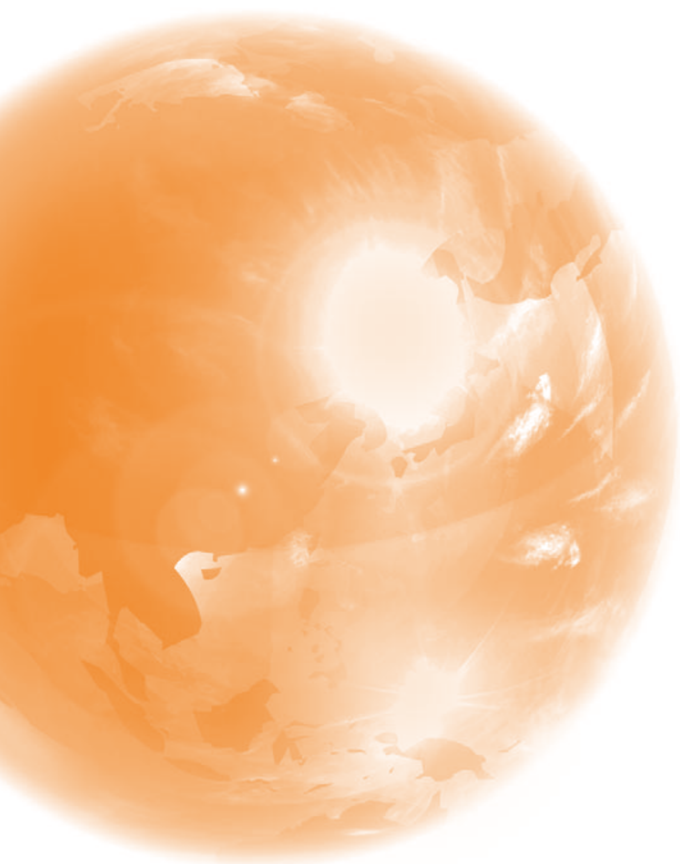
Annual Report 2009

SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code : 103

CONTENTS



2	Corporate Profile
3	Corporate Information
4	Financial Highlights
5	Corporate Development during the year under review
6	Information for Investors
7	Business Contacts
8	Biographical Details of Directors
16	Main Operational Structure
17	Chairman's Statement
19	Management Discussion and Analysis
35	Corporate Governance Report
47	Report of the Directors
65	Independent Auditor's Report
67	Consolidated Income Statement
68	Consolidated Statement of Comprehensive Income
69	Consolidated Statement of Financial Position
71	Statement of Financial Position
73	Consolidated Statement of Changes in Equity
75	Consolidated Statement of Cash Flows
77	Notes to the Consolidated Financial Statements
162	Summary of Investment Properties
163	Definitions

CORPORATE PROFILE

Shougang Concord Century Holdings Limited ("Shougang Century" or the "Company"; together with its subsidiaries, collectively the "Group") is one of the leading manufacturers of steel cord in the PRC. Besides, the Group is engaged in the sales and processing and trading of copper and brass products.

Shougang Century has been listed on the Main Board of the Stock Exchange since April 1992 (Stock Code: 103). Shougang HK, Shougang Corporation's wholly owned subsidiary, and its controlled corporations, Bekaert and Li Ka Shing Foundation are the substantial shareholders of the Company.

In order to enlarge the steel cord market share in both PRC and overseas, Shougang Century will continue to increase the production capacity of its major steel cord manufacturing plants located at Jiaxing City, Zhejiang Province as well as at Tengzhou City, Shandong Province. In addition, it will develop and expand other metal products production, and capture distribution markets for copper and metal products, with the aim of consolidating its leadership in Mainland China.

CORPORATE VISION AND MISSION

Shougang Century's Vision is to:

- deliver world-class products and services to our customers
- contribute to the economic and social development of the communities in which we operate
- maximize our shareholders' return

Shougang Century's Mission is to:

- strive for a successful "Eastern" brand awareness and recognition in steel cord industry
- be an enterprise of 200,000 tonne annual production capacity in steel cord manufacturing
- be one of the top 3 independent manufacturers in China steel cord industry

To learn more about Shougang Century, please visit http://www.shougangcentury.com.hk.

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
CITIC Ka Wah Bank Limited
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

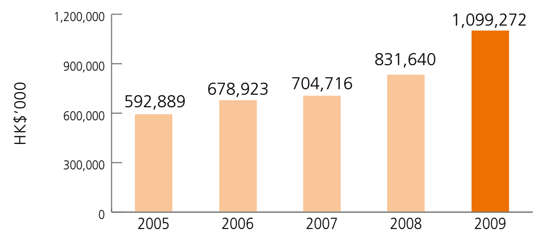
LISTING DATE

9 April 1992

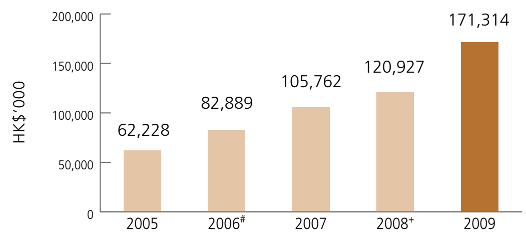
FINANCIAL HIGHLIGHTS

	For the year ended 31 December 2009 HK$'000	2008 HK$'000	% Change
Operations			
Revenue	**1,099,272**	831,640	**+32.2**
Gross profit	**180,495**	70,882	**+154.6**
Earnings before interest, tax, depreciation and amortization	**282,979**	110,666	**+155.7**
Profit for the year	**171,314**	34,762	**+392.8**
Earnings per Share (basic) (HK cents)	**9.03**	1.87	**+382.9**
Financial position			
Total assets	**3,038,112**	2,095,651	**+45.0**
Shareholders' equity	**2,065,826**	1,835,845	**+12.5**
Return on average equity (%)	**8.8**	2.1	**+319.1**
Net book value per Share (HK$)	**1.08**	0.98	**+10.2**

REVENUE

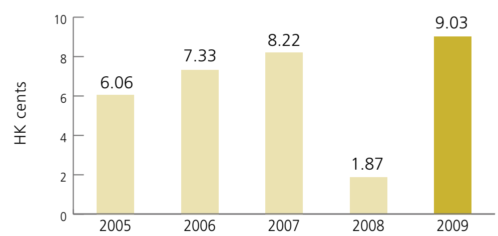


NET PROFIT

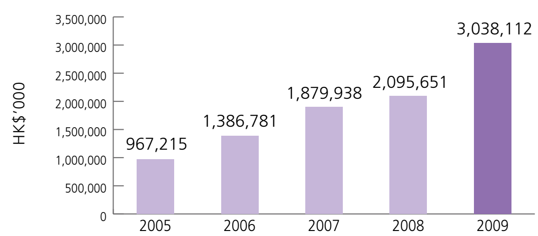


Excluding one-off dilution loss on share reform of an associate
+ Before allowance for inventories and non-cash/non-recurring expenses

EARNINGS PER SHARE (BASIC)



TOTAL ASSETS



CORPORATE DEVELOPMENT DURING THE YEAR UNDER REVIEW

Building a sustainable business in steel cord and copper segments

March 2009

Streamlining and restructuring Dongguan Xingtong Metal Ltd. and the contract processing plant held by Meta International Limited into one plant to capture and broaden market share in domestic sales of copper and brass products in mainland.

June 2009

The brass coated wire production line in Tengzhou Eastern Steel Cord Co., Ltd. ("TESC") commenced operation and the production facilities had completely set up.

August 2009

The steel cord final products production line in TESC started to run.

March 2009

June 2009

October 2009

November 2009

December 2009

October 2009

Jiaxing Eastern Steel Cord Co., Ltd. ("JESC") started its operation of three new brass coated wire production lines.

November 2009

Completion of the first phase steel cord project of TESC. TESC will strive for 100,000 tonnes annual steel cord production capacity at the end of 2010.

December 2009

JESC recorded the unprecedented level of sales volume of approximately 60,000 tonnes for the year and achieved gross profit over HK$100 million since its inception.

INFORMATION FOR INVESTORS

SHARE INFORMATION

Board lot size:	2,000 Shares
Nominal value per Share:	HK$0.10
Shares outstanding as at the last trading day of 2009:	1,921,800,556 Shares
Market capitalization as at the last trading day of 2009:	HK$1,979,454,573
Closing stock price as at the last trading day of 2009:	HK$1.03

Earnings per Share (basic) for 2009:
Interim : HK4.56 cents
Final : HK9.03 cents

Dividend for 2009
Interim Dividend : Nil
Final Dividend : HK1.5 cents per Share

KEY DATE

Payment Date of 2009 Final Dividend:	5 July 2010
Closure of Register of Members for 2009 Final Dividend:	4 to 8 June 2010
2010 Annual General Meeting:	8 June 2010
Announcement of 2009 Final Results:	15 April 2010

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, Jiaxing Economic Development Zone Zhejiang Province, PRC
Postal code:	314003
Telephone:	(86) 573 8221 3511
Fax:	(86) 573 8220 0076
Website:	http://www.jesc.com.cn
E-mail address:	market.dep@jesc.com.cn

Tengzhou Eastern Steel Cord Co., Ltd.

Address:	1 Dong Fang Road, Tengzhou Economic Development Zone Shandong Province, PRC
Postal code:	277500
Telephone:	(86) 632 525 2100
Fax:	(86) 632 525 2111
E-mail address:	tesc@tesc.com.cn

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Cao Zhong, aged 50, 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 since February 2006 and the chairman and executive director of Global Digital Creations Holdings Limited ("Global Digital") in February 2005, a subsidiary of Shougang Grand. Mr. Cao was an executive director of APAC Resources Limited ("APAC") in April 2007 and was the chairman of APAC concurrently during the period from May 2007 to October 2009. He was appointed an executive director of Fushan International Energy Group Limited ("Fushan International") in March 2009 and was re-designed as vice-chairman and managing director of Fushan International on 5 January 2010. Mr. Cao also acts as 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 beneficially owns 7,652,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 74,350,000 underlying Shares attached to the share options granted by the Company. 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 43, 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 beneficially owns 7,652,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 44,414,000 underlying Shares attached to the share options granted by the Company. Mr. Li's monthly salary is adjusted to HK$250,000 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 60, 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, JESC 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 beneficially owns 5,152,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 48,268,000 underlying Shares attached to the share options granted by the Company. Mr. Tong's monthly salary is adjusted to HK$165,000 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 67, 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, Global Digital 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 beneficially owns 7,652,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 16,592,000 underlying Shares attached to the share options granted by the Company. 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.

Mr. Tang Cornor Kwok Kau, aged 49, 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. He holds a Bachelor and a Master Degrees 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 8,250,000 Shares and in which of 200,000 Shares are jointly owned by his wife within the meaning of Part XV of the SFO. In addition, he has a personal interest of 10,000,000 underlying Shares attached to the share options granted by the Company. Mr. Tang's monthly salary is adjusted to HK$165,000 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 54, is a civil engineer. He graduated from the State University of Ghent, Belgium with a Bachelor and a Master Degrees in Civil Engineering and obtained his Master Degree in Business Administration from the National University of Singapore. He has ten years' experience as Assistant Professor in Metallurgy of the State University of Ghent, Belgium and as Engineering Manager at Mietec in Oudenaarde, Belgium. 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, plant manager of the steelcord plant of Bekaert in AALTER (Belgium), and general manager of Steelcord Europe. Mr. Roelens is currently a member of Bekaert Group Executive. 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 63, 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 in 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 48, 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. Apart from this, he also acts as the independent non-executive director of Vision Tech International Holdings Limited since 10 June 2009. 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.

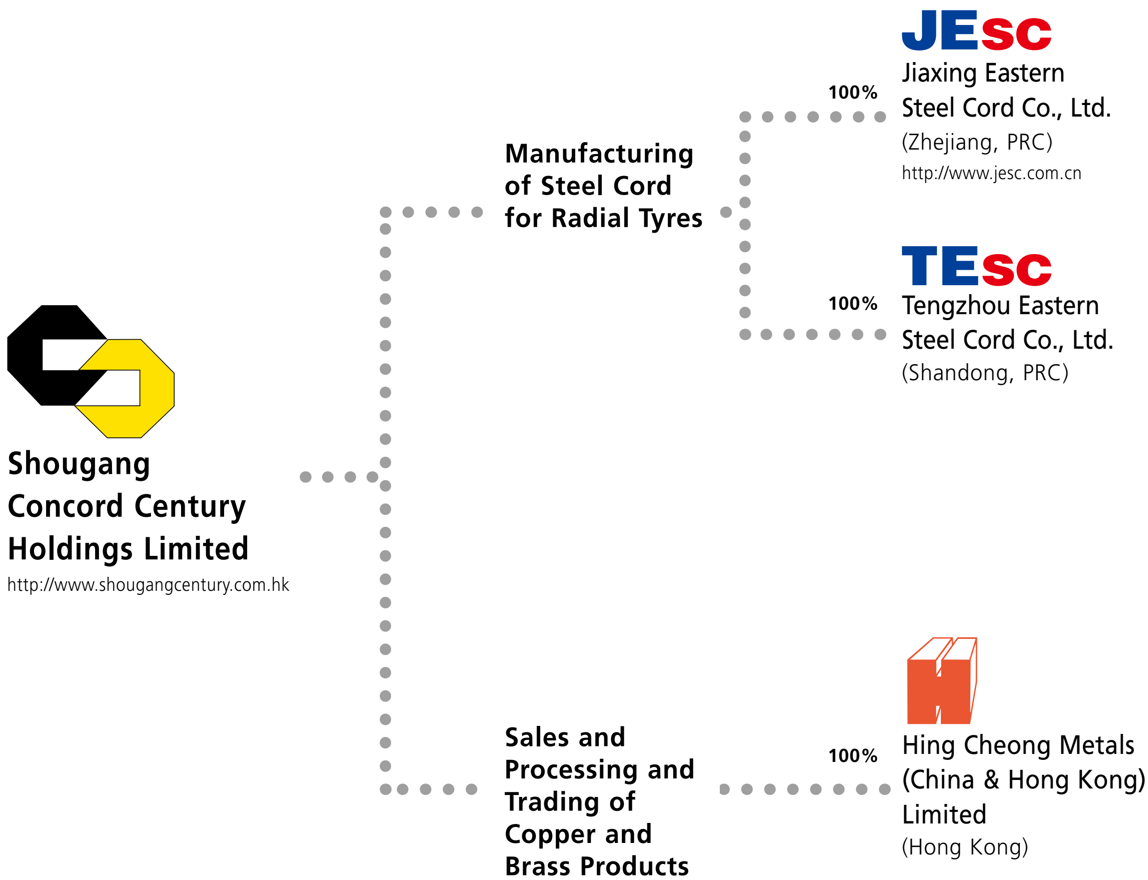
Mr. Chan Chung Chun, aged 50, Mr. Chan is a fellow member and an associate member of the Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree in 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 15 April 2010)



Dear Shareholders,

RESULTS FOR THE YEAR

2009 was a challenging and rapid growing year for Shougang Century in a number of aspects that deeply affected our sustainable growth of core businesses. The idiom: "where there are risks, there are opportunities ahead" fully applied to our operating results for the year ended 31 December 2009. We achieved a remarkable results despite the unfavourable economic condition and difficult operating environment. We took a cost effective approach in expanding our Steel cord business which reached an annual production capacity to 100,000 tonnes by the end of the year.

