantial shareholders or any of their respective associates in respect of the use of the premises during the term).

The respective maximum aggregate annual values of the said continuing connected transactions for the year ended 31 December 2007 to 2009 is HK$1,749,600.

CONNECTED TRANSACTIONS (continued)

(A) Continuing connected transactions exempt from the independent Shareholders' approval requirements (continued)

Tenancy Agreement (continued)

The details of the above transactions are set out in the Company's announcement dated 4 January 2007.

(B) Continuing connected transactions not exempt from the independent Shareholders' approval requirements

Continuing connected transactions with Bekaert group

(i) *Service Contract*

A service contract (the "Service Contract") dated 22 September 2006 was entered into between Jiaxing Eastern and Bekaert, under which Bekaert or one of its subsidiaries in Asia which engages in the manufacture or sale of steel cord in the PRC will provide certain services to Jiaxing Eastern for a period of three years from 15 December 2006, the date of completion of the Bekaert subscription agreement, pursuant to which Bekaert has subscribed for 250,000,000 ordinary Shares at a cash price of HK$0.65 per Share in the share capital of the Company.

(ii) *Supply Contract*

A supply contract (the "Supply Contract") dated 22 September 2006 was entered into between Jiaxing Eastern and Bekaert, under which Bekaert agrees to sell and deliver certain materials (including brass coated wires) for the manufacture of steel cords for a period of three years from 15 December 2006. The Supply Contract was replaced by the Sale and Purchase Contract as set out in section (iii) herebelow.

(iii) *Sale and Purchase Contract*

On 20 April 2007, the Company, in substitution of Jiaxing Eastern, and Bekaert entered into a sale and purchase contract (the "Sale and Purchase Contract") to amend and restate the Supply Contract with a view to extend the scope of materials and products supply and to provide both the Group and Bekaert group supplying their respective materials and/or finished products to each other for a term of three years from the date of obtaining approval of independent Shareholders at the extraordinary general meeting held on 6 June 2007 (the "Effective Day").

(iv) *Commercial Agency Contract*

On 20 April 2007, Jiaxing Eastern entered into the commercial agency contract (the "Commercial Agency Contract") with Bekaert to appoint Bekaert group as the exclusive commercial agent for the sale of steel cord for reinforcement of radial tyres in certain territories as defined in the Commercial Agency Contract for a period of five years from the Effective Day.

CONNECTED TRANSACTIONS (continued)

(B) Continuing connected transactions not exempt from the independent Shareholders' approval requirements (continued)

Continuing connected transactions with Bekaert group (continued)

Bekaert is a substantial Shareholder and therefore a connected person of the Company under the Listing Rules. Accordingly, the services under the Service Contract provided and the transactions under the Sale and Purchase Contract and the Commercial Agency Contract constituted continuing connected transactions (the "Continuing Connected Transactions"). The Continuing Connected Transactions to the Company, which took place during the year, have been reviewed by the Independent Non-executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties;

(c) in accordance with the Service Contract, Sale and Purchase Contract, Commercial Agency Contract and relevant agreements governing them on terms that are fair and reasonable and in the best interest of the Company and its Shareholders as a whole; and

(d) the aggregate amount of each of the service fees, the sales payable by the Group to Bekaert group, the sales payable by Bekaert group to the Group and commission payable were approximately HK$47,000, HK$182,846,000, HK$1,126,000 and HK$29,000 respectively during the year of 2008. The said service fees, sales payable by the Group to Bekaert group, the sales payable by Bekaert group to the Group and commission payable for the provision of agency services did not exceed the limit of annual Service Fee Cap of HK$2,948,000, annual Group's Purchase Cap of HK$323,350,000, annual Group's Sales Cap of HK$35,366,000 and annual Commission Cap of HK$2,830,000 respectively. Those caps were approved by the Shareholders at the extraordinary general meetings on 6 November 2006 and 6 June 2007 respectively.

The details of the above transactions are set out in the Company's circulars dated 18 October 2006 and 9 May 2007.

CONNECTED TRANSACTIONS (continued)

(B) Continuing connected transactions not exempt from the independent Shareholders' approval requirements (continued)

Continuing connected transactions with Bekaert group (continued)

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the Continuing Connected Transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The Independent Non-executive Directors have reviewed the Continuing Connected Transactions and the report of the auditors and have confirmed that the transactions had been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence as well as the prevailing market condition of the industry. The emoluments of the Directors are decided by the Remuneration Committee, having regard to individual performance, the Company's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

In addition, the Company has adopted a share option scheme as incentive/reward to Directors and eligible participants, details of the scheme are set out in note 46 to the financial statements and the heading **"DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES OR UNDERLYING SHARES"** hereabove.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules during the year and as at the latest practicable date, 6 April 2009 prior to the issue of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 36% (2007: 41%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 12% (2007: 17%).

Purchases from the Group's five largest suppliers accounted for approximately 41% (2007: 38%) of the total purchases for the year and purchases from the largest supplier, included therein amounted to approximately 20% (2007: 10%). The largest supplier for the year was Bekaert, a substantial shareholder of the Company.

Save for disclosed above, as far as the Directors are aware, neither the Directors, their associates, nor those Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

AUDITORS

Messrs. Deloitte Touche Tohmatsu will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Cao Zhong
Chairman

Hong Kong
9 April 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
SHOUGANG CONCORD CENTURY HOLDINGS LIMITED
首長寶佳集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord Century Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 140, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 April 2009

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**831,640**	704,716
Cost of sales		**(760,758)**	(612,479)
Gross profit		**70,882**	92,237
Investment income	7	**11,736**	4,416
Other income and gains	8	**112,947**	86,526
Other expense and losses	9	**(32,105)**	(4,406)
Distribution and selling expenses		**(15,382)**	(8,903)
Administrative expenses		**(88,583)**	(49,650)
Finance costs	10	**(4,361)**	(11,786)
Share of result of a jointly controlled entity		**(1,820)**	3,015
Share of result of an associate		**–**	7,423
Profit before taxation		**53,314**	118,872
Income tax expenses	11	**(18,552)**	(13,110)
Profit for the year	12	**34,762**	105,762
Dividends	14	**37,642**	12,761
Earnings per share	15		
Basic		**HK1.87 cents**	HK8.22 cents
Diluted		**HK1.82 cents**	HK7.68 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000
Non-current assets			
Investment properties	16	**18,396**	16,340
Property, plant and equipment	17	**843,007**	507,637
Prepaid lease payments	18	**31,974**	8,616
Interests in a jointly controlled entity	20	**26,186**	39,467
Goodwill	21	**41,672**	41,672
Club memberships	23	**719**	675
Available-for-sale investments	24	**29,218**	357,657
Deposit paid for the acquisition of prepaid lease		**13,040**	–
		1,004,212	972,064
Current assets			
Inventories	25	**233,095**	110,701
Trade receivables	26	**197,929**	175,414
Bills receivable	26	**172,865**	203,661
Entrusted loan receivable	27	**17,009**	–
Prepayments, deposits and other receivables	28	**64,549**	7,196
Prepaid lease payments	18	**1,333**	539
Amounts due from related companies	29	**949**	5,875
Tax recoverable		**1,388**	3,068
Derivative financial instruments	36	**–**	4
Restricted bank deposits	30 & 31	**3,000**	3,000
Bank balances and cash	31	**399,322**	393,624
Dividend receivables		**–**	4,792
		1,091,439	907,874
Current liabilities			
Trade payables	32	**75,545**	39,728
Other payables and accruals	32	**53,742**	25,102
Tax payable		**5,622**	7,816
Amount due to a jointly controlled entity	34	**4,189**	–
Bank borrowings – due within one year	35	**55,877**	186,542
Derivative financial instrument	36	**1,396**	–
		196,371	259,188

	Notes	2008 HK$'000	2007 HK$'000
Net current assets		**895,068**	648,686
Total assets less current liabilities		**1,899,280**	1,620,750
Non-current liabilities			
Bank borrowings – due after one year	35	**59,854**	86,604
Other payable		**1,425**	1,830
Deferred tax liabilities	37	**1,316**	32,387
		62,595	120,821
		1,836,685	1,499,929
Capital and reserves			
Share capital	38	**186,774**	138,435
Reserves		**1,649,071**	1,360,654
Equity attributable to equity holders of the Company		**1,835,845**	1,499,089
Share option reserve of a subsidiary		**840**	840
		1,836,685	1,499,929

The financial statements on pages 59 to 140 were approved and authorised for issue by the Board of Directors on 9 April 2009 and are signed on its behalf by:

Cao Zhong
CHAIRMAN

Li Shaofeng
MANAGING DIRECTOR

BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**–**	–
Investments in subsidiaries	19	**420,151**	371,310
Advances to subsidiaries	19	**936,071**	555,641
Club memberships	23	**359**	315
		1,356,581	927,266
Current assets			
Prepayments and other receivables		**361**	567
Amounts due from a subsidiary	33	**47,000**	13,000
Derivative financial instruments	36	**–**	4
Restricted bank deposits	30 & 31	**3,000**	3,000
Bank balances and cash	31	**107,459**	149,917
		157,820	166,488
Current liabilities			
Other payables and accruals		**3,560**	1,864
Tax payables		**77**	–
Amount due to a subsidiary	33	**–**	26,838
Bank borrowings – due within one year	35	**26,750**	137,226
		30,387	165,928
Net current assets		**127,433**	560
Total assets less current liabilities		**1,484,014**	927,826
Non-current liability			
Bank borrowings – due after one year	35	**59,854**	86,604
		1,424,160	841,222
Capital and reserves			
Share capital	38	**186,774**	138,435
Reserves	39	**1,237,386**	702,787
		1,424,160	841,222

Cao Zhong
CHAIRMAN

Li Shaofeng
MANAGING DIRECTOR

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note i)*	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	PRC reserve funds HK$'000 *(Note ii)*	Retained profits HK$'000	Total HK$'000	Equity component of share option reserve of a subsidiary HK$'000	Total HK$'000
At 1 January 2007	127,607	423,435	32,659	1,013	3,710	–	40,188	–	45,236	283,506	957,354	–	957,354
Surplus on revaluation	–	–	–	–	6,036	–	–	–	–	–	6,036	–	6,036
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(1,352)	–	–	–	–	–	(1,352)	–	(1,352)
Increase in fair value changes of listed available-for-sale investments	–	–	–	–	–	376,058	–	–	–	–	376,058	–	376,058
Recognition of deferred tax liability on gain on fair value changes of listed available-for-sale investments *(note 37)*	–	–	–	–	–	(31,091)	–	–	–	–	(31,091)	–	(31,091)
Translation adjustments:													
– subsidiaries	–	–	–	–	–	–	52,515	–	–	–	52,515	–	52,515
– jointly controlled entity	–	–	–	–	–	–	3,571	–	–	–	3,571	–	3,571
– associate	–	–	–	–	–	–	2,146	–	–	–	2,146	–	2,146
Net gain recognised directly in equity	–	–	–	–	4,684	344,967	58,232	–	–	–	407,883	–	407,883
Profit for the year	–	–	–	–	–	–	–	–	–	105,762	105,762	–	105,762
Reserve released upon partial disposal of listed available-for-sale investments *(note 24)*	–	–	–	–	–	(67,142)	–	–	–	–	(67,142)	–	(67,142)
Reclassification of associate to listed available-for-sale investments	–	–	(8,669)	–	–	13,656	(4,987)	–	(7,125)	7,125	–	–	–
Total recognised income (expenses) for the year	–	–	(8,669)	–	4,684	291,481	53,245	–	(7,125)	112,887	446,503	–	446,503
Share issued at premium	10,828	98,299	–	–	–	–	–	–	–	–	109,127	–	109,127
Share issue expenses	–	(1,585)	–	–	–	–	–	–	–	–	(1,585)	–	(1,585)
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	451	–	–	451	840	1,291
Dividend paid	–	–	–	–	–	–	–	–	–	(12,761)	(12,761)	–	(12,761)
Transfer	–	–	–	–	–	–	–	–	5,960	(5,960)	–	–	–
At 31 December 2007	138,435	520,149	23,990	1,013	8,394	291,481	93,433	451	44,071	377,672	1,499,089	840	1,499,929

