Annual Report 2011

SHOUGANG CONCORD CENTURY HOLDINGS LIMITED

Stock Code : 103

CONTENTS

CORPORATE PROFILE

Shougang Concord Century Holdings Limited ("Shougang Century"; together with its subsidiaries, collectively the "Group") has been listed on the Stock Exchange since April 1992. Shougang HK, a wholly owned subsidiary of Shougang Corporation, and its controlled corporations, and Bekaert and Li Ka Shing Foundation are the substantial shareholders of Shougang Century.

The Group is primarily involved in the following activities:

1. manufacturing of steel cords for radial tyres
2. sales and processing and trading of copper and brass products
3. manufacturing of sawing wires

CORPORATE'S 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 tonnes annual production capacity in steel cord manufacturing
- be one of the top three independent manufacturers in China steel cord industry
- be one of the top five manufacturers in China sawing wire industry
- become a diversified metal product manufacturer capable of consistently purveying premium quality steel cords and sawing wire products

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Shaofeng *(Chairman)*
Yang Kaiyu *(Managing Director)*
Tang Cornor Kwok Kau
(Deputy Managing Director)
Zhang Zhong

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

NOMINATION COMMITTEE

Li Shaofeng *(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

Agricultural Bank of China
Bank of China
Bank of China (Hong Kong) Limited
CITIC Bank International 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 REGISTRAR

Tricor Tengis Limited
26th Floor, 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

COMPANY'S WEBSITE

http://www.shougangcentury.com.hk

WEBSITE FOR PUBLISHING LISTING RULES RELATED ANNOUNCEMENTS AND OTHER DOCUMENTS

http://www.irasia.com/listco/hk/sccentury/

HKEx STOCK CODE

103

LISTING DATE

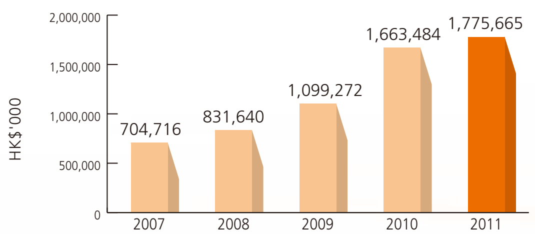
9 April 1992

FINANCIAL HIGHLIGHTS

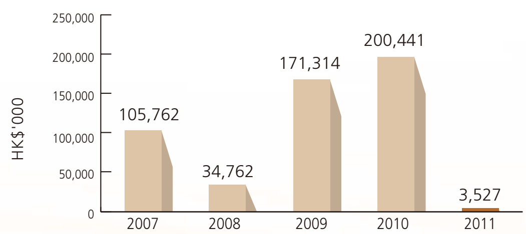
	For the year ended 31 December		
	2011	2010	**%**
	HK$'000	HK$'000	**Change**
Operations			
Revenue	**1,775,665**	1,663,484	**+6.7**
Gross profit	**164,700**	287,550	**–42.7**
Earnings before interest, tax, depreciation and amortization	**195,463**	415,376	**–52.9**
Profit for the year	**3,527**	200,441	**–98.2**
Earnings per Share (basic) (HK cents)	**0.18**	10.43	**–98.3**

	At 31 December		
	2011	2010	**%**
	HK$'000	HK$'000	**Change**
Financial position			
Total assets	**4,120,012**	3,767,274	**+9.4**
Shareholders' equity	**2,340,106**	2,251,968	**+3.9**
Net asset value per Share (HK$)	**1.22**	1.17	**+4.3**

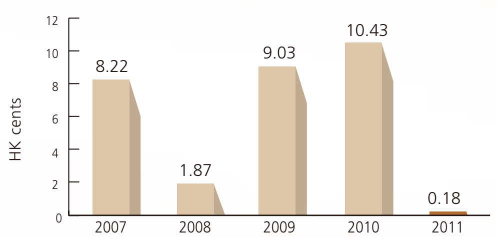
REVENUE



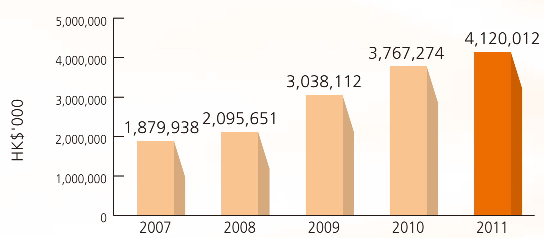
NET PROFIT



EARNINGS PER SHARE (BASIC)



TOTAL ASSETS



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 2011:	1,922,900,556 Shares
Market capitalization as at the last trading day of 2011:	HK$634,557,184
Closing share price as at the last trading day of 2011:	HK$0.33

Earnings per Share (basic) for 2011:

Interim	:	HK1.39 cents
Final	:	HK0.18 cents

KEY DATE

Closure of Register of Members for 2012 Annual General Meeting:	23 to 25 May 2012
2012 Annual General Meeting:	25 May 2012
Announcement of 2011 Final Results:	22 March 2012

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	:	26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong
Telephone	:	(852) 2980 1888
Fax	:	(852) 2810 8185
E-mail address	:	info@hk.tricorglobal.com
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 8222 2790
Fax:	(86) 573 8221 3500
Website:	http://www.jesc.com.cn
E-mail address:	jesc@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
Website:	http://www.tesc.com.cn
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
E-mail address:	hingcheong_m@ctimail.com

東莞興銅五金有限公司

Address:	San Zhong Jinlong Industrial Zone, Qingxi, Dongguan Guangdong Province, PRC
Postal code:	523660
Telephone:	(86) 769 8709 1818
Fax:	(86) 769 8709 1810
Website:	http://www.dgxtong.com

首長寶佳(上海)管理有限公司

Address:	16F, Shartex Plaza, No. 88 Zunyi Nan Road Shanghai, PRC
Postal code:	200336
Telephone:	(86) 21 6291 8806
Fax:	(86) 21 6291 8805

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Li Shaofeng, aged 45, 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, a wholly owned subsidiary of Shougang Corporation, in September 2003 and September 2007 respectively. At present, he holds directorship in certain wholly owned subsidiaries of the Company. In addition to above, he also is a non-executive director of Sinocop Resources (Holdings) Limited ("Sinocop Resources"), a Hong Kong listed company.