In 2009, the PRC government had implemented an economic stimulus package in response to the global financial crisis which included "Automobile Industry Adjustment and Stimulus Plan" to give impetus to the automobile industry and other policies to stimulate domestic consumption in order to maintain the GDP growth rate of 8%. Driven by those policies, demand for automobiles, tyres and steel cords were stimulated and boosted. Our Steel cord business rebounded with an unprecedented high rate of growth during the year under review.

As regards Copper and brass products segment, the domestic sales in mainland had surpassed the contract processing and trading and became a new revenue driver for the Group. Due to the rebound of copper price in the second half of 2009 and the broadening of domestic customer base, this segment recorded a turnaround during the year under review.

In 2009, the Group's overall performance was significantly improved. Its net profit attributable to the Shareholders amounted to HK$171,314,000, representing an increase of 392.8% as compared to that of the previous year. The Group's revenue also increased by 32.2% over that of the previous year from HK$831,640,000 to HK$1,099,272,000. Earnings per Share amounted to HK9.03 cents, an increase of 382.9% when compared with that of 2008. Net asset value was also increased by 12.5% to HK$2,066,666,000.

BUSINESS DEVELOPMENT

In view of our vision of enlargement of our market share in the steel cord industry and maximization of profitability to Shareholders, our business development and expansion was ahead of schedule. We are encouraged that JESC had successfully commissioned three new brass coated wire production lines which would enhance our production efficiency and in turn improve our gross profit margin.

On the other hand, the first phase of our steel cord project embarked by TESC was completed within one year from ground breaking in October 2008 and is now operating with the immediate goal to receive approvals on its products from various major tyre manufacturers particularly those located in Northern China.

DIVIDEND

The Board recommended the payment of a final dividend of HK1.5 cents per Share for the year ended 31 December 2009.

LOOKING AHEAD

The Group is optimistic towards the long-term prospect of its core businesses. Driven by the steady economic development and the stimulus of Automobile Industry Adjustment and Stimulus Plan, automobile industry is benefited and grows rapidly. The development of automobile industry and increase of radialization ratio also boost the demand of radial tyres. In addition, coupled with world's tyre manufactures continue to shift to China's market, the radial tyre production in China is further expanded. We believe that these factors will bring forth positive impact on steel cord business development. Furthermore, on the basis of the rapid growth of the Chinese economy, domestic sales of copper and brass products is expected to be further boosted as a result.

The Group will continue to explore and expand new business on the basis of its existing business foundation so as to enhance its profitability.

With our dedication and talent, we are embarking on a journey to become a 200,000 tonnes class tyre cord manufacturing concern restoring our market share with a view to be one of the top three players in the industry. We deeply believe our goal will materialize by the end of 2011 and maintain our optimism in steering the Group sustainable growth.

ACKNOWLEDGEMENTS

Last but not least, I would like to express my sincere gratitude to the Board, management and all the employees of the Group for their dedication and contribution. Our Board members and management shall continue to demonstrate skill, experience, passion and vision, in the global pursuit of prime opportunities. With our determination and your continued support, we believe we can accompish our missions and will create greater value and returns to you.

By order of the board
Cao Zhong
Chairman

Hong Kong
15 April 2010

BUSINESS REVIEW

Year 2009 was a very exceptional year for the Group. The global financial tsunami originated from the fourth quarter of 2008 continued to have adverse impact on worldwide economy in the first quarter of 2009, market demand remained sluggish in general. The Group was inevitably suffered from the weak demand and plunging raw material prices and incurred loss during the first quarter of 2009. However, with the implementation of quantitative easing monetary policy by the major countries in the world, including China, and the RMB4,000 billions economic stimulation program by The Central People's Government of the PRC (the "Central Government"), the overall world economy had shown signs of gradual stabilization since March. The demand for our products, steel cords rebounded significantly during the second quarter, and remained very strong throughout the second half year. On the other hand, despite the occurrence of the financial turmoil and difficult operating environment, we believed we had captured a prime opportunity ahead. We continued to invest in the capacity expansion plan of the Steel cord segment, including the enhancement of production capabilities of the plant at JESC and the construction of the new production plant, TESC in Tengzhou City, Shandong. Benefited from the rising demand and increased production capacity of our steel cord manufacturing plants, the Group's sales of steel cords achieved a remarkable growth during the year.

With respect to the Copper and brass products segment, although economy in the western countries showed signs of stabilization since March, the progress of recovery was not apparent during the year. The demand for export sales remained weak; notwithstanding, the management had endeavoured to develop domestic sales in mainland where the economy recovered at a much faster pace as compared to that of the western countries. This contributed to the significant increase in sales during the second half year and this segment achieved a turnaround with profit for the year.

In all, with the strong performance of the Steel cord segment, coupled with the unconditional government grants received from the respective local governments in Mainland China for JESC and TESC and investment gains from the disposal of equity interests in Xinyu Iron, the Group achieved profit for the year of HK$171,314,000, significantly increased by 392.8% over HK$34,762,000 of the previous year.

Steel cord

Overall performance

During the first quarter of 2009, the Steel cord segment was affected by the global weak economy since the fourth quarter of 2008, and hence, it incurred an operating loss in the first quarter. As mentioned above, driven by the economic stimulation program implemented by the Central Government at different levels that gave impetus to the automobile and tyre industries, production and sales of steel cords progressively increased and the operating result of this segment showed great improvement and resumed profitability in the second half year. Furthermore, demand for steel cords in Mainland China remained very strong during the second half year. Production costs were further reduced over the second half year as effective and efficient measures had been taken on the cost control and the strengthening and innovating of production techniques and capabilities, this segment achieved a leaped improvement in profit in the second half year. An overview of the operating performance of this segment during the year is as follows:

	1st quarter	**2nd quarter**	**3rd quarter**	**4th quarter**	**Total for the year**
	Tonne	Tonne	Tonne	Tonne	Tonne
Sales volume	9,073	14,933	17,769	18,632	60,407
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	139,499	227,815	268,601	278,116	914,031
Gross profit	6,735	38,123	59,197	65,852	169,907
Gross profit margin	4.8%	16.7%	22.0%	23.7%	18.6%
Operating profit (loss), excluding government grants	(1,762)	27,030	42,008	42,912	110,188

The construction of the superstructure of the new steel cord production plant with production capacity of 100,000 tonnes per annum by TESC completed in the second half year, and the first phase development with 30,000 tonnes of annual production capacity was also completed at the end of 2009. TESC had already made sales during the fourth quarter; however, owing to the considerable initial set-up and operating costs and, low production and sales, an operating loss was incurred by TESC during the year. Indeed TESC is the principal future growth driver of the Group but as at the end of 2009, it remained a fledging factory going through a construction phase, we believe it is more reflective on the operating performance of our Steel cord segment when the inception costs, expenses and operation of TESC were excluded during the year under review. For comparison purpose, the operating performance of the Steel cord segment (after excluding the results of TESC) for the year will be as follows:

	1st quarter	**2nd quarter**	**3rd quarter**	**4th quarter**	**Total for the year**
	Tonne	Tonne	Tonne	Tonne	Tonne
Sales volume	9,073	14,933	17,597	17,596	59,199
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	139,498	226,297	252,565	257,386	875,746
Gross profit	6,784	40,524	64,465	77,129	188,902
Gross profit margin	4.9%	17.9%	25.5%	30.0%	21.6%
Operating profit, excluding government grants	72	18,195	55,722	66,089	140,078

Revenue

The Steel cord segment achieved a remarkable increase in sales volume of 70.6% over the previous year to 60,407 tonnes (2008: 35,416 tonnes) for the year. The analysis of sales volume during the year is as follows:

	2009		2008		
	Sales volume (tonne)	**% of total sales volume**	Sales volume (tonne)	% of total sales volume	**% change**
Steel cord for:					
– truck tyres	**45,294**	**75.0**	25,129	71.0	**+80.2**
– passenger car tyres	**13,529**	**22.4**	9,952	28.1	**+35.9**
– off the road truck tyres	**1,436**	**2.4**	326	0.9	**+340.5**
Steel wires	**148**	**0.2**	9	–	**+1544.4**
Total	**60,407**	**100.0**	35,416	100.0	**+70.6**

The average selling price of steel cord was RMB13,341 per tonne for the year, lowered by 7.5% as compared to RMB14,429 per tonne for the previous year, as raw material prices declined after the financial turmoil in general. The growth in sales volume contributed to the increase in revenue of this segment by 59.3% over the previous year to HK$914,031,000 (2008: HK$573,840,000) for the year.

Gross profit

Gross profit of this segment increased significantly by 118.8% over that of the previous year to HK$169,907,000 (2008: HK$77,640,000) for the year. In addition to revenue growth, the increased gross profit was also contributed by the lower production costs, especially during the second half year, which was brought by the greater economies of scale from enlarged production capacity principally by JESC and improvement in production techniques and efficiency. These effective measures partially offset the inception costs and operating loss of TESC and caused the gross profit margin rising from 13.5% for the previous year to 18.6% for the year.

Investment and other income

Investment and other income of this segment increased by 561.6% over the previous year to HK$97,241,000 (2008: HK$14,697,000) for the year. During the year, JESC and TESC received unconditional grants totalling HK$96,101,000 (2008: HK$11,536,000) from the local government of Jiaxing City, Zhejiang and Tengzhou City, Shandong.

Distribution and selling expenses and administrative expenses

Distribution and selling expenses increased by 115.9% over the previous year to HK$20,553,000 (2008: HK$9,518,000) for the year, which was primarily attributable to the increase in revenue and our added effort in sales marketing partly countered the adverse effect of the financial crisis but more importantly, drew up market awareness on the new capacity of TESC.

Administrative expenses amounted to HK$36,220,000 for the year, an increase of 75.5% over the previous year. The substantial increase was primarily attributable to the initial set-up and operating costs incurred by TESC.

Operating profit

In summary, the strong performance since the second quarter and the receipt of government grants contributed to the significant increase in operating profit of this segment by 236.3% over the previous year to HK$206,289,000 (2008: HK$61,346,000) for the year.

Copper and brass products

Overall performance

The operating performance of the Copper and brass products segment was severely affected by the aftermath of the global financial turmoil and recorded an operating loss during the first half year. However, the increased effort in developing domestic sales in mainland started to provide positive contribution and this segment was able to achieve a turnaround during the second half year. This segment recorded an operating profit of HK$4,200,000 for the year, a palpable improvement as compared to an operating loss of HK$11,990,000 for the previous year. An overview of the operating performance of this segment for the year is as follows:

	1st quarter	2nd quarter	3rd quarter	4th quarter	Total for the year
	Tonne	Tonne	Tonne	Tonne	Tonne
Sales volume	437	773	1,246	1,696	4,152
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	14,704	30,241	53,946	82,325	181,216
Gross profit (loss)	(2,366)	5,454	3,076	5,032	11,196
Gross profit (loss) margin	–16.1%	18.0%	5.7%	6.1%	6.2%
Operating profit (loss)	(4,056)	3,623	1,109	3,524	4,200

Revenue

Demand from export customers remained weak as the economy of the western countries remained stagnant throughout the year. In contrast, the economy in mainland showed a much faster recovery after the financial turmoil. This gave us the opportunity to expedite domestic sales in mainland. This measure started to generate positive contribution in the second half year and this segment recorded an increase in sales volume of 30.9% over the previous year to 4,152 tonnes (2008: 3,173 tonnes) for the year. Domestic sales in mainland sharply increased by 516.8% over the previous year to 1,505 tonnes (2008: 244 tonnes), and its percentage to total sales increased from 7.7% for the previous year to 36.2% for the year. The breakdown of the sales volume of this segment for the year is as follows:

	1st quarter	**2nd quarter**	**3rd quarter**	**4th quarter**	**Total for the year**
	Tonne	Tonne	Tonne	Tonne	Tonne
Mainland	19	146	568	772	1,505
Other regions	418	627	678	924	2,647
Total	437	773	1,246	1,696	4,152

Attributable to the downward plunge in copper price since the financial turmoil, average selling price was HK$43,644 per tonne for the year, lowered by 28.3% as compared to HK$60,885 per tonne for the previous year. Because of the decline in average selling price, revenue of this segment decreased by 6.2% over that of the previous year to HK$181,216,000 (2008: HK$193,215,000) for the year.

Gross profit

Gross profit of this segment amounted to HK$11,196,000 for the year, a significant improvement as compared to a gross loss of HK$4,298,000 for the previous year. The management adopted a more cautious approach in inventory management during the year, and the rebound of copper price from the bottom level at the beginning of the year also provided positive contribution to the gross profit. Gross profit margin was 6.2% for the year, as compared to gross loss margin of 2.2% for the previous year.

Operating profit

Contributed by the increased sales and improvement in gross profit margin, this segment achieved an operating profit of HK$4,200,000, as compared to an operating loss of HK$11,990,000 for the previous year.