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note i)*	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	PRC reserve funds HK$'000 *(Note ii)*	Retained profits HK$'000	Total HK$'000	Equity component of share option reserve of a subsidiary HK$'000	Total HK$'000
At 1 January 2008	138,435	520,149	23,990	1,013	8,394	291,481	93,433	451	44,071	377,672	1,499,089	840	1,499,929
Surplus on revaluation	–	–	–	–	1,707	–	–	–	–	–	1,707	–	1,707
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(200)	–	–	–	–	–	(200)	–	(200)
Decrease in fair value changes of listed available-for-sale investments	–	–	–	–	–	(210,460)	–	–	–	–	(210,460)	–	(210,460)
Reversal of deferred tax liability of listed available-for-sale investments *(note 37)*	–	–	–	–	–	25,487	–	–	–	–	25,487	–	25,487
Translation adjustments:													
– subsidiaries	–	–	–	–	–	–	77,054	–	–	–	77,054	–	77,054
– jointly controlled entity	–	–	–	–	–	–	2,432	–	–	–	2,432	–	2,432
Net gain (loss) recognised directly in equity	–	–	–	–	1,507	(184,973)	79,486	–	–	–	(103,980)	–	(103,980)
Profit for the year	–	–	–	–	–	–	–	–	–	34,762	34,762	–	34,762
Reserve released upon partial disposal of listed available-for-sale investments *(note 24)*	–	–	–	–	–	(95,624)	–	–	–	–	(95,624)	–	(95,624)
Reversal of deferred tax liability upon partial disposal of listed available-for-sale investments *(note 37)*	–	–	–	–	–	5,604	–	–	–	–	5,604	–	5,604
Total recognised income (expenses) for the year	–	–	–	–	1,507	(274,993)	79,486	–	–	34,762	(159,238)	–	(159,238)
Share issued at premium	50,050	465,320	–	–	–	–	–	–	–	–	515,370	–	515,370
Share issue expenses	–	(694)	–	–	–	–	–	–	–	–	(694)	–	(694)
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	26,791	–	–	26,791	–	26,791
Dividend paid	–	–	–	–	–	–	–	–	–	(37,642)	(37,642)	–	(37,642)
Shares repurchased and cancelled	(1,711)	–	–	1,711	–	–	–	–	–	(7,831)	(7,831)	–	(7,831)
Transfer	–	–	–	–	–	–	–	–	5,633	(5,633)	–	–	–
At 31 December 2008	186,774	984,775	23,990	2,724	9,901	16,488	172,919	27,242	49,704	361,328	1,835,845	840	1,836,685

Notes:

i. The capital reserve represented the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

ii. In accordance with the articles of association of the subsidiaries, jointly controlled entity and associate registered or incorporated in the People's Republic of China (the "PRC") and the relevant PRC laws and regulations, these subsidiaries, jointly controlled entity and associate are required to transfer at least 10% of their profit after taxation, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve fund (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve fund is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve fund can only be used to offset accumulated losses or to increase capital.

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**53,314**	118,872
Adjustments for:		
Depreciation of property, plant and equipment	**51,734**	43,103
Amortisation of prepaid lease payments	**1,257**	698
Increase in fair value of investment properties	**(343)**	(4,120)
Deficit (surplus) on revaluation of leasehold land and buildings, net	**154**	(1,652)
(Gain) loss on disposal of property, plant and equipment, net	**(19)**	513
Interest income	**(9,884)**	(4,416)
Provision for (reversal of) allowance for inventories	**27,427**	(267)
Reversal of allowance for bad and doubtful debts, net	**(2,520)**	(1,841)
Finance costs	**4,361**	11,786
Share of result of a jointly controlled entity	**1,820**	(3,015)
Share of result of an associate	**–**	(7,423)
Foreign exchange loss (gain), net	**1,856**	(8,011)
Gain on disposal of listed available-for-sale investments	**(95,624)**	(66,736)
Dividend income from listed available-for-sale investments	**(1,852)**	–
Recognition of fair value of share options granted during the year	**26,791**	1,291
Operating cash flows before movements in working capital	**58,472**	78,782
Increase in inventories	**(145,542)**	(18,924)
Decrease in trade and bills receivables	**32,540**	5,709
(Increase) decrease in prepayments, deposits and other receivables	**(57,013)**	6,682
Decrease (increase) in amounts due from related companies	**4,926**	(1,580)
Increase in amount due to a jointly controlled entity	**4,189**	–
Increase in trade payables	**33,596**	29,341
Increase in other payables and accruals	**27,393**	4,638
Increase in derivative financial instruments	**1,400**	290
Cash (used in) generated from operations	**(40,039)**	104,938
Interest received	**9,884**	4,416
Interest paid	**(6,005)**	(13,267)
Hong Kong profits tax paid	**(2,200)**	(4,333)
Hong Kong profits tax refunded	**1,902**	–
PRC Enterprise Income Tax paid	**(24,572)**	(8,623)
PRC Enterprise Income Tax refunded	**4,917**	2,684
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(56,113)**	85,815

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(355,878)**	(63,391)
Additions to prepaid lease payments	**(24,855)**	(1,372)
Entrusted loan advanced	**(17,009)**	–
Deposits paid in respect of acquisition of prepaid lease	**(13,040)**	–
Proceeds from disposal of listed available-for-sale investments	**117,979**	72,723
Dividend received from a jointly controlled entity	**18,685**	16,779
Dividend received from listed available-for-sale investments	**1,852**	–
Proceeds from disposal of property, plant and equipment	**36**	30
Dividend received from an associate	**–**	3,987
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(272,230)**	28,756
FINANCING ACTIVITIES		
Proceeds on issue of ordinary shares	**515,370**	109,127
Trust receipt loans raised	**161,787**	245,056
Bank advances for discounted bills	**15,466**	–
New bank loans raised	**2,268**	102,766
Repayment of trust receipt loans	**(199,818)**	(251,122)
Repayment of bank loans	**(138,000)**	(143,699)
Dividend paid	**(37,642)**	(12,761)
Payment for repurchase of shares	**(7,831)**	–
Share issue expenses paid	**(694)**	(1,585)
Repayment of bank advances for discounted bills	**–**	(45,199)
Repayment to a related company	**–**	(34,837)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**310,906**	(32,254)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(17,437)**	82,317
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**393,624**	297,566
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**23,135**	13,741
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Bank balances and cash	**399,322**	393,624

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The functional currency of the Company is Renminbi ("RMB"). For the convenience of the financial statements users as the Company is listed in Hong Kong, the results and financial position of the Group are expressed in Hong Kong dollars ("HKD"), the presentation currency for the consolidated financial statements.

During the year, the Group was principally involved in the manufacturing of steel cords and processing and trading of copper and brass products.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
Hong Kong (International Financial Reporting Interpretations Committee) – Interpretations ("HK(IFRIC)") – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 July 2009
4 Effective for annual periods ending on or after 30 June 2009
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfers on or after 1 July 2009

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on an acquisition of the net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition. The Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually and whenever there is an indication that the cash-generating unit to which the goodwill relates becomes impaired.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Investment properties

Investment properties are held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment loss.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair values of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An investment property is transferred to property, plant and equipment when it is evidenced by the commencement of owner-occupation. The fair value, at the date of transfer, which is the deemed cost of the property for subsequent accounting is in accordance with HKAS 16 Property, plant and equipment. The property interest held under an operating lease which was previously classified as investment property under the fair value model is confirmed to account for as a finance lease after the transfer.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Club memberships

Club memberships are stated at cost less any identified impairment loss.

Research expenditure

Expenditure on research activities is recognised as an expense in the period when it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using first-in, first-out method for copper and brass products and weighted average method for all other inventories.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant assets and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported as "other income and gains".

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised 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 profits 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 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 interests in a jointly controlled entity 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 profits 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and title has been passed, less returns and trade discounts.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and buildings

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value, are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for available-for-sale investments reclassified from interest in an associate which are measured at the carrying amount of the investment at the date of reclassification. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables, including advances to subsidiaries, trade and bills receivables and other receivables, amount due from related companies, restricted bank deposits and bank balances are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are neither designated nor classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or bills receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, other payables, bank borrowings, amount due to a jointly controlled entity and amount due to a subsidiary, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

When the Company re-acquires its shares, the shares redeemed or purchased are immediately cancelled and are deducted directly in equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The nominal value of the shares redeemed or purchased are paid out of distributable profits and an amount equal to their nominal value (i.e. the amount by which the share capital of the Company will be reduced) is transferred to capital redemption reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives of the Group do not qualify for hedge accounting thus they are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferable asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity settled share-based payment transactions

Share options granted to employees and other eligible participants after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed in full at the grant date when the share option granted vest immediately with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

Share options granted to employees and other eligible participants on or before 7 November 2002 or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded 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 as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. 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 a 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, such 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 a revaluation increase under that other standard.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of trade receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2008, the carrying amount of trade receivables is approximately HK$197,929,000 (2007: HK$175,414,000) (net of allowance for bad and doubtful debts of approximately HK$1,214,000 (2007: HK$3,682,000)).

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 31 December 2008 was approximately HK$843,007,000 (2007: HK$507,637,000). The Group depreciates the plant and equipment on a straight line basis over the estimated useful lives of five to twenty-five years, and after taking into account of their estimated residual value, using the straight-line method, at the rate of 4% to 20% per annum, commencing from the date the plant and equipment are placed into productive use. The estimated useful lives and dates that the Group places the plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

5. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and trade discounts, and gross rental income during the year.

An analysis of the Group's revenue is as follows:

	2008	2007
	HK$'000	HK$'000
Sales of goods		
Manufacturing of steel cords	**573,840**	436,767
Processing and trading of copper and brass products	**192,974**	266,554
Trading of pre-stressed concrete strands and wires	**64,054**	481
	830,868	703,802
Rental income	**772**	914
	831,640	704,716

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

(a) Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(i) the steel cord segment comprises the manufacturing of steel cords;

(ii) the copper and brass products segment comprises the processing and trading of copper and brass products; and

(iii) the investment segment comprises the investment in securities.