Mr. Li is currently the chairman and executive director of the Company and the chairman and executive director of each of Shougang Technology, Shougang Grand, Global Digital Creations Holdings Limited ("Global Digital"), the managing director of Shougang International and deputy managing director of China Shougang International Trade and Engineering Corporation and also re-designated as the vice chairman and managing director of Shougang HK since 10 May 2010. Besides, Mr. Li was appointed as the chairman and vice-chairman of the Nomination Committee and Remuneration Committee of the Company respectively.

With effect from 20 October 2011, Mr. Li was appointed as the chairman and executive director of Shougang Fushan Resources Group Limited ("Shougang Fushan") (formerly known as "Fushan International Energy Group Limited"), a listed company in Hong Kong. He also acts as an alternate director to Mr. Cao Zhong of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange with effect from 7 November 2011. In all, Mr. Li has extensive experience in management of, and investments in, 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 is entitled to receive a HK$250,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Li with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yang Kaiyu, aged 50, was appointed as the deputy general manager of the Company on 15 July 2008 and re-designated as the deputy managing director and managing director on 10 May 2010 and 1 April 2011 respectively. At present, he holds directorship in certain wholly owned subsidiaries of the Company. He holds a Bachelor Diploma in Engineering Mechanics from Shanghai Jiao Tong University and a Master Degree in Industry Management and Engineering from The Katholieke Universiteit Leuven in Belgium. He also had attended the General Management Development and Operation Management Programs organised by INSEAD, France and Creative Leadership Development Programme organized by CCL Institute, the United States. Mr. Yang has over 15 years of experience in operation management and worldwide procurement in steel wire and steel cord industries. Prior to joining the Company, he held various positions in Bekaert Group, a substantial shareholder of the Company within the meaning of Part XV of the SFO, since 1993.

Other than his directorship disclosed above, Mr. Yang 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, Mr. Yang's spouse beneficially owns 3,596,000 Shares within the meaning of Part XV of the SFO. In addition, he has a personal interest of 18,000,000 underlying Shares attached to the share options granted by the Company. A service contract was entered into between Mr. Yang and the Company for a term commencing from 10 May 2010 and ending on 31 December 2012. 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). However, he is also subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. Mr. Yang is entitled to receive a HK$220,000 monthly salary at present under his service contract with the Company. 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 69, was appointed a non-executive director of the Company in 1995. He also serves as the vice-chairman of the Nomination Committee of the Company. With effect from 1 April 2012, he will cease to be the chairman but will remain as a member of the Remuneration Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Technology, Shougang Grand, Global Digital and Shougang Fushan. Mr. Leung holds a Master Degree in Business Administration from New York State University and has over 40 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 Group. 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 2011. However, he will also be subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. He will receive a director's fee as the Company may determine from time to time. At present, he receives a director's fee of HK$190,000 per annum. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Tang Cornor Kwok Kau, aged 51, 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 10,000,000 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 is entitled to receive a HK$165,000 monthly salary at present under his service contract with the Company. The service contract may be terminated by either party by giving to other party not less than three months' notice without payment of any compensation (other than statutory compensation). There is no specified or proposed length of service for Mr. Tang with the Company as he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. The emoluments of Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

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

Mr. Zhang Zhong, aged 50, Mr. Zhang achieved a Master Degree in Sciences, Physics and an Executive Master of Business Administration from Université de Toulouse, France and Hautes Etudes Commerciale, Paris, France respectively. He also obtained his title of Civil Engineer from Ecole des Mines de Paris, France. In addition, he had attended the Advanced Management Program organized by Wharton School, University of Pennsylvania, USA. Mr. Zhang was appointed as an executive director of the Company on 15 December 2010. He is currently general manager of Steelcord North Asia in Bekaert Group. Prior to joining Bekaert, he had held senior management positions of several reputable European companies such as Schneider Electric and Saint Gobain. At present, Mr. Zhang acts as an independent director of Guangzhou Tech-Long Packing Machine Co., Ltd., a limited company whose shares are listed on the Shenzhen Stock Exchange. Besides, he is an adviser to French External Trade Board and a member of Young President Organization. In all, Mr. Zhang has over 25 years of experience in operations, general management and business development.

Other than his directorship disclosed above, Mr. Zhang 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 Group. 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. Zhang 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Yip Kin Man, Raymond, aged 65, was appointed as the independent non-executive director of the Company in 1993. He serves as the chairman of the Audit Committee and a member of the Nomination Committee of the Company. With effect from 1 April 2012, he (an existing member of the Remuneration Committee) will be appointed as the chairman of the Remuneration Committee of the Company. Mr. Yip was also appointed as the independent non-executive director of Shougang Grand in January 2007. 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 Group, and is independent of and not connected with the Directors, chief executives and substantial shareholders or controlling shareholders of the Company 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 2011. 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 49, Mr. Law is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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, Nomination Committee and Remuneration Committee of the Company in April 2005. Apart from this, he also acted as the independent non-executive director of China Boon Holdings Limited, a listed company in Hong Kong from 10 June 2009 to 15 December 2011. 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 substantial 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 Group, and is independent of and not connected with the Directors, chief executives and substantial shareholders or controlling shareholders of the Company 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 2011. 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.