Equity investments

In July 2009, the Group disposed of the entire 25% equity interests in its jointly controlled entity, Shanghai Shenjia, to a substantial shareholder of Shanghai Shenjia at a consideration of RMB40,000,000. As Shanghai municipal government had implemented structural adjustment programme in accordance with relevant statutory requirements for energy conservation and emissions reduction policy, Shanghai Shenjia therefore was required to cease operating its production line and relocate its plant. The relocation would incur a considerable amount of expenses to Shanghai Shenjia and the Board anticipated that Shanghai Shenjia would not be able to continue to make contribution to the Group in the next few years. In view of the uncertain and billowy future of Shanghai Shenjia, the Board believed that it was in the interest of the Group to dispose of the entire equity interests in Shanghai Shenjia. The disposal was completed in November 2009 and the Group recorded a net gain after tax of HK$17,863,000 on this disposal.

Regarding the Group's investment in "A" share of Xinyu Iron, 3,712,500 shares (2008: 15,239,320 shares) were disposed of during the year at an average selling price of approximately RMB8.68 per share on the Shanghai Stock Exchange, and a gain of HK$30,999,000 was recorded on this disposal. As the gain on disposal of "A" share of Xinyu Iron was exempted from income tax since the previous year, therefore there was no income tax charge (2008: income tax of HK$5,130,000) in respect of the disposals during the year. The net gain after tax on the disposal of shares in Xinyu Iron for the year ended 31 December 2008 amounted to HK$90,494,000.

FINANCIAL REVIEW

The Group recorded profit of HK$171,314,000 for the year, significantly increased by 392.8% as compared to HK$34,762,000 for the previous year.

Revenue

Revenue of the Group amounted to HK$1,099,272,000 for the year, increased by 32.2% as compared to HK$831,640,000 for the previous year. The breakdown of revenue by business segments is as follows:

	2009		2008		
	HK$'000	**% of total revenue**	HK$'000	% of total revenue	**% change**
Steel cord	**914,031**	**83.1**	573,840	69.0	**+59.3**
Copper and brass products	**181,216**	**16.5**	193,215	23.2	**–6.2**
Sub-total	**1,095,247**	**99.6**	767,055	92.2	**+42.8**
Elimination of inter-segment sales	**(10,155)**	**(0.9)**	(241)	–	**+4113.7**
Other operations *(Note)*	**14,180**	**1.3**	64,826	7.8	**–78.1**
Total	**1,099,272**	**100.0**	831,640	100.0	**+32.2**

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

Gross profit

Gross profit of the Group significantly increased by 154.6% over that of the previous year to HK$180,495,000 (2008: HK$70,882,000) for the year. Gross profit margin was 16.4%, remarkably increased by 7.9 percentage points as compared to 8.5% for that of the previous year. The breakdown of gross profit by business segments is as follows:

	2009		2008		
		Gross profit		Gross profit	
	HK$'000	**margin (%)**	HK$'000	margin (%)	**% change**
Steel cord	**169,907**	**18.6**	77,640	13.5	**+118.8**
Copper and brass products	**11,196**	**6.2**	(4,298)	–2.2	**N/A**
Sub-total	**181,103**	**N/A**	73,342	N/A	**+146.9**
Other operations	**(608)**	**–4.3**	(2,460)	–3.8	**–75.3**
Total	**180,495**	**16.4**	70,882	8.5	**+154.6**

Investment and other income

Investment and other income amounted to HK$99,841,000 for the year, significantly increased by 329.0% as compared to HK$23,272,000 for the previous year. Investment income decreased as both interest income from bank deposits and dividend income from listed available-for-sale investments reduced as the Group's surplus funds had been utilized for the capacity expansion plan of Steel cord segment since the fourth quarter of 2008 and the holding of equity interest in Xinyu Iron gradually decreased after the disposals for the previous years, while other income significantly increased by 746.0% over the previous year to HK$97,597,000 (2008: HK$11,536,000), primarily contributed by the receipt of government grants by JESC and TESC during the year.

Other gains and losses

The net amount of other gains and losses of the Group was HK$49,230,000 for the year, decreased by 29.0% as compared to HK$69,306,000 for the previous year. The breakdown is as follows:

	2009 **HK$'000**	2008 HK$'000	**% change**
Gain on disposal of listed available-for-sale investments, as mentioned in "Equity investments" section above	**30,999**	95,624	**–67.6**
Gain on disposal of a jointly controlled entity, as mentioned in "Equity investments" section above	**20,465**	–	**N/A**
Surplus on revaluation of properties	**4,439**	189	**+2248.7**
Change in fair value of derivative financial instruments	**1,397**	(10,793)	**N/A**
Foreign exchange losses, net	**(4,574)**	(18,763)	**–75.6**
(Allowance for) reversal of allowance for bad and doubtful debts, net	**(4,060)**	2,520	**N/A**
Others	**564**	529	**+6.6**
Total	**49,230**	69,306	**–29.0**

Distribution and selling expenses

Distribution and selling expenses increased by 38.3% over the previous year to HK$21,266,000 (2008: HK$15,382,000) for the year, primarily as transportation expenses increased following the increase in revenue of 32.2% over the previous year.

Administrative expenses

Administrative expenses of the Group amounted to HK$92,193,000 for the year, increased by 4.1% as compared to HK$88,583,000 for the previous year. If the share-based payment expenses in relation to the grant of share options of HK$4,725,000 (2008: HK$23,311,000) were excluded, administrative expenses would be HK$87,468,000, an increase of 34.0% as compared to HK$65,272,000 for the previous year, as initial set-up and operating costs were incurred by TESC in respect of its development plan during the year.

Segment results

Profit from the Group's business segments amounted to HK$210,489,000 for the year, representing an increase of 326.5% as compared to HK$49,356,000 for the previous year. The breakdown of the results by business segments is as follows:

	2009 HK$'000	2008 HK$'000	**% change**
Steel cord	**206,289**	61,346	**+236.3**
Copper and brass products	**4,200**	(11,990)	**N/A**
Total	**210,489**	49,356	**+326.5**

Finance costs

Finance costs increased by 51.9% over the previous year to HK$6,624,000 (2008: HK$4,361,000) for the year, as additional bank loans raised during the second half year to finance the capacity expansion plan of the Steel cord segment.

Share of result of a jointly controlled entity

The Group's share of loss of Shanghai Shenjia amounted to HK$1,461,000 for the year (2008: share of loss of HK$1,820,000). As mentioned in "Equity investments" section above, the Group had already disposed of its entire equity interests in Shanghai Shenjia in July 2009.

Income tax expenses

Income tax expenses amounted to HK$36,708,000 for the year, significantly increased by 97.9% as compared to HK$18,552,000 for the previous year. The increase was primarily attributable to the increase in profit of the Steel cord segment.

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.

During the year, 54,064,000 share options were exercised and therefore the same number of new Shares was issued accordingly. The issued share capital of the Company then increased from 1,867,736,556 Shares at 31 December 2008 to 1,921,800,556 Shares at 31 December 2009. The net asset value of the Group was HK$2,066,666,000 at 31 December 2009, increased by 12.5% as compared to HK$1,836,685,000 at 31 December 2008. Net asset value was HK$1.08 per Share at 31 December 2009, increased by 10.2% as compared to HK$0.98 at 31 December 2008.

The Group's bank balances and cash (including restricted bank deposits) amounted to HK$392,343,000 at 31 December 2009, slightly decreased by 2.5% as compared to HK$402,322,000 at 31 December 2008. Bank borrowings of the Group increased from HK$115,731,000 at 31 December 2008 to HK$796,664,000 at 31 December 2009, as additional bank loans were raised during the second half year to finance the capacity expansion plan of the Steel cord segment.

As at 31 December 2009, HK$528,526,000 of bank borrowings were variable-rate borrowings, while HK$268,138,000 of bank borrowings were collared at rate ranging from 1.0% to 7.2% per annum. The nature and maturity profile of the Group's bank borrowings as at 31 December 2009 were as follows:

	HK$'000
Due within one year or on demand:	
– Trust receipt loans	29,740
– Bank advances for discounted bills	37,707
– Short term bank loan and current portion of medium term loan	283,895
	351,342
Medium term loan	
– Due in the second year	194,492
– Due in the third year	128,984
– Due in the fourth year	73,214
– Due in the fifth year	51,108
	799,140
Unamortised loan arrangement fees	(2,476)
Total	796,664

Owing to the increased bank borrowings, the Group changed from a net cash position at 31 December 2008 to a gearing ratio (bank borrowings less bank balances and cash/shareholders' equity) of 19.6% at 31 December 2009. The current ratio of the Group was 2.8 times at 31 December 2009, as compared to 5.6 times at 31 December 2008.

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. Besides, the Group also made payments in EUR and GBP during the year to acquire machineries for the brass coated wire (half-product of steel cord) capacity expansion plan at JESC. Bank borrowings on these currencies were raised to finance such payments, taking advantage of their lower interest rates as compared to borrowings in RMB. The currency mix of the bank borrowings of the Group at 31 December 2009 was as follows:

	31 December 2009 %	31 December 2008 %
HKD	**38.7**	84.7
RMB	**42.2**	15.3
USD	**13.8**	–
EUR	**4.2**	–
GBP	**1.1**	–
Total	**100.0**	100.0

The management adopted a balanced approach in managing the currency mix of bank borrowings to minimize the risk of significant mismatch of sources of revenue with those of the bank borrowings, while also endeavoured to take advantage of the lower borrowing rates of HKD and USD as compared to those of RMB. For the borrowings in EUR and GBP, the exchange rate at the loan repayment date had already been fixed with the lending bank, so the exchange rate exposure in respect of these foreign currency borrowings had been minimized.

In all, we would keep monitoring the currency composition of our bank borrowings under the guidance of the Internal Control Manual and take appropriate action to minimize our exchange and interest rate risks when needed.

BUSINESS DEVELOPMENT PLAN AND CAPITAL COMMITMENTS

Steel cord

The construction of the new steel cord production plant with production capacity of 100,000 tonnes per annum by TESC had proceeded according to schedule. The first phase with 30,000 tonnes of production capacity per annum was completed at the end of 2009. Another 70,000 tonnes of annual production capacity will be added in 2010, so by end of 2010, the Steel cord segment will have total production capacity of approximately 180,000 tonnes per annum, striving to becoming 200,000 tonne class steel cord producer with market share within the top three in China. Capital expenditures incurred by the Steel cord segment during the year amounted to approximately HK$533,821,000. The capital expenditures to be incurred in 2010 is estimated to be approximately HK$422,461,000, 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 2009, the Group had a total of 2,010 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$6,589,000. 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 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, 25,000,000 share options were granted, while a total of 54,064,000 share options to subscribe for Shares and 9,152,000 share options were exercised and cancelled respectively.

PLEDGE OF ASSETS

As at 31 December 2009, the following assets had been pledged to the Group's bankers for banking facilities granted to the Group:

1. Leasehold land and buildings with an aggregate net book value of HK$6,900,000;

2. Prepaid lease payments amounted to HK$90,939,000;

3. Bank deposits amounted to HK$49,448,000; and

4. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

It showed that our relentless effort over the years have started to bear fruits. Our Steel cord segment witnessed the most impressive growth for the year under review since its inception. Our production capacity is being substantially expanded and technologies of production and research and development have been progressively enhanced. The Copper and brass product segment also achieved a turnaround with profit despite difficult operating environment.

The Group will continue at a relatively fast pace in expanding its annual production capacity of the Steel cord segment in order to meet buoyant demand. Although the Group has achieved wider market coverage and a strong, stable and loyal customer base, responsiveness and readiness to adapt will still be important in the drive for expanding sales and keeping "Eastern", the Group's brand in steel cord, in its already leading market position. Hence, our central effort in the near term is to exert stronger marketing and sales effort to our existing customers, develop new potential customers and broaden customer base in different territories so as to increase our market share in the industry. Our challenge is to be the fastest growing steel cord producer and maintain our market share within the top three in China. In addition, in view of the unprecedented increase in the production of automobiles in China, the Group is minded to increase its steel cord production capacity for passenger car radial tyres subject to further due diligence on the market environment and our financial and technical wherewithal. Nonetheless, we will continue to put more resources on research and development and rapt attention to the change in needs of our customers to further improve our technologies on production with a long term goal to reduce our as well as our customers' cost of production.

For Copper and brass products segment, the Group will continue to focus on domestic sales in light of the anticipated strong demand in the PRC market. However, we will keep monitoring market sentiment and the credit risk profile of our customers in Mainland China and fine tone our strategy cautiously.

Moreover, the Group has continued to set its eyes on expanding other potential metal product businesses in the PRC with the objective to develop new revenue driver for the Group.

Going forward, we are embarking on a journey to become a world class steel cord manufacturer based in China and focused on the world. With our determination, we believe that we will deliver more encouraging results than that of 2009 to our Shareholders in the forthcoming years.

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.

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 2009. In order to comply with and align with the changes in Listing Rules, the Company has also revised the terms of reference of the Audit Committee. The revised terms of reference was adopted with effect from 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 Model Code and SCCHL Code for the year ended 31 December 2009.

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 8 to 15 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.

In order to have a clear guideline in relation to the matters specifically reserved to the Board for decision, functions between the Board and the management are formalized in the Internal Control Manual. In short, the Board is responsible for directing and supervising the Company's affairs to safeguard the best interest of the Company as a whole. The affairs reserved to the Board including but not limited to the preparation of financial reporting and the expansion and development of any new business. The management is responsible for the implementation of the strategies and directions set by the Board, applying business principles and ethics enshrined in the Internal Control Manual.

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 the 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 Directors, including 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 meetings, nomination committee meeting and annual 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 Meetings**	**Nomination Committee Meeting**	**Annual General Meeting**
Cao Zhong	4/4		2/2	1/1	1/1
Li Shaofeng	4/4				1/1
Tong Yihui	2/4				1/1
Leung Shun Sang, Tony	4/4		2/2	1/1	1/1
Tang Cornor Kwok Kau	4/4	3/3			1/1
Geert Johan Roelens	2/4				0/1
Yip Kin Man, Raymond	4/4	4/4	2/2	1/1	1/1
Law, Yui Lun	4/4	4/4	2/2	1/1	1/1
Chan Chung Chun	4/4	3/4	2/2	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 Control Manual. He is also supported by the Board members and 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, two Remuneration Committee Meetings were held and the works performed by the Remuneration Committee included review and approval of the performance-based remuneration of executive Directors and recommendation of remuneration of non-executive Directors to the Board. The attendance record of the Remuneration Committee members is set out in the table: Attendance Record on page 37 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, a Nomination Committee Meeting was held and the works performed by the Nomination Committee included reviews of current structure, size and composition of the Board and the standard and procedures for nomination of new director. The attendance record of the Nomination Committee members is set out in the table: Attendance Record on page 37 of this report.