Other operation mainly comprises trading of pre-stressed concrete strands and wires and property investment.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

Segment information about these businesses is presented below:

For the year ended 31 December 2008

	Steel cord HK$'000	Copper and brass products HK$'000	Investment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
Segment revenue						
External sales	573,840	192,974	–	64,826	–	831,640
Inter-segment sales *(Note)*	–	241	–	–	(241)	–
Total	573,840	193,215	–	64,826	(241)	831,640
Segment result	61,346	(11,990)	97,476	(6,036)		140,796
Unallocated income						9,929
Unallocated expenses						(91,230)
Finance costs						(4,361)
Share of result of a jointly controlled entity						(1,820)
Profit before taxation						53,314
Income tax expenses						(18,552)
Profit for the year						34,762
OTHER INFORMATION						
Capital expenditure	355,718	1,212	–	1,456		358,386
Depreciation	49,980	809	–	945		51,734
Reversal of allowance for bad and doubtful debts	2,520	–	–	–		2,520
Provision for allowance for inventories	8,380	11,747	–	7,300		27,427
Gain on disposal of property, plant and equipment	16	3	–	–		19

Note: Inter-segment sales are made based on prevailing market price.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2008 (continued)

	Steel cord HK$'000	Copper and brass products HK$'000	Investment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
BALANCE SHEET						
Assets						
Segment assets	1,480,853	52,217	66,784	50,089		1,649,943
Interests in a jointly controlled entity						26,186
Unallocated corporate assets						419,522
Consolidated total assets						2,095,651
Liabilities						
Segment liabilities	117,015	2,066	–	5,141		124,222
Unallocated corporate liabilities						134,744
Consolidated total liabilities						258,966

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2007

	Steel cord HK$'000	Copper and brass products HK$'000	Investment HK$'000	Others HK$'000	Consolidated HK$'000
Segment revenue					
External sales	436,767	266,554	–	1,395	704,716
Segment result	52,804	10,958	66,736	5,262	135,760
Unallocated income					12,862
Unallocated expenses					(28,402)
Finance costs					(11,786)
Share of result of a jointly controlled entity					3,015
Share of result of an associate					7,423
Profit before taxation					118,872
Income tax expenses					(13,110)
Profit for the year					105,762
OTHER INFORMATION					
Capital expenditure	63,301	2,110	–	631	66,042
Depreciation	41,500	827	–	776	43,103
Reversal of allowance for bad and doubtful debts, net	1,577	264	–	–	1,841
Reversal of allowance for inventories	–	267	–	–	267
Loss (gain) on disposal of property, plant and equipment	514	19	–	(20)	513

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2007 (continued)

	Steel cord HK$'000	Copper and brass products HK$'000	Investment HK$'000	Others HK$'000	Consolidated HK$'000
BALANCE SHEET					
Assets					
Segment assets	948,489	102,089	357,657	29,873	1,438,108
Interests in a jointly controlled entity					39,467
Unallocated corporate assets					402,363
Consolidated total assets					1,879,938
Liabilities					
Segment liabilities	47,244	9,890	–	748	57,882
Unallocated corporate liabilities					322,127
Consolidated total liabilities					380,009

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

	Hong Kong		Other regions in the PRC		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**179,199**	234,823	**548,596**	422,989	**103,073**	45,990	**830,868**	703,802
Gross rental income	**471**	472	**301**	442	**–**	–	**772**	914
	179,670	235,295	**548,897**	423,431	**103,073**	45,990	**831,640**	704,716
Other segment information:								
Segment assets	**100,758**	95,868	**1,549,185**	1,342,240	**–**	–	**1,649,943**	1,438,108
Interests in a jointly controlled entity	**–**	–	**26,186**	39,467	**–**	–	**26,186**	39,467
Capital expenditure	**1,307**	138	**357,079**	65,904	**–**	–	**358,386**	66,042

7. INVESTMENT INCOME

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Interest income on bank deposits	**9,884**	4,416
Dividend income from listed available-for-sale investments	**1,852**	–
	11,736	4,416

8. OTHER INCOME AND GAINS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Gain on disposal of listed available-for-sale investments *(note 24)*	**95,624**	66,736
Government grant *(note 49)*	**11,536**	–
Reversal of allowance for bad and doubtful debts, net	**2,520**	1,841
Foreign exchange gains	**2,391**	11,614
Increase in fair value of investment properties *(note 16)*	**343**	4,120
Gain on disposal of property, plant and equipment	**19**	–
Surplus on revaluation of leasehold land and buildings	**–**	1,652
Others	**514**	563
	112,947	86,526

9. OTHER EXPENSE AND LOSSES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Foreign exchange losses	**21,154**	3,603
Change in fair value of leveraged foreign exchange contract:		
– realised loss	**9,397**	–
– unrealised loss	**1,396**	
Deficit on revaluation of leasehold land and buildings	**154**	–
Changes in fair value of interest rate swaps	**4**	290
Loss on disposal of property, plant and equipment	**–**	513
	32,105	4,406

10. FINANCE COSTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Interest on bank and other borrowings wholly repayable within five years	**6,005**	13,267
Amortisation of borrowing costs	**864**	1,170
Total borrowing costs	**6,869**	14,437
Less: amount capitalised	**(2,508)**	(2,651)
	4,361	11,786

Borrowing costs capitalised during the year arose on general borrowing pool and are calculated by applying a capitalisation rate of 1.3% (2007: 0.8%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	1,400
PRC enterprise income tax	**18,724**	11,900
	18,724	13,300
Under (over) provision in prior years:		
Hong Kong	**70**	–
PRC enterprise income tax	**(9)**	1,505
	61	1,505
Deferred taxation *(note 37)*:		
Current year	**(183)**	(1,029)
Attributable to change in tax rate	**(50)**	(666)
	(233)	(1,695)
Taxation attributable to the Company and its subsidiaries	**18,552**	13,110

11. INCOME TAX EXPENSES (continued)

No provision for Hong Kong profits tax has been made in the financial statements for the year ended 31 December 2008 as the Group has no assessable profit arising in Hong Kong. Hong Kong profits tax was calculated at 17.5% of the estimated assessable profits for the year ended 31 December 2007.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008-2009.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law (the "Implementation Regulation"). Under the New Law and Implementation Regulation, the Company's major subsidiaries in the PRC are subject to a respective tax rate of 18%, 20%, 22%, 24% and 25% for the years ending 31 December 2008, 2009, 2010, 2011 and 2012 onwards, respectively. The tax rate for these subsidiaries was 18% for the year ended 31 December 2008.

Pursuant to the relevant tax laws and regulations promulgated previously in the PRC, a subsidiary of the Company had qualified for tax concessions in the form of reduced tax rate to 15% for the year ended 31 December 2007. Accordingly, the PRC enterprise income tax had been provided taking into account of these tax concessions.

In addition, according to the New Law, starting from 1 January 2008, withholding income tax will be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Deferred tax has been provided in the consolidated income statement in respect of the temporary differences attributable to such incomes based on the applicable tax rate of 5% as the subsidiaries receiving the dividends are located in a region where Avoidance of Double Taxation Arrangement with the PRC exists.

11. INCOME TAX EXPENSES (continued)

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

	2008	2007
	HK$'000	HK$'000
Profit before taxation	**53,314**	118,872
Tax at PRC enterprise income tax rate of 18% (2007: 15%) *(Note i)*	**9,597**	17,831
Tax effect of expenses not deductible in determining taxable profit	**6,019**	2,325
Tax effect of income not taxable in determining taxable profit	**(2,019)**	(1,967)
Tax effect of tax losses not recognised	**4,082**	2,264
Tax effect on utilisation of tax losses previously not recognised	**(73)**	(179)
Tax effect on temporary differences not recognised	**4,188**	–
Tax effect on utilisation of deferred tax assets previously not recognised	**–**	(125)
Tax credit on qualified plant and machineries acquired *(Note ii)*	**–**	(2,969)
Tax effect on share of result of a jointly controlled entity	**328**	(452)
Tax effect on share of result of an associate	**–**	(1,113)
Deferred tax on distributable earnings of PRC subsidiaries	**2,966**	–
Effect of tax exemptions and concessions granted to a subsidiary *(Note iii)*	**(1,596)**	–
Effect of different tax rates in other jurisdiction	**(597)**	346
Effect of different tax rates for interest income *(Note iv)*	**(768)**	–
Effect of different tax rate for capital gain *(Note v)*	**(4,256)**	(3,550)
Decrease in deferred tax liabilities resulting from decrease in applicable tax rate	**(50)**	(666)
Underprovision in respect of prior years	**61**	1,505
Others	**670**	(140)
Tax expenses for the year	**18,552**	13,110

11. INCOME TAX EXPENSES (continued)

Notes:

i. The PRC Enterprise Income Tax rate of 18% (2007: 15%) is used as the PRC is where the operation of the Group is substantially based.

ii. Pursuant to approvals granted by Jiaxing Country State Tax Bureau, a subsidiary of the Company can enjoy the tax credit of approximately RMB8,411,000 for the year ended 31 December 2007 (2008: Nil) against its enterprise income tax for purchasing domestically made plant and machineries. The Group recognised approximately RMB2,904,000 at 31 December 2007 (2008: Nil) equivalent to HK$2,969,000 (2008: Nil) during the year ended 31 December 2007. The unutilised amount at year end is approximately RMB5,507,000 (2007: RMB5,507,000).

iii. A subsidiary of the Company operating in the PRC is eligible for certain tax holidays and concessions in respect of PRC enterprise income tax and is exempted from PRC enterprise income tax for two years commencing from its first year of operation and thereafter, the subsidiary will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The PRC enterprise income tax charges are arrived at after taking into account these tax incentives.

iv. The withholding tax rate on interest income earned from an entity in the PRC was 7%.

v. The withholding tax on the capital gain on disposal of listed available-for-sale investments in the PRC prior to 11 June 2008.

In addition to the amount charged or credited to the consolidated income statement, deferred tax relating to the revaluation of the Group's leasehold land and buildings and fair value changes of listed available-for-sale investments has been charged/credited directly to equity.

12. PROFIT FOR THE YEAR

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**760,758**	612,479
Staff costs, including directors' remuneration *(note 13)*:		
– Salaries, wages and other benefits	**72,054**	50,596
– Retirement benefit scheme contributions	**4,141**	2,626
– Share-based payments	**26,791**	451
Total staff costs	**102,986**	53,673
Provision for (reversal of) allowance for inventories	**27,427**	(267)
Depreciation of property, plant and equipment	**51,734**	43,103
Auditor's remuneration	**1,080**	950
Amortisation of prepaid lease payments (included in "Cost of sales")	**1,257**	698
Research expenditure (included in "Administrative expenses")	**3,583**	908
Gross rental income from investment properties	**(772)**	(914)
Less: direct operating expenses for investment properties that generate rental income during the year	**143**	108
Net rental income	**(629)**	(806)
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**50**	665
Share of tax of an associate (included in "Share of result of an associate")	**–**	143

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2007: ten) directors were as follows:

For the year ended 31 December 2008

	Cao Zhong HK$'000	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Geert Johan Roelens HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Total HK$'000
Fees	-	-	-	190	-	150	240	240	240	1,060
Other emoluments										
Salaries and other benefits	1,540	2,782	1,896	-	1,800	-	-	-	-	8,018
Retirement benefit scheme contributions	209	242	128	-	128	-	-	-	-	707
Discretionary bonus *(Note i)*	2,640	2,200	750	-	750	-	-	-	-	6,340
Share-based payment *(Note ii)*	4,551	3,694	2,677	3,212	2,677	535	482	482	482	18,792
Total emoluments	8,940	8,918	5,451	3,402	5,355	685	722	722	722	34,917

For the year ended 31 December 2007

	Cao Zhong HK$'000	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Geert Johan Roelens HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Chu Kwok Tsu, Gilbert HK$'000	Total HK$'000
Fees	-	-	-	120	-	120	150	150	37	113	690
Other emoluments											
Salaries and other benefits	-	2,092	1,786	-	1,691	-	-	-	-	-	5,569
Retirement benefit scheme contributions	-	187	117	-	117	-	-	-	-	-	421
Discretionary bonus *(Note i)*	2,000	1,800	650	-	650	-	-	-	-	-	5,100
Share-based payment *(Note ii)*	-	-	-	-	-	-	90	361	-	-	451
Total emoluments	2,000	4,079	2,553	120	2,458	120	240	511	37	113	12,231

Notes:

i. The discretionary bonus is determined with reference to the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition for the two years ended 31 December 2008.

ii. The share-based payments are the fair values of options granted for the two years ended 31 December 2008.