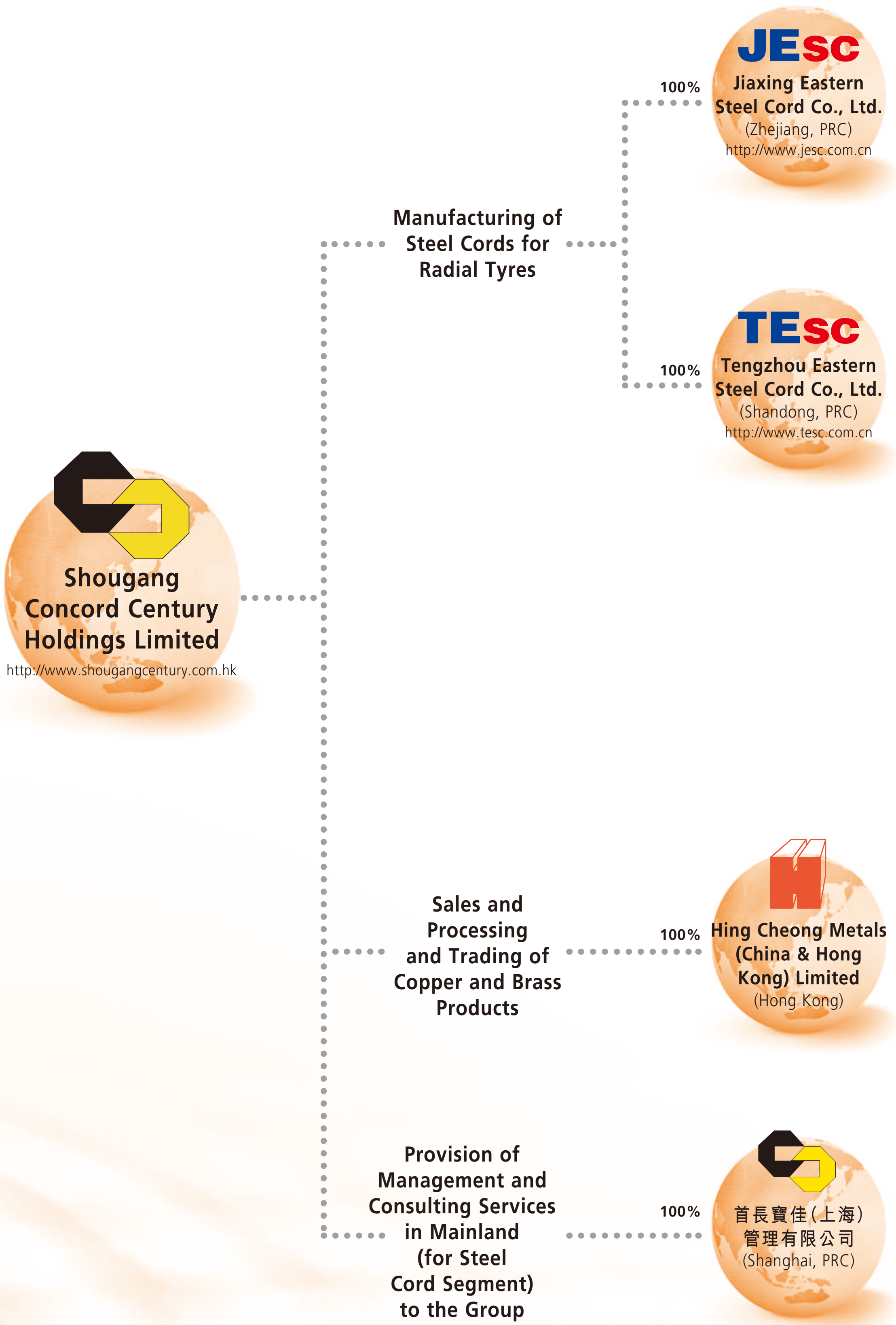
Mr. Chan Chung Chun, aged 52, Mr. Chan is a fellow member and an associate member of the HKICPA and The Australian Society of Certified Practising Accountants respectively. Mr. Chan holds a Bachelor Degree in Commerce from James Cook University of North Queensland and a Master Degree in Commerce from 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, Nomination Committee and 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 Resources.

Other than the directorship disclosed above, Mr. Chan has not previously held any position with the Group, and is independent of and not connected with the Directors, chief executives and substantial shareholders or controlling shareholders of the Company 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 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 2011. 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 22 March 2012



CHAIRMAN'S STATEMENT

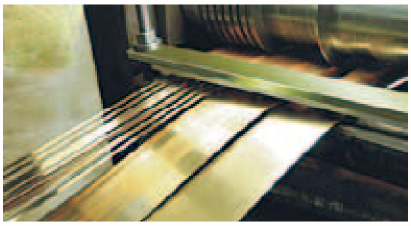
Dear Shareholders,

RESULTS FOR THE YEAR

Year 2011 certainly marked a very challenging year for the Group's corporate history. During the year under review, uncertainties have loomed over the global economy. The weakened United States economy and the prolonged European sovereign debt crisis are believed to be culprits to the world's financial instability which continues to drag down the global economic growth. Further, the PRC implemented a series of monetary policies and administrative restrictions to hedge against China's overheating economy in year 2011. The tightening effect of these policies caused many PRC domestic manufacturing enterprises, including some of our tyre manufacturing customers to delay payments. On top of that, we also suffered from increasing raw material costs and sluggish demand in the automobile industry. The overall market condition during this financial year was significantly deteriorated. As a result, the Group's profit margin of Steel cord segment was lowered substantially. The performance of our Copper and brass products segment also adversely affected due to the prolonged uncertainties in the global economy during the year.