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, 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 37 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 2009. 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 2009, the Audit Committee members had made valuable 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 the investment project in Tengzhou city, Shandong Province. The Audit Committee members had also reviewed the effectiveness of core areas of risks to be controlled and covered in the internal control system and given advice to the management of the Company to further improve the internal control system of the Group.

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

RESPONSIBILITY FOR PREPARATION AND REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors will in line with statutory requirements and applicable accounting standards to select suitable accounting policies and apply them consistently, make judgements and estimates that are prudent, fair and reasonable and prepare the financial statements on a going concern basis.

Auditors' Remuneration

During the year ended 31 December 2009, 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 2009 amounted to HK$1,200,000 for audit service and HK$360,000 for non audit service comprising fee 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 2009 annual general meeting.

The procedures of 2009 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 20 clear business days prior to the meeting. For any other general meeting, the related papers are sent to Shareholders at least 10 clear business 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 and other relevant information. The Chairman will explain the procedures for conducting a poll at the commencement of the meeting and there will be sufficient time for Shareholders to raise their questions and opinions. After the general meeting, Shareholders have opportunity to talk with the Managing Director face to face to learn more about the businesses of the Group.

INVESTOR RELATIONS

The Company puts a high regard for the aspect of investor relations and it recognizes that establishment of 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 2009. 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 management, if necessary.

During the year, the 2009 annual general meeting was held on 1 June 2009 to approve ordinary businesses of annual general meeting. The resolutions of annual general meeting were duly passed by way of poll.

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 further improve the internal control system, the Board will review and refine the system periodically, if necessary.

During the year under review, the Company engaged Grant Thornton to provide the internal audit services for reviewing the key operating cycles of a main subsidiary, JESC. In addition, the Internal Control Manual has been updated and revised for the Board's review.

In view of the scale of the businesses of the Group, the Board also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget are sufficient during the year under review.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

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 47 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 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 67 to 161.

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:

	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**171,314**	34,762	105,762	76,031	62,228
TOTAL ASSETS	**3,038,112**	2,095,651	1,879,938	1,386,781	967,215
TOTAL LIABILITIES	**(971,446)**	(258,966)	(380,009)	(429,427)	(273,462)
	2,066,666	1,836,685	1,499,929	957,354	693,753
MINORITY INTEREST	**(840)**	(840)	(840)	–	–
SHAREHOLDERS' EQUITY	**2,065,826**	1,835,845	1,499,089	957,354	693,753

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 15 and 16, respectively to the financial statements.

Particulars of the Group's investment properties as at 31 December 2009 are summarised on page 162 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 37 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 45 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 73 and 74 of this annual report and in note 38 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$72,247,000.

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. Leung Shun Sang, Tony, Geert Johan Roelens and Law, Yui Lun, 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 45 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.

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 45 to the financial statements.

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

As at 31 December 2009, 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.

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

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
Cao Zhong ("Mr. Cao")	7,652,000	0.39	Beneficial owner
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Tong Yihui ("Mr. Tong")	5,152,000	0.26	Beneficial owner
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	8,250,000	0.42	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 2009, there were a total of 203,056,000 outstanding share options of the Company granted to Directors, details of which are summarized in the following table:

	Options to subscribe for Shares									
Name of Director	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 held 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
Mr. Cao	7,652,000	–	(7,652,000)	7/5/2009	–	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		
	82,002,000	–	(7,652,000)		74,350,000				Beneficial owner	3.86
Mr. Li	7,652,000	–	(7,652,000)	7/5/2009	–	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		
	52,066,000	–	(7,652,000)		44,414,000				Beneficial owner	2.31
Mr. Tong	7,652,000	–	(4,000,000) (3,652,000)	2/6/2009 27/7/2009	–	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		
	55,920,000	–	(7,652,000)		48,268,000				Beneficial owner	2.51
Mr. Leung	4,592,000	–	(4,592,000)	29/7/2009	–	23/8/2002	23/8/2002 to 22/8/2012	0.295		
	3,060,000	–	(3,060,000)	29/7/2009	–	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		
	24,244,000	–	(7,652,000)		16,592,000				Beneficial owner	0.86

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 held 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
Mr. Tang	500,000	–	(500,000)	6/8/2009	–	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		
	10,500,000	–	(500,000)		10,000,000				Beneficial owner	0.52
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
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		
	2,816,000	–	–		2,816,000				Beneficial owner	0.14
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		
	2,816,000	–	–		2,816,000				Beneficial owner	0.14
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
	234,164,000	–	(31,108,000)		203,056,000					

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, 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 2009.

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 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
Li Shaofeng *(Note 1)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Non-executive Director
Geert Johan Roelens *(Note 2)*	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
	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

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 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
	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

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 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 3)*	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

Notes:

(1) Mr. Li Shaofeng acts as a non-executive director of Sinocop Resources (Holdings) Limited ("Sinocop") and does not participate in any decision making on daily operation of Sinocop. He is the managing director of the Company and shall perform his duties towards the interest of the Company.

(2) 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.

(3) 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 2009, 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	7.72	Beneficial owner
Fair Union	686,655,179	35.72	Beneficial owner and interests of controlled corporations Note (1)
Casula	402,395,304	20.93	Beneficial owner
Shougang International	686,655,179	35.72	Interests of controlled corporations Note (2)
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	879,715,179	45.77	Interests of controlled corporations Note (3)
Bekaert Holding	250,000,000	13.00	Beneficial owner Note (4)
Bekaert	250,000,000	13.00	Interests of controlled corporations Note (5)
Li Ka Shing Foundation	100,000,000	5.20	Beneficial owner Note (6)

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

Long position in Shares or underlying Shares (continued)

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 as 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 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 "RELATED PARTY TRANSACTIONS" and/or in note 46 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 35 to 46 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 46 to the financial statements. Some of these transactions also constituted "continuing connected transactions" under the Listing Rules, as identified below:

The Group has the following 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, 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).

RELATED PARTY TRANSACTIONS (continued)

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

Tenancy Agreement (continued)

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.

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

On 31 December 2009, all the above tenancy agreements expired. The renewal tenancy agreements were entered into on 31 December 2009. Further details of the renewals are set out in the Company's announcement dated 31 December 2009.

RELATED PARTY TRANSACTIONS (continued)

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

Continuing connected transactions with Bekaert group

(i) Sale and Purchase Contract

On 20 April 2007, the Company, in substitution of JESC, and Bekaert entered into a sale and purchase contract (the "Sale and Purchase Contract") to amend and restate the supply contract dated 22 September 2006 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").

On 31 December 2009, the Sale and Purchase Contract expired.

The Company and Bekaert entered into a new supply contract (the "Second Supply Contract") on 28 December 2009 to amend and restate the Sale and Purchase Contract in its entirety under which Bekaert agrees to manufacture, sell and deliver certain materials (including brass coated wire) for the manufacture of steel cord used for the reinforcement of rubber tyres to the Group. Further details of the Second Supply Contract are set out in the Company's announcement dated 29 December 2009. The Second Supply Contract is only subject to reporting and announcement requirements and exempt from the independent Shareholders' approval requirements under the Listing Rules.

(ii) Commercial Agency Contract

On 20 April 2007, JESC 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.

RELATED PARTY 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 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 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 sales payable by the Group to Bekaert group, the sales payable by Bekaert group to the Group and commission payable were approximately HK$122,185,000, HK$Nil and HK$103,000 respectively during the year of 2009. The said 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 Group's Purchase Cap of HK$474,920,000, annual Group's Sales Cap of HK$47,492,000 and annual Commission Cap of HK$4,750,000 respectively. Those caps were approved by the Shareholders at the extraordinary general meeting on 6 June 2007.

The details of the above transactions are set out in the Company's circular dated 9 May 2007.

RELATED PARTY 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 45 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, 12 April 2010 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 44% (2008: 36%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 16% (2008: 12%).

Purchases from the Group's five largest suppliers accounted for approximately 43% (2008: 41%) of the total purchases for the year and purchases from the largest supplier, included therein amounted to approximately 17% (2008: 20%). The five largest suppliers for the year included 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, 15 April 2010

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 67 to 161, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 2009 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
15 April 2010

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	5	**1,099,272**	831,640
Cost of sales		**(918,777)**	(760,758)
Gross profit		**180,495**	70,882
Investment and other income	7	**99,841**	23,272
Other gains and losses	8	**49,230**	69,306
Distribution and selling expenses		**(21,266)**	(15,382)
Administrative expenses		**(92,193)**	(88,583)
Finance costs	9	**(6,624)**	(4,361)
Share of result of a jointly controlled entity		**(1,461)**	(1,820)
Profit before tax		**208,022**	53,314
Income tax expenses	10	**(36,708)**	(18,552)
Profit for the year	11	**171,314**	34,762
Earnings per share	14		
Basic		**HK9.03 cents**	HK1.87 cents
Diluted		**HK8.84 cents**	HK1.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**171,314**	34,762
Other comprehensive income		
Exchange differences arising on translation		
– group entities	**6,532**	77,054
– a jointly controlled entity	**(1)**	2,432
Gain (loss) on fair value change of listed available-for-sale investments	**57,591**	(210,460)
Reversal of deferred tax liability of listed available-for-sale investments	**–**	25,487
Released from other comprehensive income upon partial disposal of listed available-for-sale investments	**(30,827)**	(95,624)
Reversal of deferred tax liability upon partial disposal of listed available-for-sale investments	**–**	5,604
Surplus on revaluation of properties	**4,952**	1,707
Recognition of deferred tax liability on revaluation of properties	**(1,016)**	(200)
Other comprehensive income for the year (net of tax)	**37,231**	(194,000)
Total comprehensive income for the year	**208,545**	(159,238)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	15	**22,401**	18,396
Property, plant and equipment	16	**1,320,715**	843,007
Prepaid lease payments	17	**106,459**	31,974
Interests in a jointly controlled entity	19	**–**	26,186
Goodwill	20	**41,672**	41,672
Club memberships	22	**719**	719
Available-for-sale investments	23	**50,538**	29,218
Deposit paid for the acquisition of property, plant and equipment		**79,000**	–
Deposit paid for the acquisition of prepaid lease		**–**	13,040
		1,621,504	1,004,212
Current assets			
Inventories	24	**211,802**	233,095
Trade receivables	25	**322,700**	197,929
Bills receivable	25	**386,039**	172,865
Entrusted loan receivable	26	**–**	17,009
Prepayments, deposits and other receivables	27	**98,862**	64,549
Prepaid lease payments	17	**4,489**	1,333
Amounts due from related companies	28	**277**	949
Tax recoverable		**96**	1,388
Restricted bank deposits	29 & 30	**49,448**	3,000
Bank balances and cash	30	**342,895**	399,322
		1,416,608	1,091,439
Current liabilities			
Trade payables	31	**46,448**	75,545
Other payables and accruals	31	**87,440**	53,742
Tax payable		**29,710**	5,622
Amount due to a jointly controlled entity	33	**–**	4,189
Bank borrowings – due within one year	34	**350,108**	55,877
Derivative financial instrument	35	**–**	1,396
		513,706	196,371
Net current assets		**902,902**	895,068
Total assets less current liabilities		**2,524,406**	1,899,280

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current liabilities			
Bank borrowings – due after one year	34	**446,556**	59,854
Other payable		**1,007**	1,425
Deferred tax liabilities	36	**10,177**	1,316
		457,740	62,595
		2,066,666	1,836,685
Capital and reserves			
Share capital	37	**192,180**	186,774
Reserves		**1,873,646**	1,649,071
Equity attributable to equity holders of the Company		**2,065,826**	1,835,845
Share option reserve of a subsidiary		**840**	840
		2,066,666	1,836,685

The consolidated financial statements on pages 67 to 161 were approved and authorised for issue by the Board of Directors on 15 April 2010 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Non-current assets			
Property, plant and equipment		**–**	–
Investments in subsidiaries	18	**425,496**	420,151
Advances to subsidiaries	18	**1,107,479**	936,071
Club memberships	22	**359**	359
		1,533,334	1,356,581
Current assets			
Prepayments and other receivables		**366**	361
Amount due from a subsidiary	32	**110,000**	47,000
Restricted bank deposits	29 & 30	**1,000**	3,000
Bank balances and cash	30	**123,060**	107,459
		234,426	157,820
Current liabilities			
Other payables and accruals		**3,603**	3,560
Tax payable		**36**	77
Bank borrowings – due within one year	34	**23,836**	26,750
		27,475	30,387
Net current assets		**206,951**	127,433
Total assets less current liabilities		**1,740,285**	1,484,014
Non-current liability			
Bank borrowings – due after one year	34	**225,087**	59,854
		1,515,198	1,424,160

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	37	**192,180**	186,774
Reserves	38	**1,323,018**	1,237,386
		1,515,198	1,424,160