No director waived any emoluments in the years ended 31 December 2008 and 2007.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Other than those directors who were also the five highest paid individuals of the Group (see above for their emoluments), the emoluments of the next five highest paid individuals were as follows:

	2008 **HK$'000**	2007 HK$'000
Salaries and other benefits (including share-based payment)	**6,048**	4,173
Retirement benefit scheme contributions	**60**	60
Discretionary bonus	**972**	413
	7,080	4,646

Their emoluments were within the following bands:

	Number of employees **2008**	2007
Nil to HK$1,000,000	**1**	4
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**2**	–

14. DIVIDENDS

	2008 **HK$'000**	2007 HK$'000
2008 Interim dividend of HK1 cent per share (2007: Nil)	**18,793**	–
2007 Final dividend of HK1 cent per share (2007: 2006 Final dividend of HK1 cent per share)	**18,849**	12,761
	37,642	12,761

Neither final dividend has been proposed for the year ended 31 December 2008, nor has any dividend been proposed since the balance sheet date.

15. EARNINGS PER SHARE

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

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Earnings		
Profit for the year for the purpose of calculation of basic and diluted earnings per share	**34,762**	105,762

	THE GROUP	
	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purposes of calculation of basic earnings per share	**1,856,769,462**	1,286,288,035
Effect of dilutive potential ordinary shares: Share options	**58,339,480**	90,779,817
Weighted average number of ordinary shares for the purposes of calculation of diluted earnings per share	**1,915,108,942**	1,377,067,852

The computation of diluted earnings per share did not assume the exercise of (i) certain of the Company's outstanding share options as the exercise price of these options is higher than the average market price of the Company's shares for the outstanding periods during both 2008 and 2007 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

16. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
AT FAIR VALUE	
At 1 January 2007	12,220
Increase in fair value	4,120
At 1 January 2008	16,340
Exchange realignment	545
Increase in fair value	343
Transfer from property, plant and equipment	1,168
At 31 December 2008	18,396

The fair values of the Group's investment properties at 31 December 2008 have been arrived at on the basis of valuations carried out by Messrs. Vigers International Property Consultant ("Vigers International"), an independent professional valuer not connected with the Group. Vigers International are members of the Institute of Valuers and have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The valuation was arrived at by reference to market evidence including transaction prices for similar properties in the same locations and conditions and the rental income from similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The carrying amount of investment properties comprises land and buildings in Hong Kong and other regions in the PRC as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Long-term lease in Hong Kong	**13,100**	12,100
Medium-term lease in other regions in the PRC	**5,296**	4,240
	18,396	16,340

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2007	64,260	2,096	601,228	5,285	8,991	3,410	685,270
Exchange realignment	3,754	23	44,004	229	318	248	48,576
Additions	–	5	1,523	831	1,082	62,601	66,042
Reclassification	–	–	19,188	–	–	(19,188)	–
Disposals	–	–	(1,435)	(53)	(660)	–	(2,148)
Surplus on revaluation	3,724	–	–	–	–	–	3,724
At 31 December 2007 and 1 January 2008	71,738	2,124	664,508	6,292	9,731	47,071	801,464
Exchange realignment	3,725	102	39,107	305	347	2,773	46,359
Additions	–	145	4,402	1,340	3,499	349,000	358,386
Reclassification	51,472	–	116,463	–	–	(167,935)	–
Transfer to investment property	(1,168)	–	–	–	–	–	(1,168)
Disposals	–	–	(15)	(63)	(217)	–	(295)
Deficit on revaluation	(3,837)	–	–	–	–	–	(3,837)
At 31 December 2008	121,930	2,371	824,465	7,874	13,360	230,909	1,200,909
Comprising:							
At cost	–	2,371	824,465	7,874	13,360	230,909	1,078,979
At valuation	121,930	–	–	–	–	–	121,930
	121,930	2,371	824,465	7,874	13,360	230,909	1,200,909
ACCUMULATED DEPRECIATION							
At 1 January 2007	–	1,480	226,761	3,467	6,268	–	237,976
Exchange realignment	82	13	17,841	140	212	–	18,288
Provided for the year	3,882	224	37,290	590	1,117	–	43,103
Eliminated on disposals	–	–	(883)	(51)	(642)	–	(1,576)
Write back on revaluation	(3,964)	–	–	–	–	–	(3,964)
At 31 December 2007 and 1 January 2008	–	1,717	281,009	4,146	6,955	–	293,827
Exchange realignment	–	70	17,513	199	227	–	18,009
Provided for the year	5,390	263	44,547	724	810	–	51,734
Eliminated on disposals	–	–	(15)	(63)	(200)	–	(278)
Write back on revaluation	(5,390)	–	–	–	–	–	(5,390)
At 31 December 2008	–	2,050	343,054	5,006	7,792	–	357,902
NET BOOK VALUE							
At 31 December 2008	121,930	321	481,411	2,868	5,568	230,909	843,007
At 31 December 2007	71,738	407	383,499	2,146	2,776	47,071	507,637

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the estimated useful lives of 25 to 50 years
Leasehold improvements	18% – 20%
Plant and machinery	4% – 20%
Furniture, fixtures and equipment	9% – 20%
Motor vehicles	11% – 20%

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
The carrying amount of leasehold land and buildings are located on:		
Land in Hong Kong under:		
Long-term leases	**1,700**	1,900
Medium-term leases	**6,650**	7,000
Land in other regions in the PRC under:		
Long-term lease	**4,059**	3,877
Medium-term lease	**109,521**	58,961
	121,930	71,738

All leasehold land and buildings of the Group were valued at 31 December 2008 by Vigers International on an open market value basis. Vigers International is not connected with the Group.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of approximately HK$128,395,000 (2007: HK$64,563,000).

18. PREPAID LEASE PAYMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land located in the PRC	**33,307**	9,155
Analysed for reporting purposes as:		
Current asset	**1,333**	539
Non-current asset	**31,974**	8,616
	33,307	9,155

19. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**51,452**	15,182
Capital contributions	**368,699**	356,128
	420,151	371,310
Advances to subsidiaries	**936,071**	555,641

Capital contributions represent imputed interest on interest-free advances to subsidiaries.

19. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES (continued)

Except for (i) balance with a subsidiary of HK$15,372,000 (2007: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2007: LIBOR plus 3%) per annum, (ii) balance with a subsidiary of HK$38,866,000 (2007: HK$38,866,000) which bears interest at Hong Kong Dollar Prime Rate (2007: Hong Kong Dollar Prime Rate) per annum, (iii) balance with a subsidiary of HK$60,000,000 (2007: HK$87,000,000) which bears interest at 3-month Hongkong Interbank Offered Rate ("HIBOR") plus 1% per annum and (iv) balance with a subsidiary of HK$180,000,000 (2007: Nil) which bears interest at 2.25% per annum, the remaining balances are interest free. In the opinion of the directors, the Company will not demand repayment within one year from the balance sheet date and advances to subsidiaries are therefore considered as non-current. Such interest-free loans are measured at amortised cost determined using the effective interest method. As at 31 December 2008, the effective interest rates used were within a range of 5.00% to 7.75% per annum (2007: 5.00% to 7.75% per annum), being the prevailing market borrowing rate of interest for a similar instrument at initial recognition.

Details of the Company's principal subsidiaries at 31 December 2008 are set out in note 48.

20. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Cost of investment in a jointly controlled entity	**19,500**	19,500
Share of post-acquisition profits and reserves, net of dividend received	**6,686**	19,967
	26,186	39,467

20. INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

The summarised financial information in respect of the Group's interests in a jointly controlled entity which are accounted for using the equity method is set out below:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Current assets	**72,368**	69,733
Non-current assets	**19,297**	19,691
Current liabilities	**(65,479)**	(49,957)
Income	**153,804**	119,070
Expenses	**(155,624)**	(116,055)

Particulars of the Group's jointly controlled entity are set out in note 50.

21. GOODWILL

The carrying amount of goodwill at the balance sheet date is approximately HK$41,672,000 for both years.

Particulars regarding impairment testing on goodwill are disclosed in note 22.

22. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to a subsidiary in the steel cord business segment, Jiaxing Eastern Steel Cord Co., Ltd. ("Jiaxing Eastern").

During the year ended 31 December 2008, management of the Group determined that there was no impairment of the cash-generating unit ("CGU") containing goodwill.

The recoverable amount of the above CGU has been determined on the basis of value in use calculations. The recoverable amounts are based on certain key assumptions. The value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 8.99% (2007: 7.47%). The cash flow of GCU beyond the 5-year period is extrapolated for twelve years using 0% growth rate. Cash flow projections during the budget period for the CGU are based on the expected gross revenue, gross margins and other direct costs during the budget period. Budgeted gross revenue, gross margins and other direct costs have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the above CGU inclusive of the goodwill to exceed the recoverable amount of the above CGU.

23. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club memberships, at cost	**2,010**	2,010	**820**	820
Exchange realignment	**44**	–	**44**	–
Less: impairment losses	**(1,335)**	(1,335)	**(505)**	(505)
	719	675	**359**	315

24. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Available-for-sale investments comprise:		
Equity securities listed in the PRC, at fair value *(Note i)*	**29,218**	357,657
Unlisted equity investment, at coste *(Note ii)*	**1,123**	1,123
Less: impairment losses	**(1,123)**	(1,123)
	–	–
	29,218	357,657

Notes:

i. Xinhua Metal Products Co., Ltd. ("Xinhua") is listed on the Shanghai Stock Exchange in the PRC. Pursuant to the memorandum of Xinhua, the Group was entitled to its equity share in the profits and losses and net assets of Xinhua upon its cessation and also entitled to nominate one representative in the board of directors of Xinhua, and allowed to participate (but not control) in the financial and operating policy decision of Xinhua, the Group was in a position to exercise significant influence over Xinhua. Accordingly, Xinhua had been accounted for as an associate at 31 December 2006.

During the year ended 31 December 2006, Xinhua implemented a share reform plan for the conversion of the non-freely transferable shares of Xinhua into shares freely transferable on the Shanghai Stock Exchange ("the Share Reform Plan"). Under the Share Reform Plan, the non-freely transferable shareholders of Xinhua, including an indirect wholly owned subsidiary of the Company, would offer holders of freely transferable shares of Xinhua 3.3 non-freely transferable shares for every 10 freely transferable shares by such holders, in exchange for the consent by the holders of freely transferable shares of Xinhua to the conversion of all non-freely transferable shares into freely transferable shares of Xinhua. Followed by the completion of the Share Reform Plan, the Group's equity interest in Xinhua was diluted from 16.75% to 14.49%.

24. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

i. *(continued)*

Under the Share Reform Plan, the shares of Xinhua held by the Group will be subject to a lock-up period of 12 months ("Lock-up Period") upon such shares becoming freely transferable shares. The Group undertakes not to sell the number of shares in Xinhua in exceed of (i) 5% of its then entire issued share capital for 12 months; and (ii) 10% of its then entire issued share capital for 24 months, after the Lock-up Period. Following the 24 months after the Lock-up Period, the Group will be able to dispose of its shareholding in Xinhua free from any restriction.