In view of the above stringent dampening factors, we managed to record a net profit of HK$3,527,000 for the year, representing a discernible decrease of 98.2% when compared to that of the previous year. The Group's revenue increased by 6.7% over that of the previous year from HK$1,663,484,000 to HK$1,775,665,000. Earnings per Share amounted to HK0.18 cents, a corresponding decrease of 98.3% when compared with that of in 2010. Net asset value per Share was increased by 4.3% to HK$1.22.

BUSINESS DEVELOPMENT



Our Steel cord segment has, on one hand, continued to put great effort in research and development so as to enhance the stability and quality of steel cord products and on the other hand, to grasp more market shares by developing and expanding its export market during the year under review. As a result, export sales volume of steel cords significantly increased by 92.2% to 12,055 tonnes when compared to that of the previous year. Despite the abrupt slowdown in the photovoltaic sector in the latter half of 2011, we have decided to allocate reasonable resources on the further development of sawing wire products to broaden its range and hence, sales volume of sawing wires achieved a remarkable growth when compared with that of last year.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2011.

LOOKING AHEAD

Despite improving economic indicators coming from the United States, stabilizing European debt crisis and relaxing of PRC's monetary policy, we believe there remains strong head wind ahead. Intensive competition is expected to restrain our average selling price while costs of production have not exhibited substantial decrease to date. Hence, in order to contain further erosion on our profit margin, we will implement a series of cost cutting and productivity enhancement measures while continue to allocate funding for research and development as well as ascending our penetration to the export markets. The Board is confident that with the above measures, continual caution on receivable collection and working capital management, the Group is able to maintain its sustainability in a morose business milieu.

ACKNOWLEDGEMENTS

Taking this opportunity, my gratitude goes to all the management members and staffs, whose dedication and commitment have helped us to sail through this difficult period.

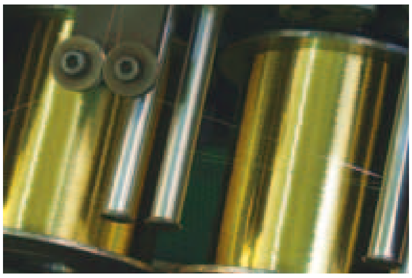
2012 is 20th anniversary of Shougang Century since it was listed on the Stock Exchange in 1992. My heartfelt thanks go to many of whom have been my co-workers for the past and together, we have built Shougang Century.

By order of the Board

Li Shaofeng
Chairman
Hong Kong
22 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW



The Group experienced a difficult period in the year of 2011. As affected by the prolonged sovereign debt crisis in Europe, global economic performance remained weak during the year. In the PRC, economic growth slowed down as the Central Government implemented tight financial and monetary policies to curb soaring inflation throughout the year. Overall economic activities curtailed by these measures as the supply of credit and financial resources was limited. Furthermore, the tyre industry in the PRC also suffered from undulating raw material costs and lower demand from the automobile and transportation sectors. These factors translated to a softened demand of steel cords whilst intensified competition pushed down the selling price of steel cords. Due to these negative factors, the Steel cord segment recorded a significant decline in profit for the year.

In respect of the Copper and brass products segment, demand from overseas countries, especially those of the Euro Zone and the United States, weakened as their economies continued to be tethered by the debt crisis and the aftermath of the financial tsunami in 2008 respectively. As such, this segment recorded lower export sales for the year under review. On the other hand, the significant drop in copper price after the downgrade of credit rating of the United States government had a severe impact to the gross profit of this segment in the second half year. Attributed to lower sales and decreased gross profit margin, this segment recorded a substantial decrease in profit as compared to that of the previous year.

In view of the foregoing, the Group recorded net profit of HK$3,527,000 for the year, significantly decreased by 98.2% from HK$200,441,000 for the previous year. Further details are discussed on '**FINANCIAL REVIEW**' section below.

Steel cord

Overall performance

The performance of this segment was negatively affected by decreased selling price of steel cords, which was attributable to weakened demand in the PRC and intense market competition in the industry, and higher material and operating costs. On the other hand, the decline in profit of this segment for the year was also attributable to the increased sales and marketing expenses, the establishment of our management company in Shanghai to consolidate our various operating functions (including sales and marketing, finance, human resources, and procurement) of JESC and TESC with a view to streamline our business operations in the PRC and enhance operating efficiency; and increased expenditure on research and development which we view them as an investment for our long term sustainability but nonetheless affected our bottom line in the near term.

Although the overall performance of steel cord sales was below our expectation, this segment achieved significant progress in two aspects: (1) Export sales of steel cords significantly increased by 92.2% over that of the previous year, reflecting the increased recognition of our steel cords by multinational tyre companies; and (2) In respect of the development of sawing wire (which is used in the solar energy sector) business, it achieved significant progress during the year. Sales of half products (brass wire for the manufacture of sawing wires) of sawing wires were increased significantly by 261.7% as compared to that of the previous year whereas sales of final products of sawing wires commenced in the second quarter of the year.

Owing to the lackluster performance of steel cords, the operating profit of this segment declined by 79.3% over that of the previous year to HK$57,088,000 (2010: HK$276,069,000) for the year.