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	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
Profit for the year	–	–	–	–	–	–	–	–	–	34,762	34,762	–	34,762
Exchange differences arising on translation													
– group entities	–	–	–	–	–	–	77,054	–	–	–	77,054	–	77,054
– a jointly controlled entity	–	–	–	–	–	–	2,432	–	–	–	2,432	–	2,432
Loss on fair value change of listed available-for-sale investments	–	–	–	–	–	(210,460)	–	–	–	–	(210,460)	–	(210,460)
Reversal of deferred tax liability of listed available-for-sale investments *(note 36)*	–	–	–	–	–	25,487	–	–	–	–	25,487	–	25,487
Released from other comprehensive income upon partial disposal of listed available-for-sale investments	–	–	–	–	–	(95,624)	–	–	–	–	(95,624)	–	(95,624)
Reversal of deferred tax liability upon partial disposal of listed available-for-sale investments *(note 36)*	–	–	–	–	–	5,604	–	–	–	–	5,604	–	5,604
Surplus on revaluation of properties	–	–	–	–	1,707	–	–	–	–	–	1,707	–	1,707
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(200)	–	–	–	–	–	(200)	–	(200)
Total comprehensive income 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	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 2009	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
Profit for the year	–	–	–	–	–	–	–	–	–	171,314	171,314	–	171,314
Exchange differences arising on translation													
– group entities	–	–	–	–	–	–	6,532	–	–	–	6,532	–	6,532
– a jointly controlled entity	–	–	–	–	–	–	(1)	–	–	–	(1)	–	(1)
Gain on fair value change of listed available-for-sale investments	–	–	–	–	–	57,591	–	–	–	–	57,591	–	57,591
Released from other comprehensive income upon partial disposal of listed available-for-sale investments	–	–	–	–	–	(30,827)	–	–	–	–	(30,827)	–	(30,827)
Surplus on revaluation of properties	–	–	–	–	4,952	–	–	–	–	–	4,952	–	4,952
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(1,016)	–	–	–	–	–	(1,016)	–	(1,016)
Total comprehensive income for the year	–	–	–	–	3,936	26,764	6,531	–	–	171,314	208,545	–	208,545
Share issued at premium	5,406	11,316	–	–	–	–	–	–	–	–	16,722	–	16,722
Share issue expenses	–	(11)	–	–	–	–	–	–	–	–	(11)	–	(11)
Released from other comprehensive income upon disposal of a jointly controlled entity	–	–	–	–	–	–	(9,809)	–	–	9,809	–	–	–
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	4,725	–	–	4,725	–	4,725
Transfer	–	–	–	–	–	–	–	–	(10,889)	10,889	–	–	–
At 31 December 2009	192,180	996,080	23,990	2,724	13,837	43,252	169,641	31,967	38,815	553,340	2,065,826	840	2,066,666

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, and jointly controlled entity registered or incorporated in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries and jointly controlled entity 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**208,022**	53,314
Adjustments for:		
Depreciation of property, plant and equipment	**64,899**	51,734
Amortisation of prepaid lease payments	**3,434**	1,257
Increase in fair value of investment properties	**(3,997)**	(343)
(Surplus) deficit on revaluation of leasehold land and buildings, net	**(442)**	154
Loss (gain) on disposal of property, plant and equipment, net	**152**	(19)
Interest income	**(1,653)**	(9,884)
(Reversal of allowance for) allowance for inventories, net	**(6,734)**	27,427
Allowance for (reversal of allowance for) bad and doubtful debts, net	**4,060**	(2,520)
Finance costs	**6,624**	4,361
Share of result of a jointly controlled entity	**1,461**	1,820
Foreign exchange loss, net	**3,781**	1,856
Gain on disposal of listed available-for-sale investments	**(30,999)**	(95,624)
Gain on disposal of a jointly controlled entity	**(20,465)**	–
Dividend income from listed available-for-sale investments	**(591)**	(1,852)
Share-based payment expenses	**4,725**	26,791
Operating cash flows before movements in working capital	**232,277**	58,472
Decrease (increase) in inventories	**28,367**	(145,542)
(Increase) decrease in trade and bills receivables	**(341,387)**	32,540
Increase in prepayments, deposits and other receivables	**(36,994)**	(57,013)
Decrease in amounts due from related companies	**672**	4,926
(Decrease) increase in amount due to a jointly controlled entity	**(4,189)**	4,189
(Decrease) increase in trade payables	**(29,224)**	33,596
Increase in other payables and accruals	**19,105**	27,393
(Decrease) increase in derivative financial instruments	**(1,396)**	1,400
Cash used in operations	**(132,769)**	(40,039)
Interest received	**1,653**	9,884
Interest paid	**(7,193)**	(6,005)
Hong Kong profits tax paid	**–**	(2,200)
Hong Kong profits tax refunded	**1,319**	1,902
PRC Enterprise Income Tax paid	**(11,828)**	(24,572)
PRC Enterprise Income Tax refunded	**7,001**	4,917
NET CASH USED IN OPERATING ACTIVITIES	**(141,817)**	(56,113)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(520,893)**	(355,878)
Deposit paid for the acquisition of property, plant and equipment	**(79,000)**	–
Additions to prepaid lease payments	**(67,985)**	(24,855)
Increase in restricted bank deposits	**(46,448)**	–
Proceeds from disposal of a jointly controlled entity	**45,189**	–
Proceeds from disposal of listed available-for-sale investments	**36,443**	117,979
Entrusted loan repaid (advanced)	**17,009**	(17,009)
Dividend received from listed available-for-sale investments	**591**	1,852
Proceeds from disposal of property, plant and equipment	**195**	36
Deposit paid for the acquisition of prepaid lease	**–**	(13,040)
Dividend received from a jointly controlled entity	**–**	18,685
NET CASH USED IN INVESTING ACTIVITIES	**(614,899)**	(272,230)
FINANCING ACTIVITIES		
New bank loans raised	**731,689**	2,268
Bank advances for discounted bills	**223,336**	15,466
Trust receipt loans raised	**88,869**	161,787
Proceeds on issue of ordinary shares	**16,722**	515,370
Repayment of bank advances for discounted bills	**(201,105)**	–
Repayment of bank loans	**(89,269)**	(138,000)
Repayment of trust receipt loans	**(70,556)**	(199,818)
Share issue expenses paid	**(11)**	(694)
Dividend paid	**–**	(37,642)
Payment for repurchase of shares	**–**	(7,831)
NET CASH FROM FINANCING ACTIVITIES	**699,675**	310,906
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(57,041)**	(17,437)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**399,322**	393,624
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**614**	23,135
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Bank balances and cash	**342,895**	399,322

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")/CHANGES IN ACCOUNTING POLICIES

Inventories

Effective from 1 January 2009, the Group adopted the weighted average method to determine the cost for copper and brass products in preparing the consolidated financial statements. Previously, cost was determined on the first-in, first-out basis. The weighted average costing method has been used as the directors of the Company consider that it will more appropriately reflect the fluctuations of purchase prices of the Group's copper and brass products in recent years. The directors of the Company estimate that the change in accounting policy has an immaterial impact on the Group's copper and brass products as at 31 December 2009 and the amounts reported in prior accounting periods. As such, a prior year adjustment as required by HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has not been incorporated in the consolidated financial statements.

In the current year, the Group has applied a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (continued)

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6).

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk.

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)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")/CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1 July 2009.

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1 January 2010.

[4] Effective for annual periods beginning on or after 1 February 2010.

[5] Effective for annual periods beginning on or after 1 July 2010.

[6] Effective for annual periods beginning on or after 1 January 2011.

[7] Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is 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.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. This standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

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 HKFRSs 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 and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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.

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 a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On 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 statement of financial position 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, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (see accounting policy on non-current assets held for sale below). The results and assets and liabilities of jointly controlled entities using the equity method of accounting will cease upon the reclassification of interests in jointly controlled entities into non-current assets held for sale. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position 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.

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 statement of financial position 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 end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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 profit or loss in the period 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 weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 end of the reporting period.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 on initial recognition.

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 profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense 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 and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve). When a foreign operation is disposed of, the exchange difference accumulated in translation reserve is recognised in profit or loss as part of the gain or loss on disposal. The translation reserve accumulated for a non-foreign operation that is disposed of is transferred to retained profits on disposal.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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.

Financial assets

The Group's financial assets are classified into one of the two categories, including 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 to the net carrying amount on initial recognition.

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. Subsequent to initial recognition, loans and receivables, including advances to subsidiaries, trade and bills receivables and other receivables, entrusted loan receivable, amounts 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Effective interest method (continued)

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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to 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 the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired when 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

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 in other comprehensive income and accumulated in investment revaluation reserve. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 and amount due to a jointly controlled entity, 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derivative financial instruments

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. 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 the end of the reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 in other comprehensive income 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 on a straight-line basis over the vesting period, or recognised as an expense in full at the grant date when the share option granted vest immediately, as applicable, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, 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 the end of the reporting period, 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. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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.

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 end of the reporting period, 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 2009, the carrying amount of trade receivables is approximately HK$322,700,000 (2008: HK$197,929,000) (net of allowance for bad and doubtful debts of approximately HK$4,551,000 (2008: HK$1,214,000)).

Depreciation

The Group's net book value of property, plant and equipment as at 31 December 2009 was approximately HK$1,320,715,000 (2008: HK$843,007,000). The Group depreciates the plant and equipment on a straight line basis over the estimated useful lives of five to twenty-five years taking into account of their estimated residual values, commencing from the date the plant and equipment are placed into productive use. The estimated useful lives and the 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:

	2009	2008
	HK$'000	HK$'000
Sales of goods		
Manufacturing of steel cords	**914,031**	573,840
Processing and trading of copper and brass products	**171,061**	192,974
Trading of pre-stressed concrete strands and wires	**13,292**	64,054
	1,098,384	830,868
Rental income	**888**	772
	1,099,272	831,640

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

6. SEGMENT INFORMATION (continued)

In the past, the Group's primary reporting format for business segments was: (i) steel cord; (ii) copper and brass products; (iii) investment; and (iv) others (mainly comprising trading of pre-stressed concrete strands and wires and property investment). However, for the purpose of resources allocation and assessment of performance, the Company's managing director, CODM of the Group, is more specifically focused on the steel cord segment and the copper and brass products segment. Investment and others segment information is not reported internally to the Company's managing director. The Group's reportable segments under HKFRS 8 are therefore as follows:

i) The steel cord segment comprising the manufacturing of steel cords; and

ii) The copper and brass products segment comprising the processing and trading of copper and brass products.

Information regarding the above segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of HKFRS 8.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2009

	Steel cord HK$'000	Copper and brass products HK$'000	Consolidated HK$'000
Segment revenue			
External sales	**914,031**	**171,061**	**1,085,092**
Inter-segment sales *(Note)*	**–**	**10,155**	**10,155**
Total	**914,031**	**181,216**	**1,095,247**
Segment result	**206,289**	**4,200**	**210,489**

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

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2009 (continued)

Reconciliation of revenue

	HK$'000
Total revenue for reportable segments	1,095,247
Rental income and revenue for trading of pre-stressed concrete strands and wires	14,180
Elimination of inter-segment sales	(10,155)
Group's revenue	1,099,272

Reconciliation of reporting segment profit before tax

	HK$'000
Total profit for reportable segments	210,489
Profit arising from trading of pre-stressed concrete strands and wires, and property investment	3,983
Unallocated amounts	
Unallocated income	3,869
Unallocated expenses	(53,698)
Unallocated finance costs	(6,624)
Gain on disposal of listed available-for-sale investments	30,999
Gain on disposal of a jointly controlled entity	20,465
Share of result of a jointly controlled entity	(1,461)
Profit before tax	208,022

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2008

	Steel cord HK$'000	Copper and brass products HK$'000	Consolidated HK$'000
Segment revenue			
External sales	573,840	192,974	766,814
Inter-segment sales *(Note)*	–	241	241
Total	573,840	193,215	767,055
Segment result	61,346	(11,990)	49,356

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

Reconciliation of revenue

	HK$'000
Total revenue for reportable segments	767,055
Rental income and revenue for trading of pre-stressed concrete strands and wires	64,826
Elimination of inter-segment sales	(241)
Group's revenue	831,640

6. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2008 (continued)

Reconciliation of reporting segment profit before tax

	HK$'000
Total profit for reportable segments	49,356
Loss arising from trading of pre-stressed concrete strands and wires, and property investment	(6,036)
Unallocated amounts	
Unallocated income	11,781
Unallocated expenses	(91,230)
Unallocated finance costs	(4,361)
Gain on disposal of listed available-for-sale investments	95,624
Share of result of a jointly controlled entity	(1,820)
Profit before tax	53,314

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

Segment profit represents the profit earned by each segment without allocation of central administration costs and the emoluments of directors of the Company, share of result of a jointly controlled entity, gain on disposal of listed available-for-sale investments, gain on disposal of a jointly controlled entity, interest income on bank deposits, dividend income from listed available-for-sale investments, gain (loss) on fair value change of leveraged foreign exchange contract, commission income and finance costs. This is the measure reported to the Company's managing director for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2009	2008
	HK$'000	HK$'000
Steel cord	**2,427,546**	1,480,853
Copper and brass products	**92,045**	52,217
Total segment assets	**2,519,591**	1,533,070
Unallocated assets	**518,521**	562,581
Consolidated assets	**3,038,112**	2,095,651

Segment liabilities

	2009	2008
	HK$'000	HK$'000
Steel cord	**112,184**	117,015
Copper and brass products	**4,666**	2,066
Total segment liabilities	**116,850**	119,081
Unallocated liabilities	**854,596**	139,885
Consolidated liabilities	**971,446**	258,966

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than certain property, plant and equipment, investment properties, interests in a jointly controlled entity, club membership, deposit paid for the acquisition of prepaid lease, certain prepayment, deposits and other receivables, tax recoverable, restricted bank deposits, bank balances and cash and available-for-sale investments; and

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

- all liabilities are allocated to reportable segments other than tax payables, amount due to a jointly controlled entity, derivative financial instrument, bank borrowings and deferred tax liabilities.

(c) Other segment information

For the year ended 31 December 2009

	Steel cord HK$'000	Copper and brass products HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure	**533,821**	**420**	**534,241**
Depreciation	**62,985**	**789**	**63,774**
Allowance for bad and doubtful debts	**3,941**	**119**	**4,060**
Loss on disposal of property, plant and equipment	**97**	**14**	**111**
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax expenses	**33,337**	**156**	**33,493**

For the year ended 31 December 2008

	Steel cord HK$'000	Copper and brass products HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Capital expenditure	355,718	1,212	356,930
Depreciation	49,980	809	50,789
Reversal of allowance for bad and doubtful debts	(2,520)	–	(2,520)
Allowance for inventories	8,380	11,747	20,127
Gain on disposal of property, plant and equipment	(16)	(3)	(19)
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax expenses	9,592	94	9,686

6. SEGMENT INFORMATION (continued)

(d) Geographical information

The Group's operations, non-current assets and substantially all of the customers are located in the PRC (including Hong Kong) which is the country of domicile of the relevant group entities. Accordingly, no further analysis of revenue from external customers and non-current assets by geographical location is presented.