During the year ended 31 December 2007, Xinhua announced the plan (the "Plan") to acquire the assets and businesses of its major shareholder, Xinyu Iron & Steel Co., Ltd. (新余鋼鐵有限責任公司). All necessary approvals were obtained on 22 October 2007 and the Plan became unconditional. Further to the completion of the Plan, Xinhua changed its name to Xinyu Iron & Steel Co., Ltd. (新余鋼鐵股份有限公司) ("Xinyu Iron"). Since then, the representative of the Group could not participate in major financial and operating policy decision of Xinyu Iron, and accordingly, the Group considers that its significant influence in Xinyu Iron was lost. The Group has since reclassified the investment in Xinyu Iron as available-for-sale investment.

At 31 December 2008, the amount represented the Group's investment in 8,678,641 (2007: 23,917,961) A-shares of Xinyu Iron, being 0.62% (2007: 1.72%) equity interest of Xinyu Iron, of which 8,678,641 (2007: 18,339,660) A-shares are restricted for selling on the Shanghai Stock Exchange, 8,678,641 shares will become non-restricted on 24 October 2009 (2007: 9,661,019 shares and 8,678,641 shares will become non-restricted on 24 October 2008 and 24 October 2009, respectively). The non-restricted A-shares of Xinyu Iron were stated at fair values by reference to bid price quoted on the Shanghai Stock Exchange. For those restricted A-shares of Xinyu Iron which are not quoted on an active market, the directors estimate the fair value by reference to market prices and lack of marketability discounts based on the put option method. The adopted lack of marketability discounts were 26.5% for A-shares subject to restrictions till 24 October 2009 (2007: 20% and 26% respectively for A-shares subject to restrictions till 24 October 2008 and 24 October 2009 respectively).

During the year, the Group disposed of 15,239,320 (2007: 4,082,718) A-shares of Xinyu Iron on the Shanghai Stock Exchange. The net aggregate sale proceeds from the disposals were approximately HK$117,979,000 (2007: HK$72,723,000) (net of brokerage commission, expenses and stamp duty).

ii. The unlisted investment represents investments in unlisted equity securities issued by a private entity incorporated in the PRC. It is measured at cost less impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The unlisted investment was fully impaired in prior years.

25. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Raw materials	**120,688**	39,488
Work in progress	**18,352**	16,546
Finished goods	**94,055**	54,667
	233,095	110,701

During the year ended 31 December 2007, there was an increase in the net realisable value of raw materials due to increase in price in the market. As a result, a reversal of allowance for materials of approximately HK$267,000 (2008: Nil) has been recognised and included in cost of sales.

26. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Trade receivables	**199,143**	179,096
Less: allowance for bad and doubtful debts	**(1,214)**	(3,682)
	197,929	175,414
Bills receivable	**172,865**	203,661
	370,794	379,075

Included in bills receivable as at 31 December 2008 is an amount of HK$15,466,000 that have been discounted to banks (2007: Nil).

The Group normally allows credit periods of 30 – 90 days to its trade customers.

26. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

An aged analysis of trade and bills receivables net of allowance for bad and doubtful debts as at the balance sheet date based on sales invoice date and bills receipt date respectively, is as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**197,739**	271,466
91 – 180 days	**170,946**	107,609
Over 180 days	**2,109**	–
	370,794	379,075

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. For the trade receivables that are neither past due nor impaired as at the balance sheet date, approximately 90% of which have the best credit scoring attributable under the credit scoring system used by the Group.

Included in the Group's trade receivables balances are debtors with an aggregate carrying amount of HK$123,404,000 (2007: HK$23,115,000) which are past due at the reporting date for which the Group has not provided for impairment loss as they have been substantially settled subsequent to the balance sheet date or no historical default of payments by respective customers. The Group does not hold any collateral over these balances.

The aged analysis of trade receivables which are past due but not impaired:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**102,637**	19,981
91 – 180 days	**20,519**	3,134
Over 180 days	**248**	–
Total	**123,404**	23,115

26. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**3,682**	5,306
Exchange realignment	**52**	217
Amount recovered during the year	**(2,520)**	(2,087)
Impairment losses recognised on receivables	**–**	246
Balance at end of the year	**1,214**	3,682

27. ENTRUSTED LOAN RECEIVABLE

On 28 December 2008, Jiaxing Eastern, a wholly owned subsidiary of the Company, granted an entrusted loan of RMB15,000,000 (equivalent to HK$17,009,000) to 嘉興秀州新業建設投資有限公司, an independent third party, through a bank in the PRC. This entrusted loan is unsecured, bears interest at 5.103% per annum and is repayable within three months. The amount has been fully settled on 17 February 2009.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables are unsecured, interest free and repayable on demand. Included in prepayments, deposits and other receivables is amount due from a security firm of approximately HK$37,566,000 (2007: Nil) represents the proceeds from sales of listed available-for-sale investments during the year. The amount has been settled on 6 January 2009.

29. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from subsidiaries of Shougang Concord Technology Holdings Limited ("Shougang TECH"), collectively referred to as the "Shougang TECH Group", are trading in nature, unsecured and non-interest bearing.

The Group normally allows credit periods of 60 – 90 days to the Shougang TECH Group.

An aged analysis of amounts due from the Shougang TECH Group as at the balance sheet date based on sales invoice date, is as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**377**	1,111
91 – 180 days	**572**	1,070
Over 180 days	**–**	3,694
	949	5,875

Included in the amounts due from the Shougang TECH Group, an aggregate carrying amount of HK$572,000 (2007: HK$4,764,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aged analysis of amounts due from the Shougang TECH Group which are past due but not impaired:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**572**	1,070
91 – 180 days	**–**	3,694
Total	**572**	4,764

Shougang Holding (Hong Kong) Limited ("Shougang HK") is a substantial shareholder of Shougang TECH and the Company.

30. PLEDGE OF ASSETS

At the balance sheet date, the following assets were pledged to secure certain bank borrowings as set out in note 35:

(i) the Group's investment properties amounting to HK$4,240,000 at 31 December 2007 (2008: Nil) and certain of the leasehold land and buildings with an aggregate net book value of HK$6,650,000 (2007: HK$11,913,000);

(ii) the bank deposits of the Group and the Company amounting to HK$3,000,000 (2007: HK$3,000,000) for short term bank borrowings; and

(iii) the Company's shares in certain subsidiaries (2008: Nil).

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

Bank balances carry interest at market rates ranging from 0.01% to 1.52% per annum (2007: 0.5% to 2.7% per annum). The restricted bank deposits, which are pledged to banks to secure short term banking facilities granted to the Group, are therefore classified as current, carry fixed interest rates ranging from 0.95% to 1.52% per annum (2007: 3% to 3.36% per annum). At the balance sheet date, the restricted bank deposits, the bank balances and cash that are denominated in currencies other than the functional currencies of respective group entities are set out below:

	Denominated in			
	HKD	**USD**	**EUR**	**Others**
	HK$'000	HK$'000 Equivalent	HK$'000 Equivalent	HK$'000 Equivalent
As at 31 December 2008	117,593	108,599	31,804	72
As at 31 December 2007	274,360	58,588	–	37

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (continued)

The Company

Bank balances carry interest at market rates ranging from 0.01% to 1.52% per annum (2007: 0.75% to 2.25% per annum). The restricted deposits carry fixed interest rates ranging from 0.95% to 1.52% per annum (2007: 3% to 3.36% per annum). At the balance sheet date, the restricted bank deposits, bank balances and cash that are denominated in currencies other than the functional currency of the Company are set out below:

	Denominated in	
	HKD	**USD**
	HK$'000	HK$'000 Equivalent
As at 31 December 2008	99,694	10,765
As at 31 December 2007	106,921	45,996

32. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of trade payables as at the balance sheet date, based on purchase invoice date, is as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
0 – 90 days	**72,466**	37,529
91 – 180 days	**2,033**	2,060
Over 180 days	**1,046**	139
	75,545	39,728

The average credit period on purchases of goods is 30 days.

Included in other payables and accruals are construction payables of approximately HK$31,182,000 (2007: Nil).

The Group has financial risk management policies in place to ensure that all payables are within the credit time frame.

33. AMOUNTS DUE FROM (TO) A SUBSIDIARY

The amounts due from a subsidiary are unsecured and repayable within one year. As at 31 December 2008, (i) an amount due from a subsidiary of HK$27,000,000 (2007: HK$13,000,000) which bears interest at 3-month HIBOR plus 1% per annum and (ii) an amount due from a subsidiary of HK$20,000,000 (2007: Nil) which bears interest at 2.25% per annum.

As at 31 December 2007, the amount due to a subsidiary of HK$26,838,000 (2008: Nil) was unsecured, interest free and repayable on demand.

34. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

The amount due to a jointly controlled entity is trading in nature, unsecured and non-interest bearing.

An aged analysis of amount due to a jointly controlled entity as at the balance sheet date, based on purchase invoice date, is as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
91 – 180 days	**4,189**	–

The average credit period on purchases of goods is 30 – 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit time frames.

35. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**11,393**	49,316	**–**	–
Other bank loans	**88,872**	223,830	**86,604**	223,830
Discounted bills with recourse	**15,466**	–	**–**	–
	115,731	273,146	**86,604**	223,830
Secured	**25,976**	154,189	**86,604**	124,476
Unsecured	**89,755**	118,957	**–**	99,354
	115,731	273,146	**86,604**	223,830

35. BANK BORROWINGS (continued)

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**55,877**	186,542	**26,750**	137,226
In the second year	**59,854**	26,750	**59,854**	26,750
In the third to fifth year inclusive	**–**	59,854	**–**	59,854
	115,731	273,146	**86,604**	223,830
Less: Amount due for settlement within one year (shown under current liabilities)	**(55,877)**	(186,542)	**(26,750)**	(137,226)
Amount due for settlement after one year but not exceeding five years	**59,854**	86,604	**59,854**	86,604

The Group's and the Company's fixed-rate borrowings and the contractual maturity dates are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings				
Within one year	**17,733**	–	**–**	–

35. BANK BORROWINGS (continued)

The Group's and the Company's variable-rate borrowings and the contractual maturity dates are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-rate borrowings				
Within one year	**38,144**	186,542	**26,750**	137,226
In the second year	**59,854**	26,750	**59,854**	26,750
In the third to fifth year inclusive	**–**	59,854	**–**	59,854
	97,998	273,146	**86,604**	223,830

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's and the Company's borrowings are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
Effective interest rate per annum:				
Fixed-rate borrowings	**2.1% to 7.2%**	–	**–**	–
Variable-rate borrowings	**2.8% to 6.8% (HIBOR plus 1.1% to 1.6%)**	4.5% to 7.8% (HIBOR plus 1.1% to 2.0%)	**2.9% to 6.8% (HIBOR plus 1.1% to 1.4%)**	4.5% to 6.4% (HIBOR plus 1.1% to 1.4%)

The Group's and the Company's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**97,998**	265,397	**86,604**	223,830
USD	**–**	7,749	**–**	–

36. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leveraged foreign exchange contract *(Note i)*	**(1,396)**	–	**–**	–
Interest rate swaps *(Note ii)*	**–**	4	**–**	4
	(1,396)	4	**–**	4

Notes:

i. Under the leveraged foreign exchange contract, the Group will receive EUR and deliver United States Dollar ("USD") at stipulated strike prices on a weekly basis. At the end of each stipulated week, when market EUR/USD exchange rate moves favorable to the Group (i.e. spot EUR/USD exchange rate is higher than the strike price), the Group gets to buy the agreed notional amount of EUR (notional amount of EUR200,000) at the strike price with USD. However, when market EUR/USD exchange rate moves unfavorable to the Group (i.e. spot EUR/USD exchange rate is lower than the strike price), the Group gets to buy 2 times the agreed notional amount of EUR (that is, notional amount of EUR400,000) at the strike price with USD. The contract specifies the maximum aggregate profit the Group can earn. Once the maximum stipulated profit is reached for the contract, the contract will be knocked out (i.e. the obligation to deliver outstanding EUR installments to the Group by the counterparty will automatically cease). However, there are no similar knock-out features for losses. As at 31 December 2008, the leveraged foreign exchange contract has remaining 4 weekly settlements. Total realised loss for the weekly settlements up to 23 January 2009 amounted to approximately HK$2,169,000 of which HK$1,396,000 has been recognised in the consolidated income statement for the year ended 31 December 2008.