Revenue

This segment achieved an increase in sales volume of steel cords by 10.2% over that of the previous year to 93,409 tonnes (2010: 84,778 tonnes) for the year. Regarding our new business of manufacturing of sawing wires, with increased investments in developing and perfecting the technology, this segment achieved a remarkable growth in sales of half product and final product for the year under review. Sales of 1,078 (2010: 298) tonnes of half products and 30 (2010: Nil) tonnes of final products of sawing wires were achieved during the year under review. The analysis of sales volume of this segment is as follows:

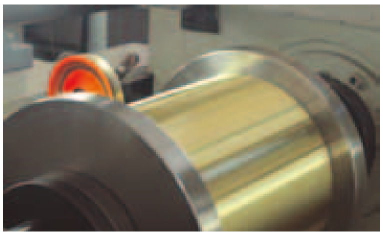
	2011		2010		
	Sales volume (Tonne)	**% of total sales volume of steel cords**	Sales volume (Tonne)	% of total sales volume of steel cords	**% change**
Steel cords for:					
– truck tyres	**66,996**	**71.7**	65,750	77.6	**+1.9**
– off the road truck tyres	**3,363**	**3.6**	2,133	2.5	**+57.7**
– passenger car tyres	**23,050**	**24.7**	16,895	19.9	**+36.4**
Total for steel cords	**93,409**	**100.0**	84,778	100.0	**+10.2**
Sawing wires:					
– half product	**1,078**		298		**+261.7**
– final product	**30**		–		**N/A**
Total for sawing wires	**1,108**		298		**+271.8**
Other steel wires	**279**		119		**+134.5**
Total	**94,796**		85,195		**+11.3**

Export sales volume of steel cords amounted to 12,055 tonnes for the year, significantly increased by 92.2% over that of the previous year; and its percentage of total sales volume of steel cords increased from 7.4% in the previous year to 12.9%. Please see the breakdown as follows:

	2011		2010		
	Sales volume (Tonne)	**% of total sales volume of steel cords**	Sales volume (Tonne)	% of total sales volume of steel cords	**% change**
Domestic	**81,354**	**87.1**	78,506	92.6	**+3.6**
Export	**12,055**	**12.9**	6,272	7.4	**+92.2**
Total	**93,409**	**100.0**	84,778	100.0	**+10.2**

The sales volume contributed by the two manufacturing plants, JESC and TESC in the year under review is as follows:

	JESC (Tonne)	**TESC (Tonne)**	**Total for 2011 (Tonne)**	2010 (Tonne)	**% change**
Steel cords for:					
– truck tyres	**45,740**	**21,256**	**66,996**	65,750	**+1.9**
– off the road truck tyres	**3,363**	**–**	**3,363**	2,133	**+57.7**
– passenger car tyres	**18,161**	**4,889**	**23,050**	16,895	**+36.4**
Total for steel cords	**67,264**	**26,145**	**93,409**	84,778	**+10.2**
Sawing wires:					
– half product	**743**	**335**	**1,078**	298	**+261.7**
– final product	**30**	**–**	**30**	–	**N/A**
Total for sawing wires	**773**	**335**	**1,108**	298	**+271.8**
Other steel wires	**42**	**237**	**279**	119	**+134.5**
Total	**68,079**	**26,717**	**94,796**	85,195	**+11.3**
Sales volume for 2010	70,069	15,126	85,195		
% change	**–2.8%**	**+76.6%**	**+11.3%**		



In respect of the average selling price of steel cords, it dropped by 8.3% as compared to that of the previous year to RMB11,754 (2010: RMB12,815) per tonne for the year principally due to (1) sales volume of steel cords for passenger car tyres (whose selling price is the lowest amongst the three types of steel cords) increased from 19.9% of total sales volume in the previous year to 24.7%, reflecting higher demand for passenger car tyres as compared to that of truck tyres; and (2) intensified market competition throughout the year.

The sales of half product and final product of sawing wires generated HK$33,000,000 of revenue to this segment. This, together with the increase in sales volume of steel cords, contributed to the growth in revenue of this segment by 8.3% over that of the previous year to HK$1,359,044,000 (2010: HK$1,255,043,000) for the year.

Gross profit

Gross profit of this segment declined by 43.8% over that of the previous year to HK$151,403,000 (2010: HK$269,272,000) for the year. Gross profit margin substantially dropped from 21.5% in the previous year to 11.1% for the year. The breakdown is as follows:

	2011		2010		
	HK$'000	**Gross profit margin (%)**	HK$'000	Gross profit margin (%)	**% change**
JESC	**134,806**	**13.5**	293,349	28.1	**–54.0**
TESC	**13,811**	**3.6**	(26,447)	–12.0	**N/A**
Others and elimination of intercompany sales	**2,786**	**N/A**	2,370	N/A	**+17.6**
Total	**151,403**	**11.1**	269,272	21.5	**–43.8**

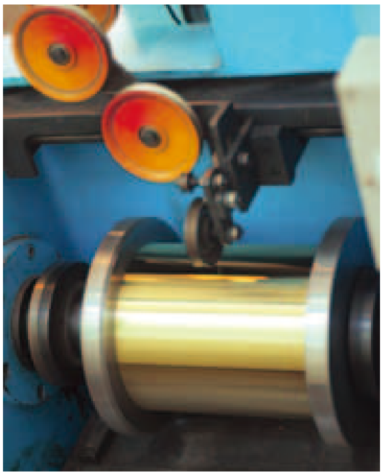
The decrease in gross profit was primarily attributable to the following factors:

1. The drop in average selling price of steel cords by 8.3% as mentioned above; and

2. The increase in production costs of steel cords, in particular, the cost of wire rods (the core material for manufacturing of steel cords) increased by approximately 9.3% over that of the previous year.

We are encouraged to see that TESC recorded gross profit of HK$13,811,000 for the year, as compared to gross loss of HK$26,447,000 for that of the previous year.