(e) Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group for the year are as follows:

	2009	2008
	HK$'000	HK$'000
Customer A[1]	**180,203**	103,295
Customer B[1]	**114,588**	Not applicable[2]

1 Revenue from steel cord segment.

2 The corresponding revenue did not contribute over 10% of the total sales of the Group for that year.

7. INVESTMENT AND OTHER INCOME

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Investment income		
Interest income on bank deposits	**1,653**	9,884
Dividend income from listed available-for-sale investments	**591**	1,852
	2,244	11,736
Other income		
Government grants *(note 48)*	**96,101**	11,536
Commission income	**1,496**	–
	97,597	11,536
	99,841	23,272

8. OTHER GAINS AND LOSSES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Gain on disposal of listed available-for-sale investments *(note 23)*	**30,999**	95,624
Gain on disposal of a jointly controlled entity	**20,465**	–
Increase in fair value of investment properties *(note 15)*	**3,997**	343
Change in fair value of leveraged foreign exchange contract		
– realised gain (loss)	**1,397**	(9,397)
– unrealised loss	**–**	(1,396)
Surplus (deficit) on revaluation of leasehold land and buildings	**442**	(154)
Foreign exchange losses, net	**(4,574)**	(18,763)
(Allowance for) reversal of allowance for bad and doubtful debts	**(4,060)**	2,520
(Loss) gain on disposal of property, plant and equipment	**(152)**	19
Changes in fair value of interest rate swaps	**–**	(4)
Others	**716**	514
	49,230	69,306

9. FINANCE COSTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**7,193**	6,005
Amortisation of borrowing costs	**702**	864
Total borrowing costs	**7,895**	6,869
Less: amounts capitalised	**(1,271)**	(2,508)
	6,624	4,361

Borrowing costs capitalised during the year arose on general borrowing pool and are calculated by applying a capitalisation rate of 3.20% (2008: 4.08%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Current tax:		
Hong Kong	**–**	–
PRC Enterprise Income Tax	**34,551**	18,724
	34,551	18,724
(Over) underprovision in prior years:		
Hong Kong	**(26)**	70
PRC Enterprise Income Tax	**(5,665)**	(9)
	(5,691)	61
Deferred taxation *(note 36)*:		
Current year	**7,839**	(183)
Attributable to change in tax rate	**9**	(50)
	7,848	(233)
Taxation attributable to the Company and its subsidiaries	**36,708**	18,552

No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit arising in Hong Kong for both years.

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 20% for the year ended 31 December 2009 (2008: 18%).

10. INCOME TAX EXPENSES (continued)

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.

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Profit before tax	**208,022**	53,314
Tax at PRC Enterprise Income tax rate of 20% (2008: 18%) *(Note i)*	**41,604**	9,597
Tax effect of expenses not deductible in determining taxable profit	**4,476**	6,019
Tax effect of income not taxable in determining taxable profit	**(5,814)**	(2,019)
Tax effect of tax losses not recognised	**8,664**	4,082
Tax effect on utilisation of tax losses previously not recognised	**(83)**	(73)
Tax effect on temporary differences not recognised	**27**	4,188
Tax effect on utilisation of deferred tax assets previously not recognised	**(3,316)**	–
Tax effect on share of result of a jointly controlled entity	**292**	328
Deferred tax on distributable earnings of PRC subsidiaries	**8,030**	2,966
Effect of tax exemptions and concessions granted to subsidiaries *(Note ii)*	**(11,177)**	(1,596)
Effect of different tax rates in other jurisdiction	**751**	(597)
Effect of different tax rates for interest income *(Note iii)*	**(673)**	(768)
Effect of different tax rate for capital gain *(Note iv)*	**–**	(4,256)
Increase (decrease) in deferred tax liabilities resulting from change in applicable tax rates	**9**	(50)
(Over) underprovision in respect of prior years *(Note v)*	**(5,691)**	61
Others	**(391)**	670
Tax expenses for the year	**36,708**	18,552

10. INCOME TAX EXPENSES (continued)

Notes:

i. The PRC Enterprise Income Tax rate of 20% (2008: 18%) is used as the PRC is where the operation of the Group is substantially based.

ii. Two subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC enterprise income tax and are exempted from PRC enterprise income taxes for the two years commencing from their first year of operation and thereafter, these subsidiaries 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.

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

iv. This relates to 10% withholding tax on the capital gain on disposal of listed available-for-sale investments in the PRC prior to 11 June 2009.

v. This item included an amount of approximately HK$4,784,000 (2008: Nil) tax credit on qualified plant and machineries acquired. Pursuant to approvals issued by Jiaxing Country State Tax Bureau, a subsidiary of the Company can enjoy the tax credit of approximately RMB20,709,000, equivalent to approximately HK$23,483,000 (2008: RMB20,709,000) against its enterprise income tax for purchasing domestically made plant and machineries. The Company recognised tax credit of approximately RMB4,218,000, equivalent to approximately HK$4,784,000 (2008: Nil) and approximately RMB6,777,000, equivalent to approximately HK$7,697,000 was expired during the year ended 31 December 2009. The unutilised amount at 31 December 2009 was approximately RMB9,714,000, equivalent to approximately HK$11,033,000 (2008: RMB20,709,000).

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.

11. PROFIT FOR THE YEAR

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration *(note 12)*:		
– Salaries, wages and other benefits	**93,023**	72,054
– Retirement benefit scheme contributions	**6,589**	4,141
– Share-based payments	**4,725**	26,791
Total staff costs	**104,337**	102,986
Cost of inventories recognised as an expense (including reversal of allowance for inventories of HK$6,734,000 (2008: allowance for inventories of HK$27,427,000))	**918,777**	760,758
Depreciation of property, plant and equipment	**64,899**	51,734
Auditor's remuneration	**1,560**	1,080
Amortisation of prepaid lease payments (included in "Cost of sales")	**3,434**	1,257
Research expenditure (included in "Administrative expenses")	**–**	3,583
Gross rental income from investment properties	**(888)**	(772)
Less: direct operating expenses for investment properties that generate rental income during the year	**123**	143
Net rental income	**(765)**	(629)
Share of tax of a jointly controlled entity (included in "Share of result of a jointly controlled entity")	**204**	50

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2008: nine) directors were as follows:

For the year ended 31 December 2009

	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$'000	Total 2009 HK$'000
Fees	-	-	-	190	-	150	240	240	240	1,060
Other emoluments										
Salaries and other benefits	-	3,208	1,897	-	1,802	-	-	-	-	6,907
Retirement benefit scheme contributions	1	318	165	-	165	-	-	-	-	649
Discretionary bonus *(Note i)*	5,000	3,527	1,500	-	1,557	-	-	-	-	11,584
Total emoluments	5,001	7,053	3,562	190	3,524	150	240	240	240	20,200

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$'000	Total 2008 HK$'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 payments *(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

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

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 each of the two years ended 31 December 2009.

ii. The share-based payments are the fair values of share options granted during the year ended 31 December 2008.

No director waived any emoluments in the years ended 31 December 2009 and 2008.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: five) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2008: Nil) individual were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits (including share-based payments)	**3,213**	–
Retirement benefit scheme contributions	**12**	–
Discretionary bonus	**1,739**	–
	4,964	–

The emoluments were within the following band:

	Number of employee	
	2009	2008
HK$4,500,001 to HK$5,000,000	**1**	–

13. DIVIDENDS

	2009 HK$'000	2008 HK$'000
2008 Interim dividend of HK1 cent per share	–	18,793
2007 Final dividend of HK1 cent per share	–	18,849
	–	37,642

The final dividend of HK1.5 cents (2008: Nil) per share for the year ended 31 December 2009 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming general meeting.

14. EARNINGS PER SHARE

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

	THE GROUP 2009 HK$'000	2008 HK$'000
Earnings		
Profit for the year for the purposes of calculation of basic and diluted earnings per share	**171,314**	34,762

	THE GROUP 2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**1,896,267,908**	1,856,769,462
Effect of dilutive potential ordinary shares: Share options	**41,212,937**	58,339,480
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**1,937,480,845**	1,915,108,942

14. EARNINGS PER SHARE (continued)

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 shares of the Company for the outstanding periods during 2009 and 2008 and (ii) the share option granted by the Company's subsidiary as it is anti-dilutive.

15. INVESTMENT PROPERTIES

	THE GROUP HK$'000
AT FAIR VALUE	
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 and 1 January 2009	18,396
Exchange realignment	8
Increase in fair value	3,997
At 31 December 2009	22,401

The fair values of the Group's investment properties at 31 December 2009 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.

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.

15. INVESTMENT PROPERTIES (continued)

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Long-term lease in Hong Kong	**15,700**	13,100
Medium-term lease in other regions in the PRC	**6,701**	5,296
	22,401	18,396

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST OR VALUATION							
At 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 and 1 January 2009	121,930	2,371	824,465	7,874	13,360	230,909	1,200,909
Exchange realignment	175	1	1,315	16	12	377	1,896
Additions	21,354	58	44,395	6,009	7,323	457,137	536,276
Reclassification	51,074	–	474,367	1,180	–	(526,621)	–
Disposals	(175)	(27)	(299)	(234)	(1,398)	–	(2,133)
Surplus on revaluation	806	–	–	–	–	–	806
At 31 December 2009	195,164	2,403	1,344,243	14,845	19,297	161,802	1,737,754
Comprising:							
At cost	–	2,403	1,344,243	14,845	19,297	161,802	1,542,590
At valuation	195,164	–	–	–	–	–	195,164
	195,164	2,403	1,344,243	14,845	19,297	161,802	1,737,754

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
ACCUMULATED DEPRECIATION							
At 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 and 1 January 2009	–	2,050	343,054	5,006	7,792	–	357,902
Exchange realignment	6	1	591	6	8	–	612
Provided for the year	7,708	209	54,673	1,120	1,189	–	64,899
Eliminated on disposals	(78)	(7)	(295)	(200)	(1,206)	–	(1,786)
Write back on revaluation	(4,588)	–	–	–	–	–	(4,588)
At 31 December 2009	3,048	2,253	398,023	5,932	7,783	–	417,039
NET BOOK VALUE							
At 31 December 2009	192,116	150	946,220	8,913	11,514	161,802	1,320,715
At 31 December 2008	121,930	321	481,411	2,868	5,568	230,909	843,007

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%

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
The carrying amount of leasehold land and buildings are located on:		
Land in Hong Kong under:		
Long-term lease	**2,200**	1,700
Medium-term lease	**6,900**	6,650
Land in other regions in the PRC under:		
Long-term lease	**4,543**	4,059
Medium-term lease	**178,473**	109,521
	192,116	121,930

The fair values of all leasehold land and buildings of the Group have been arrived at on the basis of valuation carried out by Vigers International.

Applications for property ownership certificates of the manufacturing plants located in the PRC with aggregate carrying values of approximately HK$124,632,000 (2008: HK$51,339,000) are still in the progress at 31 December 2009. In spite of the above, the directors of the Company are of the opinion that the Group has acquired the beneficial title of those properties and legal titles will be obtained in due time.

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$185,705,000 (2008: HK$128,395,000).

17. PREPAID LEASE PAYMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Medium-term leasehold land located in the PRC	**110,948**	33,307
Analysed for reporting purposes as:		
Current asset	**4,489**	1,333
Non-current asset	**106,459**	31,974
	110,948	33,307

At 31 December 2008, included in prepaid lease payments was land with carrying amount of HK$11,997,000 which the Group was in the process of obtaining the land use right certificates and the land use right certificates have been issued to the Group by the relevant government authority during the year ended 31 December 2009.

18. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**51,452**	51,452
Capital contributions	**374,044**	368,699
	425,496	420,151
Advances to subsidiaries	**1,107,479**	936,071

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

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

Except for (i) balance with a subsidiary of HK$15,372,000 (2008: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2008: LIBOR plus 3%) per annum, (ii) balance with a subsidiary of HK$38,866,000 (2008: HK$38,866,000) which bears interest at Hong Kong Dollar Prime Rate (2008: Hong Kong Dollar Prime Rate) per annum, (iii) balance with a subsidiary of HK$90,000,000 (2008: HK$180,000,000) which bears interest at 2.25% per annum, and (iv) balance with a subsidiary as at 31 December 2008 of HK$60,000,000 (2009: Nil) which bore interest at 3-month Hongkong Interbank Offered Rate ("HIBOR") plus 1% per annum, and the remaining balances are interest free. In the opinion of the directors, the Company will not demand repayment within one year from the end of the reporting period 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 2009, the effective interest rates used were within a range of 1.15% to 5.00% per annum (2008: 2.25% to 7.75% per annum), being the prevailing market borrowing rates for a similar instrument at initial recognition.

Details of the Company's principal subsidiaries at 31 December 2009 are set out in note 47.

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Cost of investment in a jointly controlled entity	–	19,500
Share of post-acquisition profits and reserves, net of dividend received	–	6,686
	–	26,186

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

At 31 December 2008, the Group had interest in the following jointly controlled entity:

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 activities
Shanghai Shenjia Metal Products Co., Ltd. ("Shanghai Shenjia") 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

As at 31 December 2008, the summarised financial information in respect of the Group's interests in Shanghai Shenjia was set out below.

	THE GROUP HK$'000
Current assets	72,368
Non-current assets	19,297
Current liabilities	(65,479)
Income	153,804
Expenses	(155,624)

On 30 June 2009, the management considered that all the criteria in HKFRS 5 for classification as held for sale have been met. The results of Shanghai Shenjia have been recognised by the Group up to 30 June 2009. The loss of Shanghai Shenjia for the period from 1 January 2009 to 30 June 2009 was approximately HK$5,844,000. Share of this loss by the Group for the year ended 31 December 2009 was approximately HK$1,461,000.

19. INTERESTS IN A JOINTLY CONTROLLED ENTITY (continued)

On 8 July 2009, the Group entered into an equity interest transfer agreement in relation to sale of the Group's entire 25% equity interests in Shanghai Shenjia to its substantial shareholder with 75% equity interests in Shanghai Shenjia for a consideration of approximately HK$45,327,000 (RMB40,000,000) resulting a gain on disposal of approximately HK$20,465,000 (2008: Nil).

20. GOODWILL

The carrying amount of goodwill at the end of each reporting period is approximately HK$41,672,000 for both years.