Such contract is settled on a gross basis, the undiscounted gross cash inflows and outflows on this contract are shown in note 41.

36. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Notes: (continued)

ii. At 31 December 2007, the Group and the Company used interest rate swaps to manage its cash flow exposure in relation to variable-rate borrowings. Major terms of the interest rate swaps are set out below:

Notional amount	**Maturity**
HK$60,000,000	17 June 2008
HK$40,000,000	15 December 2008

For the interest rate swap with contract sum of HK$60,000,000, the interest rate will swap from 3-month HIBOR to 3.48% if the 3-month HIBOR rate is equal to or less than 4.12% at each quarterly rate fixing date or the interest rate will swap to 3-month HIBOR less 0.64% if the 3-month HIBOR rate is greater than 4.12% at each quarterly rate fixing date.

For interest rate swap with contract sum of HK$40,000,000, the interest rate will swap from 3-month HIBOR to 3.58% if the 3-month HIBOR rate is equal to or less than 4.28% at each quarterly rate fixing date or the interest rate will swap to 3-month HIBOR less 0.7% if the 3-month HIBOR rate is greater than 4.28% at each quarterly rate fixing date.

The above derivatives are not designated as hedging instruments. They are measured at fair value at each balance sheet date. Any gain or loss arising from change in fair value of those derivatives is recognised in profit or loss immediately.

37. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the year and prior reporting period:

THE GROUP	Accelerated tax depreciation	Allowance for bad and doubtful debts	Allowance for inventories	Revaluation of properties	Tax loss	Recognition of fair value changes of listed available-for-sale investments	Withholding tax on distributable profit of subsidiaries in the PRC	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Note)	HK$'000	HK$'000	HK$'000
At 1 January 2007	1,364	(701)	(32)	1,440	(524)	–	–	45	1,592
Exchange realignment	31	(27)	(1)	44	–	–	–	–	47
Charge (credit) to income statement for the year	(2,199)	301	(7)	557	(299)	–	–	(48)	(1,695)
Charge to equity for the year	–	–	–	1,352	–	31,091	–	–	32,443
At 31 December 2007 and 1 January 2008	(804)	(427)	(40)	3,393	(823)	31,091	–	(3)	32,387
Exchange realignment	(102)	(23)	(3)	153	28	–	–	–	53
Charge (credit) to income statement for the year	(1,900)	513	(1,682)	55	(188)	–	2,966	3	(233)
Charge (credit) to equity for the year	–	–	–	200	–	(31,091)	–	–	(30,891)
At 31 December 2008	(2,806)	63	(1,725)	3,801	(983)	–	2,966	–	1,316

Note: Pursuant to the Second Protocol to Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (the "Second Protocol"), a gain derived by a Hong Kong company from the alienation of shares in a Mainland company would be exempted from PRC withholding tax provided that the Mainland company is not a company principally holding of immovable property and the shareholding in the Mainland company held by such Hong Kong company remains less than 25% during the 12-month period prior to the alienation.

The Second Protocol has become effective since 11 June 2008 after its ratification and approval procedures were completed. On the basis of the aforementioned, the deferred tax liabilities previously recognised in the investment revaluation reserve in relation to the revaluation of shares in Xinyu Iron could be reversed in the current year as the directors of the Company considered that Xinyu Iron was not a property holding company and the Company and its subsidiaries did not hold more than 25% of Xinyu Iron's shares during the past twelve months.

37. DEFERRED TAX (continued)

At the balance sheet date, the Group has estimated unused tax losses of approximately HK$89,786,000 (2007: HK$66,098,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$5,957,000 (2007: HK$4,701,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK$83,829,000 (2007: HK$61,397,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences of approximately HK$48,439,000 (2007: HK$8,493,000). A deferred tax asset has been recognised in respect of approximately HK$25,172,000 (2007: HK$8,493,000) of temporary differences. No deferred tax asset has been recognised in respect of the remaining approximately HK$23,267,000 (2007: Nil) as it is not probable that taxable profit will be available which the deductible temporary difference can be utilised.

The Company had no significant deferred taxation for the year or at the balance sheet date.

38. SHARE CAPITAL

	2008		2007	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January	**2,000,000**	**200,000**	2,000,000	200,000
Increase on 10 January *(Note i)*	**3,000,000**	**300,000**	–	–
At 31 December	**5,000,000**	**500,000**	2,000,000	200,000
Issued and fully paid:				
At 1 January	**1,384,347**	**138,435**	1,276,067	127,607
Issued on placing of new shares *(Note ii)*	**500,000**	**50,000**	100,000	10,000
Exercise of share options *(Note iii)*	**500**	**50**	8,280	828
Shares repurchased and cancelled *(Note iv)*	**(17,110)**	**(1,711)**	–	–
At 31 December	**1,867,737**	**186,774**	1,384,347	138,435

38. SHARE CAPITAL (continued)

Notes:

i. The authorised share capital of the Company was increased from HK$200,000,000 comprising 2,000,000,000 shares of HK$0.1 each to HK$500,000,000 comprising 5,000,000,000 shares of HK$0.1 each by creation of an additional 3,000,000,000 shares of HK$0.1 each on 10 January 2008 and each of the new shares, upon issue, ranked pari passu in all respects with the existing shares of the Company.

ii. On 29 November 2007, the Company entered into subscription agreements with Shougang Concord International Enterprises Company Limited ("Shougang International"), a substantial shareholder of the Company, and Li Ka Shing Foundation Limited ("LKSF") respectively, pursuant to which, Shougang International and LKSF would subscribe for 400,000,000 and 100,000,000 new shares of the Company at a price of HK$1.03 each (the "Subscription"). The Subscription was completed on 18 January 2008 and raised net proceeds of approximately HK$515,000,000 for the Group, which was used for expediting the progress of expansion of production capacity of the steel cord business including but not limited to the establishment of new steel cords production plant in Tengzhou City, Shandong, and reducing finance costs.

iii. A director of the Company exercised 500,000 share options and therefore 500,000 new shares were issued during the year ended 31 December 2008.

iv. During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid (including expenses) HK$'000
September	15,300,000	0.490	0.420	7,121
October	1,810,000	0.435	0.230	710

The above shares were cancelled and destroyed upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

39. RESERVES

THE COMPANY	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2007	423,435	23,990	1,013	–	–	64,023	512,461
Issue of shares	98,299	–	–	–	–	–	98,299
Share issue expenses	(1,585)	–	–	–	–	–	(1,585)
Share options	–	–	–	–	451	–	451
Translation adjustment	–	–	–	19,880	–	–	19,880
Dividend paid	–	–	–	–	–	(12,761)	(12,761)
Profit for the year	–	–	–	–	–	86,042	86,042
At 31 December 2007 and 1 January 2008	520,149	23,990	1,013	19,880	451	137,304	702,787
Issue of shares	465,320	–	–	–	–	–	465,320
Share issue expenses	(694)	–	–	–	–	–	(694)
Share options	–	–	–	–	26,791	–	26,791
Translation adjustment	–	–	–	56,114	–	–	56,114
Dividend paid	–	–	–	–	–	(37,642)	(37,642)
Shares repurchased and cancelled	–	–	1,711	–	–	(7,831)	(6,120)
Profit for the year	–	–	–	–	–	30,830	30,830
At 31 December 2008	984,775	23,990	2,724	75,994	27,242	122,661	1,237,386

The capital reserve of the Company represents the benefit of acquiring a shareholder's loan from a previous shareholder upon the acquisition of a subsidiary in previous years.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 35, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing borrowings.

41. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Balance Sheet				
Financial assets				
Loans and receivables (including cash and cash equivalents)	**838,962**	791,047	**997,010**	721,813
Derivative financial instruments	**–**	4	**–**	4
Available-for-sale investments	**29,218**	357,657	**–**	–
	868,180	1,148,708	**997,010**	721,817
Financial liabilities				
Amortised cost	**232,844**	319,892	**87,972**	251,734
Derivative financial instruments	**1,396**	–	**–**	–
	234,240	319,892	**87,972**	251,734
Income Statement				
Listed available-for-sale investments				
Gain on disposal of listed available-for-sale investments	**95,624**	66,736	**–**	–
Dividend income from listed available-for-sale investments	**1,852**	–	**–**	–
	97,476	66,736	**–**	–
Financial liabilities designated at FVTPL				
Change in fair value of leveraged foreign exchange contract:				
– realised loss	**9,397**	–	**–**	–
– unrealised loss	**1,396**	–	**–**	–
Change in fair value of interest rate swaps	**4**	290	**4**	290
	10,797	290	**4**	290

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, entrusted loan receivable, amounts due from related companies, available-for-sale investments, bank balances and cash, trade and other payables, amount due to a jointly controlled entity, bank borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, trade and other receivables, amounts due from related companies, trade and other payables and bank borrowings of the Group and the Company are denominated in currencies other than the functional currency of the relevant group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	THE GROUP		**THE COMPANY**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
	Equivalent	Equivalent	**Equivalent**	Equivalent
Monetary assets denominated in				
HKD	**133,393**	325,383	**986,245**	675,711
USD	**125,167**	70,634	**10,765**	46,106
EUR	**31,992**	13	**–**	–
Others	**2,686**	24	**–**	–
Monetary liabilities denominated in				
HKD	**98,983**	268,649	**87,972**	251,734
USD	**23,512**	15,607	**–**	–
EUR	**326**	22	**–**	–
Others	**9**	1	**–**	–

As at 31 December 2008, the Group entered into leveraged foreign exchange contract which exposed the Group to the fluctuation in RMB against USD and EUR.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis for non-derivative financial instruments

The Group is mainly exposed to the fluctuations in HKD, USD and EUR against RMB.

The following table details the Group's sensitivity to a 5% appreciation in RMB against HKD, USD and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. A negative number below indicates a decrease in profit for the year where RMB appreciates 5% against the relevant currency. For a 5% depreciation of RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	THE GROUP		**THE COMPANY**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD				
Decrease in profit *(Note a)*	**(1,720)**	(2,837)	**(44,914)**	(21,199)
USD				
Decrease in profit *(Note a)*	**(5,083)**	(2,751)	**(538)**	(2,305)
EUR				
Decrease in profit *(Note a)*	**(1,583)**	–	**–**	–

Note:

a. This is mainly attributable to the exposure on outstanding HKD, USD and EUR denominated bank balances, receivables and payables at year end.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis for derivative financial instruments

As mentioned in note 41(b)(i), the Group was exposed to the fluctuation in RMB against USD and EUR because it has entered into leveraged foreign exchange contract during the year ended 31 December 2008.