Investment and other income



Investment and other income decreased by 74.8% as compared to that of the previous year to HK$22,612,000 (2010: HK$89,809,000) for the year, as the amount of government grants received during the year significantly decreased by 80.1% as compared to that of the previous year to HK$16,188,000 (2010: HK$81,254,000).

Distribution and selling expenses

Distribution and selling expenses increased by 68.0% over that of the previous year to HK$46,555,000 (2010: HK$27,717,000) for the year, as increased costs were incurred on (1) the strengthening of marketing and sales of new steel cord products; and (2) development of new market (including export market) for steel cords as well as the new products of sawing wires.

Administrative expenses and research and development expenses

Administrative expenses amounted to HK$45,601,000 for the year, slightly increased by 0.2% as compared to HK$45,509,000 for that of the previous year.

Research and development expenses amounted to HK$20,591,000 (2010: HK$15,954,000), increased by 29.1% over that of the previous year, as additional expenses were incurred on the development of high-end steel cords and sawing wires during the year.

Copper and brass products

Overall performance

The operating performance of this segment was negatively impacted by the stagnant economic performance in the developed countries and the increased volatility in the movement of copper price since the downgrade of credit rating of the government of the United States and the Euro sovereign debt crisis in the third quarter. As such, this segment recorded a significant drop in operating profit of 55.2% over that of the previous year to HK$3,940,000 (2010: HK$8,786,000) for the year.

Revenue

The sales volume of this segment was 7,176 tonnes for the year, dropped by 8.3% as compared to 7,822 tonnes for the previous year. The lower sales were attributable to the decline in sales outside mainland China of 26.1% as compared to that of the previous year. Nonetheless, we are delighted to see sales to mainland China, being the largest user of copper, increased by 14.5% over that of the previous year. The breakdown of sales volume by geographical location is as follows:

	2011		2010		
	Sales volume (Tonne)	**% of total sales volume**	Sales volume (Tonne)	% of total sales volume	**% change**
Mainland China	**3,939**	**54.9**	3,441	44.0	**+14.5**
Other regions	**3,237**	**45.1**	4,381	56.0	**–26.1**
Total	**7,176**	**100.0**	7,822	100.0	**–8.3**

Average selling price was HK$61,360 per tonne for the year, increased by 13.9% as compared to HK$53,875 per tonne in 2010. The increase in average selling price counteracted the drop in sales volume and therefore this segment achieved an increase in revenue of 4.5% over that of the previous year to HK$440,302,000 (2010: HK$421,406,000) for the year.

Gross profit

Although revenue of this segment increased by 4.5% over that of the previous year, gross profit decreased by 27.1% over the previous year to HK$12,708,000 (2010: HK$17,435,000) for the year, which was primarily attributable to the prolonged drop in copper price since the third quarter of the year. Gross profit margin dropped from 4.1% in the previous year to 2.9% for the year.

Listed available-for-sale investments

The Group completed the disposal of the entire interests in 'A' shares of Xinyu Iron in 2010 and therefore it did not record any gain on disposal of listed available-for-sale investments for the year under review. In the previous year, the Group disposed of the remaining 4,966,141 'A' shares of Xinyu Iron and recorded a gain of approximately HK$30,084,000 on those disposals.

FINANCIAL REVIEW

The Group recorded net profit of HK$3,527,000 for the year, sharply decreased by 98.2% as compared to HK$200,441,000 for that of the previous year. In addition to the drop in gross profit of Steel cord segment as discussed in '***Gross Profit***' section on '**Steel Cord**' above, the lower profit was also attributable to the increase in distribution and selling expenses; research and development expenses and interest expenses of Steel cord segment. The increase in such expenses was to expedite the business development of Steel cord segment, including the sales and marketing development for new products and markets of steel cords and for establishment of new business for sawing wires. We believe the expenses incurred would enable the Steel cord segment to establish a solid foundation for its future business growth and translate into higher profitability in the future.

Revenue

Revenue of the Group increased by 6.7% over that of the previous year to HK$1,775,665,000 (2010: HK$1,663,484,000) for the year. The breakdown of revenue by business segments is as follows:

	2011		2010		
	HK$'000	**% of total revenue**	HK$'000	% of total revenue	**% change**
Steel cord	**1,359,044**	**76.5**	1,255,043	75.4	**+8.3**
Copper and brass products	**440,302**	**24.8**	421,406	25.3	**+4.5**
Sub-total	**1,799,346**	**101.3**	1,676,449	100.7	**+7.3**
Elimination of inter-segment sales	**(24,417)**	**(1.4)**	(17,041)	(1.0)	**+43.3**
Other operations (Note)	**736**	**0.1**	4,076	0.3	**–81.9**
Total	**1,775,665**	**100.0**	1,663,484	100.0	**+6.7**

Note: Mainly comprises trading of other metal products and property investment.

Gross profit

Gross profit of the Group decreased by 42.7% over that of the previous year to HK$164,700,000 (2010: HK$287,550,000). Gross profit margin was 9.3%, significantly declined by 8 percentage points as compared to 17.3% for that of the previous year, primarily attributable to the drop in gross profit margin of Steel cord segment. The breakdown of gross profit by business segments is as follows:

	2011		2010		
		Gross profit		Gross profit	
	HK$'000	**margin (%)**	HK$'000	margin (%)	**% change**
Steel cord	**151,403**	**11.1**	269,272	21.5	**–43.8**
Copper and brass products	**12,708**	**2.9**	17,435	4.1	**–27.1**
Other operations	**589**	**80.0**	843	20.7	**–30.1**
Total	**164,700**	**9.3**	287,550	17.3	**–42.7**

Investment and other income

Investment and other income significantly decreased by 73.8% as compared to that of the previous year to HK$23,793,000 (2010: HK$90,763,000) for the year, primarily because of the amount of government grants received lowered by 79.4% over that of the previous year.