Particulars regarding impairment testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL

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

During the year ended 31 December 2009, 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 5.31% (2008: 8.99%). The cash flow of CGU beyond the 5-year period is extrapolated for eleven 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.

22. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club memberships, at cost	**2,124**	2,010	**934**	820
Exchange realignment	**1**	44	**1**	44
Less: Impairment losses	**(1,406)**	(1,335)	**(576)**	(505)
	719	719	**359**	359

23. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Available-for-sale investments comprise:		
Equity securities listed in the PRC, at fair value *(Note i)*	**50,538**	29,218
Unlisted equity investment, at cost *(Note ii)*	**1,123**	1,123
Less: Impairment losses	**(1,123)**	(1,123)
	–	–
	50,538	29,218

Notes:

(i) Xinhua Metal Products Co., Ltd. ("Xinhua"), now known as Xinyu Iron & Steel Co., Ltd. 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.

23. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(i) (continued)

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. Following by the completion of the Share Reform Plan, the Group's equity interest in Xinhua was diluted from 16.75% to 14.49%.

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 excess 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 investments.

At 31 December 2009, the amount represented the Group's investment in 4,966,141 non-restricted (2008: 8,678,641 restricted) A-shares of Xinyu Iron, being 0.36% (2008: 0.62%) equity interest of Xinyu Iron. 8,678,641 restricted A-shares became non-restricted on 24 October 2009. 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 of the Company estimated the fair value by reference to market prices and lack of marketability discount based on the put option method. The adopted lack of marketability discount at 31 December 2008 was 26.5%.

During the year, the Group disposed of 3,712,500 (2008: 15,239,320) A-shares of Xinyu Iron on the Shanghai Stock Exchange. The net aggregate sales proceeds from the disposal were approximately HK$36,443,000 (2008: HK$117,979,000) (net of brokerage commission, expenses and stamp duty), resulting in a gain of approximately HK$30,999,000 (2008: HK$95,624,000).

23. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(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 the end of each reporting period 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.

24. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Raw materials	**108,162**	120,688
Work in progress	**46,878**	18,352
Finished goods	**56,762**	94,055
	211,802	233,095

During the year ended 31 December 2009, 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$6,734,000 (2008: Nil) has been recognised and included in cost of sales.

25. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**327,251**	199,143
Less: allowance for bad and doubtful debts	**(4,551)**	(1,214)
	322,700	197,929
Bills receivable	**386,039**	172,865
	708,739	370,794

Included in bills receivable as at 31 December 2009 is an amount of HK$37,707,000 (2008: HK$15,466,000) that has been discounted to banks.

25. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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

An aged analysis of trade receivables net of allowance for bad and doubtful debts at the end of the reporting period based on sales invoice date is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**302,070**	94,629
91 – 180 days	**20,529**	101,191
Over 180 days	**101**	2,109
	322,700	197,929

An aged analysis of bills receivable at the end of the reporting period based on sales invoice date is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**12,016**	17,543
91 – 180 days	**293,187**	85,566
Over 180 days	**80,836**	69,756
	386,039	172,865

At the end of the reporting period, all bills receivable are matured within six months.

25. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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 trade receivables that are neither past due nor impaired as at the end of the reporting period, 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 approximately HK$61,169,000 (2008: HK$123,404,000) 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 end of the reporting period or there were no historical default of payments by the 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 based on the due date, is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**61,067**	102,637
91 – 180 days	**1**	20,519
Over 180 days	**101**	248
Total	**61,169**	123,404

25. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

Movement in the allowance for bad and doubtful debts:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Balance at beginning of the year	**1,214**	3,682
Exchange realignment	**2**	52
Amount recovered during the year	**–**	(2,520)
Amount written off as uncollectible	**(725)**	–
Impairment losses recognised on receivables	**4,060**	–
Balance at end of the year	**4,551**	1,214

26. ENTRUSTED LOAN RECEIVABLE

On 28 December 2008, JESC, 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 was unsecured, bore interest at 5.103% per annum and was repayable within three months. The amount had been fully settled on 17 February 2009.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables are unsecured, interest free and repayable on demand. Included in prepayments, deposits and other receivables is an amount due from a security firm of approximately HK$37,076,000 (2008: HK$37,566,000) which represents the proceeds from sales of listed available-for-sale investments during the year. The amount has been recovered in February 2010.

28. 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 to 90 days to the Shougang TECH Group.

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**–**	377
91 – 180 days	**13**	572
Over 180 days	**264**	–
	277	949

Included in the amounts due from the Shougang TECH Group, an aggregate carrying amount of approximately HK$277,000 (2008: HK$572,000) 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.

28. AMOUNTS DUE FROM RELATED COMPANIES (continued)

The aged analysis of amounts due from the Shougang TECH Group which are past due but not impaired based on due date, is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**261**	572
91 – 180 days	**16**	–
Total	**277**	572

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

29. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged to secure certain bank borrowings as set out in note 34:

(i) the Group's leasehold land and buildings with an aggregate net book value of HK$6,900,000 (2008: HK$6,650,000);

(ii) the Group's certain prepaid lease payments with an aggregate net book value of HK$90,939,000 (2008: Nil);

(iii) the bank deposits of the Group amounting to HK$49,448,000 (2008: HK$3,000,000) for short term bank borrowings;

(iv) the bank deposits of the Company amounting to HK$1,000,000 (2008: HK$3,000,000) for short term bank borrowings; and

(v) the equity interests in certain subsidiaries of the Company (2008: Nil).

30. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

The Group

Bank balances carry interest at market rates which range from 0.01% to 1.60% per annum (2008: 0.01% to 1.52% 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 0.03% to 2.25% per annum (2008: 0.95% to 1.52% per annum). At the end of the reporting period, 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 2009	96,473	178,463	71	1,677
As at 31 December 2008	117,593	108,599	31,804	72

The Company

Bank balances carry interest at market rates which ranging from 0.01% to 1.60% per annum (2008: 0.01% to 1.52% per annum). The restricted deposits carry fixed interest rates ranging from 0.03% to 1.52% per annum (2008: 0.95% to 1.52% per annum). At the end of the reporting period, 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 2009	81,552	42,508
As at 31 December 2008	99,694	10,765

31. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

An aged analysis of trade payables at the end of the reporting period, based on purchase invoice date, is as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0 – 90 days	**45,239**	72,466
91 – 180 days	**754**	2,033
Over 180 days	**455**	1,046
	46,448	75,545

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

Included in other payables and accruals are payables for purchase of property, plant and equipment of approximately HK$45,294,000 (2008: HK$31,182,000).

32. AMOUNT DUE FROM A SUBSIDIARY

As at 31 December 2009, the amount due from a subsidiary is unsecured and repayable within one year. The amount includes (i) HK$60,000,000 (2008: HK$27,000,000) which bears interest at 3-month HIBOR plus 1% per annum and (ii) HK$50,000,000 (2008: HK$20,000,000) which bears interest at 2.25% per annum.

33. AMOUNT DUE TO A JOINTLY CONTROLLED ENTITY

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

An aged analysis of amount due to a jointly controlled entity as at the end of the reporting period, based on purchase invoice date, was as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
91 – 180 days	**–**	4,189

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

34. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**29,740**	11,393	**–**	–
Other bank loans	**729,217**	88,872	**248,923**	86,604
Discounted bills with recourse	**37,707**	15,466	**–**	–
	796,664	115,731	**248,923**	86,604
Secured	**436,103**	25,976	**100,893**	86,604
Unsecured	**360,561**	89,755	**148,030**	–
	796,664	115,731	**248,923**	86,604

34. BANK BORROWINGS (continued)

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**350,108**	55,877	**23,836**	26,750
In the second year	**193,540**	59,854	**195,467**	59,854
In the third to fifth year inclusive	**253,016**	–	**29,620**	–
	796,664	115,731	**248,923**	86,604
Less: Amount due for settlement within one year (shown under current liabilities)	**(350,108)**	(55,877)	**(23,836)**	(26,750)
Amount due for settlement after one year but not exceeding five years	**446,556**	59,854	**225,087**	59,854

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings				
Within one year	**268,138**	17,733	**–**	–

34. 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-rate borrowings				
Within one year	**81,970**	38,144	**23,836**	26,750
In the second year	**193,540**	59,854	**159,467**	59,854
In the third to fifth year inclusive	**253,016**	–	**65,620**	–
	528,526	97,998	**248,923**	86,604

The Group has variable-rate borrowings which carry interest at a premium over LIBOR, HIBOR and the prevailing lending rate quoted by the People's Bank of China. The Company has variable-rate borrowings which carry interest at a premium over LIBOR and HIBOR.

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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Effective interest rate per annum:				
Fixed-rate borrowings	**1.00% to 7.20%**	2.10% to 7.20%	**–**	–
Variable-rate borrowings	**1.16% to 5.76%**	2.80% to 6.80%	**1.22% to 4.39%**	2.90% to 6.80%

34. BANK BORROWINGS (continued)

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**308,305**	97,998	**148,031**	86,604
USD	**109,729**	–	**100,892**	–
EUR	**33,343**	–	**–**	–
GBP	**8,881**	–	**–**	–

35. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leveraged foreign exchange contract	**–**	1,396	**–**	–

Under the leveraged foreign exchange contract, the Group would 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 moved favorably to the Group (i.e. spot EUR/USD exchange rate was higher than the strike price), the Group would 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 moved unfavorably to the Group (i.e. spot EUR/USD exchange rate was lower than the strike price), the Group would 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 could earn. Once the maximum stipulated profit was reached for the contract, the contract would be knocked out (i.e. the obligation to deliver outstanding EUR installments to the Group by the counterparty would automatically cease). However, there was no similar knock-out features for losses. As at 31 December 2008, the leveraged foreign exchange contract had remaining 4 weekly settlements. Total realised gain of approximately HK$1,397,000 (2008: realised and unrealised losses of approximately HK$9,397,000 and HK$1,396,000, respectively) has been recognised in the consolidated income statement for the year ended 31 December 2009.

Such contract is settled on a gross basis, the undiscounted gross cash inflows and outflows on this contract are shown in note 40.

36. 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 HK$'000	Allowance for bad and doubtful debts HK$'000	Allowance for inventories HK$'000	Revaluation of properties HK$'000	Tax loss HK$'000 (Note)	Recognition of fair value changes of listed available-for-sale investments HK$'000	Withholding tax on distributable profit of subsidiaries in the PRC HK$'000	Others HK$'000	Total HK$'000
At 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 profit or loss 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 and 1 January 2009	(2,806)	63	(1,725)	3,801	(983)	–	2,966	–	1,316
Exchange realignment	(4)	–	(3)	4	–	–	–	–	(3)
Charge (credit) to profit or loss for the year	(306)	(839)	1,144	288	(470)	–	8,031	–	7,848
Charge (credit) to equity for the year	–	–	–	1,016	–	–	–	–	1,016
At 31 December 2009	(3,116)	(776)	(584)	5,109	(1,453)	–	10,997	–	10,177

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 were reversed in the previous 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 prior to the alienation.

36. DEFERRED TAX (continued)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$135,539,000 (2008: HK$89,786,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$8,806,000 (2008: HK$5,957,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses of approximately HK$126,733,000 (2008: HK$83,829,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$29,202,000 (2008: HK$48,439,000). A deferred tax asset has been recognised in respect of approximately HK$22,380,000 (2008: HK$25,172,000) of temporary differences. No deferred tax asset has been recognised in respect of the remaining temporary differences of approximately HK$6,822,000 (2008: HK$23,267,000) 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 end of the reporting period.

37. SHARE CAPITAL

	2009		2008	
	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	**5,000,000**	**500,000**	2,000,000	200,000
Increase on 10 January *(Note i)*	**–**	**–**	3,000,000	300,000
At 31 December	**5,000,000**	**500,000**	5,000,000	500,000
Issued and fully paid:				
At 1 January	**1,867,737**	**186,774**	1,384,347	138,435
Issued on placing of new shares *(Note ii)*	**–**	**–**	500,000	50,000
Exercise of share options *(Note iii)*	**54,064**	**5,406**	500	50
Shares repurchased and cancelled *(Note iv)*	**–**	**–**	(17,110)	(1,711)
At 31 December	**1,921,801**	**192,180**	1,867,737	186,774

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 cord production plant in Tengzhou City, Shandong, and reducing finance costs.

37. SHARE CAPITAL (continued)

Notes: (continued)

iii. The directors of the Company exercised 31,108,000 (2008: 500,000) share options and other eligible participants exercised 22,956,000 (2008: Nil) share options, and therefore 54,064,000 (2008: 500,000) new shares were issued during the year ended 31 December 2009.

iv. During the year ended 31 December 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid (including expenses)
		HK$	HK$	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.

38. 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 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)
Recognition of equity settled share-based payments	–	–	–	–	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 and 1 January 2009	984,775	23,990	2,724	75,994	27,242	122,661	1,237,386
Issue of shares	11,316	–	–	–	–	–	11,316
Share issue expenses	(11)	–	–	–	–	–	(11)
Recognition of equity settled share-based payments	–	–	–	–	4,725	–	4,725
Translation adjustment	–	–	–	1,602	–	–	1,602
Profit for the year	–	–	–	–	–	68,000	68,000
At 31 December 2009	996,080	23,990	2,724	77,596	31,967	190,661	1,323,018

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.

39. 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 34, 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 associated with the 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.

40. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Statement of financial position				
Financial assets				
Loans and receivables (including cash and cash equivalents)	**1,142,280**	838,962	**1,341,562**	997,010
Available-for-sale investments	**50,538**	29,218	**–**	–
	1,192,818	868,180	**1,341,562**	997,010
Financial liabilities				
Amortised cost	**893,337**	232,844	**252,123**	90,108
Derivative financial instruments	**–**	1,396	**–**	–
	893,337	234,240	**252,123**	90,108
Income statement				
Listed available-for-sale investments				
Gain on disposal of listed available-for-sale investments	**30,999**	95,624	**–**	–
Dividend income from listed available-for-sale investments	**591**	1,852	**–**	–
	31,590	97,476	**–**	–
Financial liabilities designated at FVTPL				
Change in fair value of leverage foreign exchange contract				
– realised (gain) loss	**(1,397)**	9,397	**–**	–
– unrealised loss	**–**	1,396	**–**	–
Change in fair value of interest rate swaps	**–**	4	**–**	4
	(1,397)	10,797	**–**	4

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, restricted bank deposits, amounts due from related companies, available-for-sale investments, bank balances and cash, trade and other payables, amount due to a jointly controlled entity and bank borrowings. 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 currencies 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 need arise.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
	Equivalent	Equivalent	**Equivalent**	Equivalent
Monetary assets denominated in				
HKD	**130,232**	133,393	**1,299,054**	986,245
USD	**192,703**	125,167	**42,508**	10,765
EUR	**71**	31,992	**–**	–
Others	**6,262**	2,686	**–**	–
Monetary liabilities denominated in				
HKD	**309,375**	98,983	**150,723**	90,108
USD	**117,695**	23,512	**101,400**	–
EUR	**33,899**	326	**–**	–
Others	**8,893**	9	**–**	–

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

40. 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 end of the reporting period 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**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD				
Increase (decrease) in profit *(Note)*	**8,957**	(1,720)	**(57,417)**	(44,807)
USD				
(Decrease) increase in profit *(Note)*	**(3,750)**	(5,083)	**2,945**	(538)
EUR				
Increase (decrease) in profit *(Note)*	**1,691**	(1,583)	**–**	–

Note: This is mainly attributable to the exposure on outstanding HKD, USD and EUR denominated bank balances, receivables and payables at the end of the reporting period.

40. 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 40 (b) (i), the Group was exposed to the fluctuation in RMB against USD and EUR because it had entered into leveraged foreign exchange contract during the year ended 31 December 2008.

The following sensitivity analysis included 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 detailed the Group's sensitivity to a 5% appreciation/depreciation in RMB against USD/EUR. 5% sensitivity rate was used when reporting foreign currency risk internally to key management personnel and represented management's assessment of reasonably possible change in foreign rate. A positive/(negative) number below indicates an increase/(decrease) in profit for the year ended 31 December 2008.

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

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate deposits (see note 30) and fixed-rate borrowings (see note 34 for details of these borrowings). The Group further exposed to fair value interest rate risk in relation to entrusted loan receivable (see note 26). 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 30) and variable-rate bank borrowings (see note 34 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 18 and 32 for details of these advances) and variable-rate bank borrowings (see note 34 for details of these borrowings). It is the Group's policy to reduce its exposure to cash flow interest rate risk for borrowings by hedging should the need arise.

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 end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease for variable-rate bank balances and 50 basis point 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.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

At the end of the reporting period if interest rates had been 10 basis points higher/lower (2008: 10 basis points) for variable-rate bank balances, 50 basis points higher/lower (2008: 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$2,539,000 and HK$377,000 for the years ended 31 December 2009 and 2008, respectively.

At the end of the reporting period if interest rates had been 10 basis points higher/lower (2008: 10 basis points) for variable-rate bank balances, 50 basis points higher/lower (2008: 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$150,000 and HK$272,000 for the years ended 31 December 2009 and 2008, respectively.

(iii) Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities (see note 23 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 end of the reporting period if the market prices had been 10% (2008: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by approximately HK$5,054,000 and HK$2,922,000 for the years ended 31 December 2009 and 2008, respectively.

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 statement of financial position; and

- the amount of contingent liabilities disclosed in note 43.

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 the end of each reporting period 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.

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 47.7% and 46.5% of the Group's trade receivables as at 31 December 2009 and 2008, respectively. The failure of any of these customers to make the 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 is 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 90% (2008: 93%) of the total trade receivables as at 31 December 2009.

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

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 2009, the Group has available undrawn borrowing facilities of approximately HK$195,657,000 (2008: HK$151,391,000).

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.

For derivative instruments to be settled on a gross basis, undiscounted net cash (inflows)/outflows prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives are shown in the table.

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$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Trade and other payables	–	96,673	–	–	–	96,673	96,673
Bank borrowings							
– fixed rate	2.34	37,927	46,654	188,629	–	273,210	268,138
– variable rate	3.64	19,207	10,902	54,131	479,066	563,306	528,526
		153,807	57,556	242,760	479,066	933,189	893,337

40. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

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

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the end of the reporting period.

40. 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$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Other payables	–	418	–	–	–	418	418
Financial guarantee contracts	–	376,700	–	–	–	376,700	2,782
Bank borrowings							
– variable rate	1.94	–	–	24,300	233,838	258,138	248,923
		377,118	–	24,300	233,838	635,256	252,123

	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	–	722	–	–	–	722	722
Financial guarantee contracts	–	213,000	–	–	–	213,000	2,782
Bank borrowings							
– variable rate	4.39	13,021	–	14,479	65,108	92,608	86,604
		226,743	–	14,479	65,108	306,330	90,108

Note: The weighted average effective interest rates are based on the rates of bank borrowings at the end of the reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

40. 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. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model);

- 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.

Fair value measurement recognised in the statement of financial position

The measurement of available-for-sale financial assets amounted to HK$50,538,000 (2008: HK$29,218,000) is categorised as level 1 fair value measurements based on the degree to which the fair value is observable. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

41. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of land and buildings during the year	**4,778**	4,200

41. OPERATING LEASES (continued)

The Group as lessee (continued)

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.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**4,434**	3,901
In the second to fifth year inclusive	**9,587**	5,852
Over five years	**–**	1,031
	14,021	10,784

The Group as lessor

Property rental income earned during the year was HK$888,000 (2008: HK$772,000). The Group leases its investment properties under operating lease arrangements, with leases negotiated for an average term of two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**491**	487
In the second to fifth year inclusive	**425**	149
	916	636

The Company had no commitment under operating leases at the end of the reporting period.

42. CAPITAL COMMITMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	**470,198**	353,133
– authorised but not contracted for	**149,170**	310,526
	619,368	663,659

The Company did not have any significant commitments at the end of the reporting period.

43. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of banking facilities to subsidiaries				
– amount guaranteed	**–**	–	**376,700**	213,000
– amount utilised	**–**	–	**282,443**	32,609

44. 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 majority of 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 basic 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.

45. 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 163,484,655 shares which represented approximately 8.5% 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.

45. 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:

	Number of share options for 2009									
Grantees	At 1.1.2009	Granted during the year *(Note a)*	Reclassification of categories of grantees	Cancelled during the year	Exercised during the year *(Note b)*	Date of exercise	At 31.12.2009	Date of grant *(Note c)*	Exercise period	Exercise price per share HK$
Directors of the Company	27,930,000	–	–	–	(15,304,000)	7.5.2009	382,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
					(4,000,000)	2.6.2009				
					(3,652,000)	27.7.2009				
					(4,592,000)	29.7.2009				
	3,060,000	–	–	–	(3,060,000)	29.7.2009	–	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
	5,474,000	–	–	–	(500,000)	6.8.2009	4,974,000	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
	70,200,000	–	–	–	–	–	70,200,000	28.1.2008	28.1.2008 – 27.1.2018	0.864
	234,164,000	–	–	–	(31,108,000)		203,056,000			
Employees other than directors of the Company	15,220,000	–	–	(1,500,000) *(Note d)*	–	–	13,720,000	25.8.2003	25.8.2003 – 24.8.2013	0.740
	29,700,000	–	(3,000,000) *(Note e)*	–	–	–	26,700,000	28.1.2008	28.1.2008 – 27.1.2018	0.864
	400,000	–	–	–	–	–	400,000 *(Note j)*	28.1.2008	28.1.2011 – 27.1.2018	0.864
	–	7,500,000	–	–	–	–	7,500,000	13.7.2009	13.7.2009 – 12.7.2019	0.680
	–	7,500,000	–	–	–	–	7,500,000 *(Note f)*	13.7.2009	1.1.2010 – 12.7.2019	0.680
	–	10,000,000	–	–	–	–	10,000,000 *(Note f)*	13.7.2009	1.1.2011 – 12.7.2019	0.680
	45,320,000	25,000,000	(3,000,000)	(1,500,000)	–		65,820,000			
All other eligible participants	7,652,000	–	–	(7,652,000) *(Note g)*	–	–	–	23.8.2002	23.8.2002 – 12.4.2009	0.295
	9,948,000	–	–	–	(7,652,000)	8.5.2009	2,296,000	23.8.2002	23.8.2002 – 22.8.2012	0.295
	20,660,000	–	–	–	(7,652,000)	12.5.2009	5,356,000	12.3.2003	12.3.2003 – 11.3.2013	0.325
					(7,652,000)	2.11.2009				
	–	–	3,000,000 *(Note e)*	–	–	–	3,000,000	28.1.2008	28.1.2008 – 31.12.2011	0.864
	38,260,000	–	3,000,000	(7,652,000)	(22,956,000)		10,652,000			
	317,744,000	25,000,000	–	(9,152,000)	(54,064,000)		279,528,000			
Exercisable at year end							261,628,000			
Weighted average exercise price	0.610	0.680	Not applicable	0.368	0.305		0.682			

45. SHARE-BASED PAYMENT TRANSACTIONS (continued)

	Number of share options for 2008								
Grantees	At 1.1.2008	Granted during the year *(Note h)*	Cancelled during the year	Exercised during the year *(Note i)*	Date of exercise	At 31.12.2008	Date of grant *(Note c)*	Exercise period	Exercise price per share 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	–	–	–	400,000 *(Note j)*	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	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			
Exercisable at year end						317,344,000			
Weighted average exercise price	0.493	0.864	Not applicable	0.740		0.610			

45. 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.13/7/2009) on which the share options of the Company were granted to certain employees of the Company and the Group respectively was HK$0.67.

b. The weighted average closing price of the shares on the trading days immediately before the dates (7/5/2009, 8/5/2009, 12/5/2009, 2/6/2009, 27/7/2009, 29/7/2009, 6/8/2009, 2/11/2009) on which the share options of the Company were exercised was HK$0.60.

c. 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 notes (f) and (j) below.

d. The 1,500,000 share options were cancelled during the year ended 31 December 2009 due to the resignation of an employee.

e. The exercise period of 3,000,000 outstanding options held by an employee who is reclassified as the other eligible participant under the 2002 Scheme was changed from 28/1/2008 to 27/1/2018 to 28/1/2008 to 31/12/2011 by the approval of the board of directors on 31 December 2009.

f. 7,500,000 share options have a vesting period from the date of grant to 31 December 2009 and 10,000,000 share options have a vesting period from the date of grant to 31 December 2010.

g. The 7,652,000 outstanding options held by an eligible participant were cancelled during the year ended 31 December 2009.

h. 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.

i. 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.

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

During the year ended 31 December 2009, 25,000,000 share options were granted on 13 July 2009 in which 7,500,000 share options vested immediately ("Option A") and 7,500,000 share options were vested during the period from 13 July 2009 to 31 December 2009 ("Option B"), and 10,000,000 share options were vested during the period from 13 July 2009 to 31 December 2010 ("Option C"). 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 D") and 400,000 share options were vested with three-year vesting period from the date of grant ("Option E"). The fair value of the share options granted in 2009 determined at the date of grant using the Binomial Option Pricing Model (the "Binomial Model") was approximately HK$6,749,000 (2008: HK$26,896,000).

45. SHARE-BASED PAYMENT TRANSACTIONS (continued)

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

	13 July 2009 Option A	13 July 2009 Option B	13 July 2009 Option C	28 January 2008 Option D	28 January 2008 Option E
Closing price of the Company's shares at the grant date	HK$0.68	HK$0.68	HK$0.68	HK$0.80	HK$0.80
Exercise price	HK$0.68	HK$0.68	HK$0.68	HK$0.864	HK$0.864
Option life	10 years	10 years	10 years	10 years	10 years
Expected volatility	66.37%	66.37%	66.37%	66.37%	66.37%
Dividend yield	1.47%	1.47%	1.47%	1.25%	1.25%
Risk-free interest rate	2.372%	2.372%	2.372%	2.505%	2.505%

Expected volatility of the Company was 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. The variables and assumptions used in computing its 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.

46. RELATED PARTY TRANSACTIONS/BALANCES

Trading transactions/balances

In addition to balances detailed in notes 28 and 37 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.

46. RELATED PARTY TRANSACTIONS/BALANCES (continued)

Trading transactions/balances (continued)

	2009	2008
	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	**711**	3,118
Purchase 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 12 and 45, 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.

47. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period 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 2009	Attributable equity interest of the Group 2008	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
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
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$49,000,000	**100%**	100%	Manufacturing of steel cord
Vicwah Metal Products Company Limited	Hong Kong	4,000 ordinary shares of HK$100 each	**100%**	100%	Investment holding
Wei Hua 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.

47. PRINCIPAL SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, 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.

48. GOVERNMENT GRANTS

The amount includes an amount of approximately HK$88,484,000 (2008: Nil) unconditional grant from the local government of Tengzhou City, Shandong in the PRC. The management considered that the grant was a financial subsidy to the Group with no further related cost to be incurred.

In addition, an amount of approximately HK$7,617,000 (2008: HK$11,536,000) was granted and received from the local government of Jiaxing City, Zhejiang in the PRC as an incentive in relation to the compliance with the environmental regulations and technology advancement.

SUMMARY OF INVESTMENT PROPERTIES

Particulars of the investment properties held by the Group as at 31 December 2009 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, 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
"Casula"	Casula Investments Limited, a subsidiary of Shougang International
"Code"	the code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Company"/"Shougang Century"	Shougang Concord Century Holdings Limited, a company incorporated in Hong Kong with limited liability and 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
"EUR"	Euro, the lawful currency of the Eurozone
"Fair Union"	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
"GBP"	pound sterling, the lawful currency of the United Kingdom
"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
"JESC"	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
"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 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"	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 owned 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 main board of the 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 main board of the the Stock Exchange
"Steel cord"	manufacturing of steel cord for radial tyres
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TESC"	Tengzhou Eastern Steel Cord Co., Ltd., a company incorporated under the laws of the PRC and an indirect wholly owned subsidiary of the Company

"USD/US$"	United States dollars, the lawful currency of the United States of America
"Xinyu Iron"	Xinyu Iron & Steel Co., Ltd. 新余鋼鐵股份有限公司 (formerly known as Xinhua Metal Products Co., Ltd.), a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange
"%"	per cent.