The following sensitivity analysis includes only the maximum EUR receivable amount under the outstanding leveraged foreign exchange contract of EUR1,600,000 as a 5% appreciation/depreciation of USD against EUR (being the reasonably possible change determined by the management) would not result in a different amount of EUR receivable under the contract. The following table details the Group's sensitivity to a 5% appreciation/depreciation in RMB against USD/EUR. 5% sensitivity rate is used when reporting foreign currency risk internally to key management personnel, representing the management's assessment of reasonably possible change in foreign exchange rate. A positive/negative number below indicates an increase/decrease in profit for the year.

	Increase in RMB against EUR HK$'000	**Decrease in RMB against EUR** HK$'000
Increase in RMB against USD	100	1,780
Decrease in RMB against USD	(1,780)	(100)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate deposits and fixed-rate borrowings (see note 35 for details of these borrowings). The Group further exposed to fair value interest rate risk in relation to entrusted loan receivable (see note 27). The Group currently does not have any fair value interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 31) and variable-rate bank borrowings (see note 35 for details of these borrowings). The Company is exposed to cash flow interest rate risk in relation to variable-rate advances to subsidiaries (see notes 19 and 33 for details of these advances) and variable-rate bank borrowings (see note 35 for details of these borrowings). It is the Group's policy to minimise its exposure to cash flow interest rate risk for borrowings by hedging should the need arise. As at 31 December 2007, the Group entered into some interest rate swaps to reduce its cash flow interest rate risk (see note 36 for details).

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

The Group's and the Company's exposure to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's borrowings. The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of market rates arising from the Company's advances to subsidiaries and borrowings at variable rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate bank balances, variable-rate advances to subsidiaries and variable-rate bank borrowings at the balance sheet date. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. A 10 basis points increase or decrease for variable-rate bank balances and 50 basis points increase or decrease for variable-rate advances to subsidiaries and variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At the balance sheet date if interest rates had been 10 basis points higher/lower (2007: 50 basis points) for variable-rate bank balances, 50 basis points higher/lower (2007: 50 basis points) for variable-rate bank borrowings, and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$377,000 and HK$1,365,000 for the years ended 31 December 2008 and 2007, respectively.

At the balance sheet date if interest rates had been 10 basis points higher/lower (2007: 50 basis points) for variable-rate bank balances, 50 basis points higher/lower (2007: 50 basis points) for variable-rate advances to subsidiaries and variable-rate bank borrowings, and all other variables were held constant, the Company's profit for the year would increase/decrease by HK$272,000 and HK$348,000 for the years ended 31 December 2008 and 2007 respectively.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group exposed to equity price risk through its investment in listed equity securities (see note 24 for details of these investments). The management would manage this exposure by closely monitoring the performance of the investments and market conditions.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to market price at the reporting date.

At the balance sheet date if the market price had been 10% (2007: 5%) higher/lower and lack of marketability discount held constant, the Group's investment revaluation reserve would increase/decrease by approximately HK$2,922,000 and HK$17,883,000 for the years ended 31 December 2008 and 2007, respectively.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge obligations by the counter parties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities disclosed in note 44.

In order to minimise the credit risk, the management of the Group and the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risks of the Group and the Company are significantly reduced.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group has concentration risk on trade receivables as it is largely dependent on a small number of customers for a substantial portion of its business. The largest 5 customers accounted for a total of 46.5% and 56.1% of the Group's trade receivables as at 31 December 2008 and 2007 respectively. The failure of any of these customers to make required payments could have a substantial negative impact on the Group's profit. The Group manages this risk by applying a limit on the credit to these customers.

The credit risk on bank balances and bills receivable are limited because the counterparties are reputable banks in the PRC and Hong Kong.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 93% (2007: 74.9%) of the total trade receivables as at 31 December 2008.

The Company's concentration of credit risk is on advances to subsidiaries. The Company manages this risk by monitoring the cash flow position of the subsidiaries.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2008, the Group has available undrawn borrowing facilities of approximately HK$151,391,000 (2007: HK$209,084,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Derivative instruments to be settled on a gross basis, the undiscounted net cash (inflows)/outflows are shown in the following table.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables

THE GROUP

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008							
Non-derivative financial liabilities							
Trade and other payables	–	112,924	–	–	–	112,924	112,924
Amount due to a jointly controlled entity	–	4,189	–	–	–	4,189	4,189
Bank borrowings							
– fixed rate	2.73	15,571	–	2,330	–	17,901	17,733
– variable rate	4.32	20,812	3,763	14,470	65,026	104,071	97,998
		153,496	3,763	16,800	65,026	239,085	232,844
Derivative - gross settlement							
Leveraged foreign exchange contract							
– inflow		(17,426)	–	–	–	(17,426)	(17,426)
– outflow		18,822	–	–	–	18,822	18,822
		1,396	–	–	–	1,396	1,396

	Weighted average effective interest rate % (Note)	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007							
Non-derivative financial liabilities							
Trade and other payables	–	46,746	–	–	–	46,746	46,746
Bank borrowings							
– variable rate	5.04	163,655	12,481	13,393	98,350	287,879	273,146
		210,401	12,481	13,393	98,350	334,625	319,892

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the balance sheet date.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

THE COMPANY

	Weighted average effective interest rate % *(Note)*	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008							
Non-derivative financial liabilities							
Other payables	–	1,368	–	–	–	1,368	1,368
Bank borrowings							
– variable rate	4.39	13,021	–	14,479	65,108	92,608	86,604
		14,389	–	14,479	65,108	93,976	87,972

	Weighted average effective interest rate % *(Note)*	1-3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
2007							
Non-derivative financial liabilities							
Other payables	–	1,066	–	–	–	1,066	1,066
Amount due to a subsidiary	–	26,838	–	–	–	26,838	26,838
Bank borrowings							
– variable rate	4.91	126,004	–	13,376	98,047	237,427	223,830
		153,908	–	13,376	98,047	265,331	251,734

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the balance sheet date.

41. FINANCIAL INSTRUMENTS (continued)

c. Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets (excluding derivative instruments) with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model);

- the fair values of interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and

- the fair value of leveraged foreign exchange contract is calculated using quoted forward exchange rates, yield curves derived from quoted interest rates matching maturities of the contracts and leveraged factors.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

42. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of land and buildings during the year	**4,200**	2,805

The Group leases certain of its offices, factory premises and staff quarters under operating lease arrangements. Leases are negotiated for terms of one to seven years.

42. OPERATING LEASES (continued)

The Group as lessee (continued)

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within one year	**3,901**	3,854
In the second to fifth year inclusive	**5,852**	7,493
Over five years	**1,031**	2,341
	10,784	13,688

The Group as lessor

Property rental income earned during the year was HK$772,000 (2007: HK$914,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for an average term of two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within one year	**487**	406
In the second to fifth year inclusive	**149**	49
	636	455

The Company had no commitment under operating leases at the balance sheet dates.

43. CAPITAL COMMITMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	**353,133**	95,754
– authorised but not contracted for	**310,526**	238,102
	663,659	333,856

The Company did not have any significant commitments at the balance sheet date.

44. CONTINGENT LIABILITIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Guarantees given to banks in respect of banking facilities to subsidiaries		
– amount guaranteed	**213,000**	266,400
– amount utilised	**32,609**	79,933

45. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs to the MPF Scheme with maximum amount HK$12,000 (save for the directors of the Company) per annum, which contribution is matched by employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the respective local municipal government. These PRC subsidiaries are required to contribute 20% to 23% of its payroll costs to the scheme/fund. The contributions are charged to the income statement as they become payable in accordance with the rules of the scheme/fund.

46. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "2002 Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 7 June 2002. Under the 2002 Scheme, the board of directors (the "Board") of the Company shall, subject to and in accordance with the provisions of the 2002 Scheme and the Listing Rules, grant share options to any eligible participant to subscribe for shares in the capital of the Company.

The Company operates the 2002 Scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group or potential contribution to the Group. Eligible participants of the 2002 Scheme include any director (including executive and independent non-executive), executive, officer, employee or shareholder of the Company or any of the subsidiaries or any of the associates or any of the jointly controlled entitles and any supplier, customer, consultant, adviser, agent, partner or business associate who will contribute or has contributed to the Group. The 2002 Scheme became effective on 7 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the 2002 Scheme is 188,484,655 shares which represented approximately 10% of the issued share capital of the Company as at the date of approval of this annual report. The maximum number of shares issuable under the share options to each eligible participant in the 2002 Scheme within any 12-month period is limited to 1% of the issued share capital of the Company in issue under the 2002 Scheme. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 60 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. An option may be exercised under the 2002 Scheme at any time within 10 years from the date of grant of the options or may be determined by the Board at its absolute discretion. The minimum period for which an option must be held before it can be exercised will be determined by the Board at its discretion.

The exercise price per share in relation to an option shall be a price to be determined by the Board and shall be no less than the highest of (a) the official closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the option is offered to an eligible participant, which must be a business day; or (b) the official average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of offer of option to an eligible participant; or (c) the nominal value of shares of the Company on the date of offer of option to an eligible participant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

46. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The following table discloses details of the Company's share options held by eligible participants and movements in such holdings in relation to the 2002 Scheme during the year:

Grantees	Number of share options for 2008						Date of grant	Exercise period	Exercise price per share
	At 1.1.2008	Granted during the year *(Note a)*	Cancelled during the year	Exercised during the year *(Note b)*	Date of exercise	At 31.12.2008	*(Note e)*		HK$
Directors of the Company	27,930,000	–	–	–	–	27,930,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	3,060,000	–	–	–	–	3,060,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	68,882,000	–	–	–	–	68,882,000	25.6.2003	25.6.2003 – 24.6.2013	0.365
	5,974,000	–	–	(500,000)	23.1.2008	5,474,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	57,350,000	–	–	–	–	57,350,000	2.10.2003	2.10.2003 – 1.10.2013	0.780
	1,268,000	–	–	–	–	1,268,000	26.1.2007	26.1.2007 – 25.1.2017	0.656
	–	70,200,000	–	–	–	70,200,000	28.1.2008	28.1.2008 – 27.1.2018	0.864
	164,464,000	70,200,000	–	(500,000)		234,164,000			
Employees other than directors of the Company	15,220,000	–	–	–	–	15,220,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	–	29,700,000	–	–	–	29,700,000	28.1.2008	28.1.2008 – 27.1.2018	0.864
	–	400,000 *(Note c)*	–	–	–	400,000	28.1.2008	28.1.2011 – 27.1.2018	0.864
	15,220,000	30,100,000	–	–		45,320,000			
All other eligible participants	7,652,000	–	–	–	–	7,652,000 *(Note d)*	23.8.2002	23.8.2002 – 12.4.2009	0.295
	9,948,000	–	–	–	–	9,948,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	20,660,000	–	–	–	–	20,660,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	38,260,000	–	–	–		38,260,000			
	217,944,000	100,300,000	–	(500,000)		317,744,000			

46. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Grantees	At 1.1.2007	Granted during the year (Note f)	Cancelled during the year	Exercised during the year (Note g)	Date of exercise	At 31.12.2007	Date of grant (Note e)	Exercise period	Exercise price per share HK$
	Number of share options for 2007								
Directors of the Company	27,930,000	–	–	–	–	27,930,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	3,060,000	–	–	–	–	3,060,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	68,882,000	–	–	–	–	68,882,000	25.6.2003	25.6.2003 – 24.6.2013	0.365
	5,974,000	–	–	–	–	5,974,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	57,350,000	–	–	–	–	57,350,000	2.10.2003	2.10.2003 – 1.10.2013	0.780
	–	1,268,000	–	–	–	1,268,000	26.1.2007	26.1.2007 – 25.1.2017	0.656
	163,196,000	1,268,000	–	–		164,464,000			
Employees other than directors of the Company	23,500,000	–	–	(1,000,000)	7.6.2007	15,220,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	–	–	–	(500,000)	11.6.2007				
	–	–	–	(6,000,000)	15.6.2007				
	–	–	–	(780,000)	1.8.2007				
	23,500,000	–	–	(8,280,000)		15,220,000			
All other eligible participants	7,652,000	–	–	–	–	7,652,000 (Note d)	23.8.2002	23.8.2002 – 12.4.2009	0.295
	9,948,000	–	–	–	–	9,948,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	20,660,000	–	–	–	–	20,660,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
	38,260,000	–	–	–		38,260,000			
	224,956,000	1,268,000	–	(8,280,000)		217,944,000			

46. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

a. The closing price of the shares of the Company on the trading day immediately before the date (i.e.28/1/2008) on which the share options of the Company were granted to all directors and certain employees of the Company and the Group respectively was HK$0.84.

b. The closing price of the shares of the Company on the trading day immediately before the date (i.e. 23/1/2008) on which the share options of the Company were exercised was HK$0.84.

c. 400,000 share options have a vesting period of three years from the date of grant.

d. The 7,652,000 outstanding options were held by Ms. Xu Xianghua ("Ms. Xu") who resigned as director of the Company on 13 April 2004 and the exercise period was changed from 23/8/2002 – 22/8/2012 to 23/8/2002 – 12/4/2006 by the approval of the board of directors on 8 April 2004. In view of the great contribution provided by Ms. Xu during her tenure of her service for the Company, the exercise period was subsequently extended to 12/4/2008 and 12/4/2009 by the approval of the board of directors on 12 April 2006 and 20 March 2008, respectively.

e. The vesting period of the share options is from the date of grant to the end of the exercise period except for the share options set out under Note c above.

f. The closing price of the shares of the Company on the trading day immediately before the date (i.e. 26/1/2007) on which the Company's share options were granted to certain directors of the Company was HK$0.64.

g. The weighted average closing price of the shares of the Company on the trading days immediately before the dates (i.e. 7/6/2007, 11/6/2007, 15/6/2007 and 1/8/2007) on which the share options were exercised was HK$1.145.

During the year ended 31 December 2008, 100,300,000 share options were granted on 28 January 2008 in which 99,900,000 share options vested immediately ("Option A") and 400,000 share options were vested with three years vesting period from the date of grant ("Option B"). During the year ended 31 December 2007, 1,268,000 options were granted on 26 January 2007 which vested immediately. The fair value of the share options granted in 2008 determined at the date of grant using the Binomial Option Pricing Model (the "Binomial Model") was approximately HK$26,896,000 (2007: HK$451,000).

The following assumptions were used to calculate the fair value of the Company's share options:

	28 January 2008 Option A	**28 January 2008 Option B**	**26 January 2007**
Closing price of the Company's shares at the grant date	HK$0.800	HK$0.800	HK$0.630
Exercise price	HK$0.864	HK$0.864	HK$0.656
Contractual life	10 years	10 years	10 years
Expected volatility	66.37%	66.37%	58.332%
Dividend yield	1.25%	1.25%	0.6421%
Risk-free interest rate	2.505%	2.505%	4.134%

46. SHARE-BASED PAYMENT TRANSACTIONS (continued)

In addition, on 30 April 2007, Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong"), a subsidiary of the Company, has entered into an agreement with an employee pursuant to which the employee was granted an option to subscribe for up to 10% equity interest in Hing Cheong's subsidiary, Rise Boom International Limited (the "Rise Boom Share Option") in order to recognise his valuable contribution to the Group. The option vested immediately. The fair value of the option determined at the date of grant using the Binomial Model was approximately HK$840,000.

The following assumptions were used to calculate the fair value of the Rise Boom Share Option:

	30 April 2007
Fair value of 10% equity interest of Rise Boom International Limited ("Rise Boom") at the grant date	HK$858,000
Exercise price	HK$858,000
Option life	5 years
Expected volatility	60%
Dividend yield	0%
Risk-free interest rate	4.107%

Expected volatility of the Company and Rise Boom were determined by using the historical volatility of the Company's share price and the share price of other companies in the similar industry, respectively.

The Binomial Model has been used to estimate the fair value of the Company's share options and the Rise Boom Share Option. The variables and assumptions used in computing their fair values are based on the best estimate of the Company's directors. The value of an option varies with different variables of certain subjective assumption.

47. RELATED PARTY TRANSACTIONS/BALANCES

Trading transactions/balances

In addition to balances detailed in notes 29 and 38 to the financial statements. During the year, the Group had the following material transactions with (i) Shougang HK and its subsidiaries (collectively the "Shougang HK Group"), (ii) Linksky Limited, a subsidiary of Shougang Concord Grand (Group) Limited which is an associate of Shougang HK, (iii) Shougang TECH Group and (iv) a jointly controlled entity.

	2008	2007
	HK$'000	HK$'000
Consultancy fees paid to the Shougang HK Group	**960**	960
Rental expenses paid to Shougang HK Group	**1,608**	1,608
Rental expenses paid to Linksky Limited	**142**	142
Sales to Shougang TECH Group	**3,118**	8,997
Purchases from a jointly controlled entity	**12,070**	–

Compensation of key management personnel

The key management of the Group comprises all directors of the Company, details of their emoluments and share-based payment transactions are disclosed in notes 13 and 46, respectively. The emoluments of the directors of the Company are decided by the remuneration committee of the Company having regard to individual's performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the balance sheet dates are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital/ registered capital	Attributable equity interest of the Group 2008	Attributable equity interest of the Group 2007	Principal activities
Bigland Investment Limited	Hong Kong/PRC	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Eastern Century Metal Products Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Trading of metals and investment holding
Everwinner Investments Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding

48. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital/ registered capital	Attributable equity interest of the Group 2008	2007	Principal activities
Fair Win Development Limited	Hong Kong/PRC	500,000 ordinary shares of HK$1 each	**100%**	100%	Property investment
Heroland Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment
Hing Cheong Metals (China & Hong Kong) Limited	Hong Kong	1,000,000 ordinary shares of HK$1 each	**100%***	100%*	Processing and trading of copper and brass products
Jiaxing Eastern Steel Cord Co., Ltd.# 嘉興東方鋼簾線有限公司	PRC	US$70,000,000	**100%**	100%	Manufacturing of steel cord
Meta International Limited	Hong Kong/PRC	2 ordinary shares of HK$1 each	**100%***	100%*	Processing and trading of copper and brass products
Online Investments Limited	British Virgin Islands/ Hong Kong	31,000,000 ordinary shares of US$1 each	**100%**	100%	Investment holding
Tengzhou Eastern Steel Cord Co., Ltd.# 滕州東方鋼簾線有限公司	PRC	US$20,000,000	**100%**	–	Manufacturing of steel cord
Vicwah Metal Products Company Limited	Hong Kong	4,000 ordinary shares of HK$100 each	**100%**	100%	Investment holding
Weihua International Trading (Shanghai) Co., Ltd. 巍華國際貿易(上海)有限公司	PRC	US$5,000,000	**100%**	100%	Trading of metals

\# A wholly foreign owned enterprise.

* Directly held by the Company.

48. PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital and issued any debt securities subsisting at the end of the year or at any time during the year.

49. GOVERNMENT GRANT

Unconditional government grant of approximately HK$11,536,000 (2007: Nil) has been received in the current year towards reinvestment and expansion of the plant from the Administrative Committee of the Jiaxing Economic and Technological Development Zone. The amount has been included in other income and gains for the year.

50. PARTICULARS OF THE JOINTLY CONTROLLED ENTITY

Particulars of the jointly controlled entity as at the balance sheet dates are as follows:

Name	Business structure	Place of registration and operation	Registered capital	Percentage of equity attributable to the Group	Percentage of voting power attributable to the Group	Percentage of profit and loss attributable to the Group	Principal activity
Shanghai Shenjia Metal Products Co., Ltd. 上海申佳金屬制品有限公司	Incorporated	PRC	US$10,000,000	25%	33%	25%	Manufacturing of pre-stressed concrete strands and wires

SUMMARY OF INVESTMENT PROPERTIES

Particulars of the investment properties held by the Group as at 31 December 2008 are as follows:

	Property	Use	Group interest	Category of lease
1.	House 5 – 18 and carport District 5, Legend Garden Villas No. 89 Capital Airport Road Chaoyang District, Beijing PRC	Residential	100%	Medium term lease
2.	Workshop Nos. 15, 16, 17 and 18 on 12th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan Hong Kong	Industrial and commercial	100%	Long term lease
3.	Workshop No. 10 on 6th Floor Honour Industrial Centre No. 6 Sun Yip Street Chaiwan Hong Kong	Industrial and commercial	100%	Long term lease
4.	Apartment Unit 4-14-5, Level 2 Block 4-8, District 4 Legend Garden Villas No 89 Capital Airport Road Chaoyang District, Beijing PRC	Residential	100%	Medium term lease

DEFINITIONS

In this report (except for Audited Financial Statements), unless the context otherwise requires, the following terms shall have the meaning set out below:

"Able Legend"	Able Legend Investments Limited, a subsidiary of Shougang HK
"Articles"	the Articles of Association of the Company
"Bekaert"	NV Bekaert SA, a company incorporated under the laws of Belgium, a substantial shareholder of the Company
"Bekaert Holding"	Bekaert Holding B.V., a wholly owned subsidiary of Bekaert
"Board"	the board of Directors of the Company
"Casula"	Casula Investments Limited, a wholly owned subsidiary of Shougang International
"Code"	the code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Company"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Copper and brass products"	Processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Fair Union"	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
"Group"	the Company and its subsidiaries
"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"HKSAR Government"	Government of the Hong Kong Special Administrative Region
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Internal Control Manual"	an internal management and control manual of the Company adopted in 1999 and revised from time to time thereafter
"Jiaxing Eastern"	Jiaxing Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company
"Li Ka Shing Foundation"	Li Ka Shing Foundation Limited, a "charitable body" within the meaning of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), a substantial shareholder of the Company
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules Amendments"	the amendments to the main board Listing Rules which has been effective on 1 January 2009
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Richson"	Richson Limited, a wholly owned subsidiary of Shougang International
"RMB"	Renminbi, the lawful currency of the PRC
"SCCHL Code"	Model Code for Securities Transactions by Directors of Shougang Concord Century Holdings Limited adopted in 2004 and revised from time to time thereafter
"SCCHL Corporate Governance Code"	Shougang Concord Century Holdings Limited Code on Corporate Governance
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shanghai Shenjia"	Shanghai Shenjia Metal Products Co., Ltd., a company incorporated under the laws of the PRC and an indirect jointly controlled entity of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shougang Grand"	Shougang Concord Grand (Group) Limited (Stock Code: 730), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Shougang HK"	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a substantial shareholder of the Company
"Shougang International"	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, a substantial shareholder of the Company
"Shougang Technology"	Shougang Concord Technology Holdings Limited (Stock Code: 521), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Steel cord"	Manufacturing of steel cord for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USD/US$"	United States dollars, the lawful currency of the United States of America
"Xinyu Iron"	Xinyu Iron & Steel Co., Ltd.
"%"	per cent.