Other gains and losses

The Group recorded net gain of HK$28,030,000 for the year, decreased by 51.8% as compared to HK$58,184,000 for that of the previous year, which was mainly because the Group did not have any gain on disposal of listed available-for-sale investments for the year albeit the Group recorded exchange gain of HK$33,983,000 for the year, significantly increased by 70.7% over that of the previous year. Such exchange gain arose was primarily due to the effect of appreciation of RMB exchange rate by approximately 4.6% against HKD over the year on the Group's HKD and USD denominated bank borrowings. The breakdown of other gains and losses is as follows:

	2011 HK$'000	2010 HK$'000	**% change**
Foreign exchange gains, net	**33,983**	19,904	**+70.7**
Increase in fair value of investment properties	**3,281**	5,097	**–35.6**
Reversal of revaluation deficit of leasehold land and buildings	**630**	655	**–3.8**
Allowance for bad and doubtful debts (recognised) reversed	**(10,276)**	1,870	**N/A**
Gain on disposal of listed available-for-sale investments	**–**	30,084	**–100.0**
Others	**412**	574	**–28.2**
Total	**28,030**	58,184	**–51.8**

Distribution and selling expenses

Distribution and selling expenses increased by 76.4% over that of the previous year to HK$49,955,000 (2010: HK$28,326,000) for the year, as additional expenses were incurred by Steel cord segment during the year.

Administrative expenses and research and development expenses

Administrative expenses of the Group amounted to HK$84,393,000 (2010: HK$100,736,000) for the year, decreased by 16.2% as compared to that of the previous year. As revenue of the Group increased by 6.7% over that of the previous year, the ratio of administrative expenses to revenue lowered from 6.1% in the previous year to 4.8% for the year.

Research and development expenses of the Group amounted to HK$20,591,000 for the year, higher by 29.1% as compared to HK$15,954,000 for the previous year, as additional expenses were incurred by the Steel cord segment during the year.

Segment results

Profit from the Group's business segments amounted to HK$61,028,000 for the year, declined by 78.6% as compared to HK$284,855,000 for the previous year. The breakdown of the operating results of the Group's business segments is as follows:

	2011 HK$'000	2010 HK$'000	**% change**
Steel cord			
– Core operating profit	**40,900**	194,815	**–79.0**
– Government grants	**16,188**	81,254	**–80.1**
Sub-total for Steel cords	**57,088**	276,069	**–79.3**
Copper and brass products	**3,940**	8,786	**–55.2**
Total	**61,028**	284,855	**–78.6**

Finance costs

Finance costs amounted to HK$47,899,000 for the year, increased by 47.1% as compared to HK$32,559,000 for the previous year. Such increase in finance costs arose attributable to (i) the raising of additional bank borrowings to finance the capacity expansion plan of the Steel cord segment, in particular the expansion of the production capacity of TESC to 100,000 tonnes per annum since the second half of 2009; and (ii) the increase in borrowing rates in the PRC during the year.

Income tax expenses

Income tax expenses of the Group decreased by 82.6% as compared to that of the previous year to HK$10,158,000 (2010: HK$58,481,000) for the year, primarily as the profit of the Steel cord segment dropped as compared to that of the previous year.

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 Shareholders. It is imperative to maintain the debt and equity ratio of the Group at a secure and manageable level.

During the year, 600,000 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 1,922,300,556 shares at 31 December 2010 to 1,922,900,556 shares at 31 December 2011. The net asset value of the Group was HK$2,340,946,000 at 31 December 2011, increased by 3.9% as compared to HK$2,252,808,000 at the end of 2010; and net asset value per Share increased by 4.3% over the end of 2010 to HK$1.22 per Share at 31 December 2011.

The Group's bank balances and cash amounted to HK$154,956,000 at 31 December 2011, lowered by 43.9% as compared to HK$276,448,000 at the end of 2010. Total bank borrowings of the Group were HK$1,338,447,000 at 31 December 2011, increased by 10.1% as compared to HK$1,215,255,000 at the end of 2010.

At 31 December 2011, HK$1,102,951,000 of bank borrowings were floating-rate borrowings, while HK$235,496,000 of bank borrowings were collared at rate ranging from 1.31% to 9.84% per annum. The nature and maturity profile of the Group's bank borrowings at 31 December 2011 based on contracted repayment schedules were as follows:

	HK$'000	% of total bank borrowings
Due within one year or on demand:		
– Trust receipt loans	59,443	4.4
– Bank advances for discounted bills	12,818	1.0
– Working capital loans	203,940	15.2
– Current portion of medium term loans	418,019	31.2
	694,220	51.8
Medium term loan		
– Due in the second year	359,520	26.9
– Due in the third year	125,808	9.4
– Due in the fourth year	166,523	12.4
	1,346,071	100.5
Unamortized loan arrangement and management fees	(7,624)	(0.5)
Total	1,338,447	100.0

As a result of the increased bank borrowings during the year to finance the capacity expansion plan of the Steel cord segment and working capital requirements, the gearing ratio (bank borrowings less bank balances and cash/shareholders' equity) of the Group increased from 41.7% at the end of 2010 to 50.6% at 31 December 2011.

Regarding liquidity position of the Group, current ratio of the Group at 31 December 2011 was 1.4 times, as compared to 1.5 times at the end of 2010. When the classification of bank borrowings in the consolidated statement of financial position was based on contracted repayment schedules, current ratio of the Group at 31 December 2011 would be 1.6 times, though lower than 2.2 times at 31 December 2010, we considered them still at a healthy and manageable level.

FOREIGN CURRENCY AND INTEREST RATE EXPOSURES

The Group's sources of revenue are principally denominated in RMB and HKD, while purchases and payments are concentrated on RMB, HKD and USD. Under this circumstance, the Group shall mainly raise borrowings in these currencies to minimize the risk of significant mismatch between the sources of revenue with bank borrowings, while endeavored to take advantage of the lower borrowing rates of HKD and USD as compared to those of the RMB. As at 31 December 2011, the currency breakdown of the Group's bank borrowings was as follows:

	At 31 December	
	2011	2010
	%	%
HKD	**41.4**	55.5
RMB	**40.7**	27.9
USD	**17.9**	16.6
Total	**100.0**	100.0

In respect of exposure to interest rate risk, even though the majority of the bank borrowings are at floating rate, the Group had not entered into any interest rate swaps to contain any upside risks on interest rate to the profit and cashflows of the Group, as we were of the view that interest rate would sustain at a relatively low level for a considerable period of time.

In all, we would keep monitoring the currency and interest rate composition of the Group's 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

The installation and commissioning of the plant and machineries for the remaining 30,000 tonnes of annual production capacity of TESC were completed during the year under review. With the continual effort in research and development in 2010 coupled with stabilization of quality of half products in the first half year, this segment also completed the installation of machineries with annual production capacity of 1,600 tonnes of sawing wires by the end of the year.

Capital expenditures incurred by the Steel cord segment during the year amounted to HK$406,307,000. The capital expenditures to be incurred in 2012 are estimated to be approximately HK$21,429,000, which will be primarily financed by the Group's internal resources.

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME OF THE GROUP

At 31 December 2011, the Group had a total of 2,359 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 consolidated income statement for the year amounted to approximately HK$16,778,000. 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 and will expire on 6 June 2012. Hence, the Board has decided to propose to terminate the Scheme and adopt a new share option scheme of the Company subject to the approval of Shareholders at the forthcoming annual general meeting. During the year, 600,000 share options to subscribe for Shares and 3,000,000 share options were exercised and cancelled respectively.

PLEDGE OF ASSETS

At 31 December 2011, 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$7,750,000;

2. Prepaid lease payments amounted to HK$91,916,000; and

3. Equity interests in certain subsidiaries of the Company.

BUSINESS OUTLOOK

2012 will continue to be an uncompromising year for the Group albeit the United States has shown gradual reprieve on its key economic indicators, the European Union has appeared to moderate the impact of the sovereign debt crisis and that the Central Government of the PRC, our principal market, has promulgated a relaxation on its monetary policy. However, at 2012 NPC and CPPCC Sessions, Premier Wen Jiabao has cut this year's economic growth target to an eight-year low of 7.5 per cent, a move which will enable the Government to focus on economic rebalancing and defusing price pressures amid global uncertainty. Hence, competition is expected to persist and costs of production will continue to be challenging despite they might not be as acute as in 2011. In order to contain the impact on our margin by the abovementioned factors, the Group has implemented a host of measures including but not limited to energy and product packaging savings. To redress the net operating cash outflow situation in 2011, the Group will also strengthen its receivable collection effort and work with its suppliers and bankers to further enhance its cash and working capital position. While we are using our best endeavors to minimize costs and hoard cash, we will continue to invest in our research and development as well as marketing activities to ascend our market positioning and penetration particularly in the export markets.

CORPORATE GOVERNANCE REPORT

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

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 2011, except for deviations from code provisions A.1.1 and A.2.1 of the Code which are explained under the headings "**THE BOARD**" and "**CHAIRMAN AND MANAGING DIRECTOR**" below.

For further improvement on corporate governance practices, the Company has also adopted the Continuous Disclosure Obligation Policy on 28 March 2011 which is to help and provide guidance to the Directors and employees of the Group to fulfill their obligations under the Listing Rules while allowing them to actively inform the market of Company developments as well as how to make their judgment as to what is price-sensitive information and when disclosure is required.

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 2011.

THE BOARD

The Board currently consists of eight members, including four executive Directors (namely Messrs. Li Shaofeng, Yang Kaiyu, Tang Cornor Kwok Kau and Zhang Zhong), a non-executive Director (namely Mr. Leung Shun Sang, Tony) and three independent non-executive Directors (namely Messrs. Yip Kin Man, Raymond, Law, Yui Lun and Chan Chung Chun). The Directors' biographical details are set out on pages 7 to 14 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 Shareholders as a whole. Also, the Board has three independent non-executive Directors which represents more than 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 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. Mr. Yip Kin Man, Raymond has served the Board for more than nine years, however, he has not engaged in any executive management of the Group. His familiarity with the Company's business may place him in a better position to contribute independent views to the Company. Taking into consideration of his independent scope of works in the past years, there is no evidence that length of tenure is having an adverse impact of his independence. The Board therefore considers that Mr. Yip remains independent for re-election at the forthcoming annual general meeting. 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.

During the year under review, the Company held three regular board meetings instead of holding at least four regular board meetings a year as required under the code provision A.1.1 of the Code. However, the three regular board meetings have achieved active participation of Directors and all Directors had shown their high attendance rate of the three board meetings during the year. Nevertheless, the Board will try its best to hold four regular board meetings during the year of 2012. The details of Directors' attendance (including the board meetings, audit committee meetings, remuneration committee meetings, nomination committee meetings 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 Meetings**	**Annual General Meeting**
Li Shaofeng	3/3	N/A	2/2	2/2	1/1
Yang Kaiyu	3/3	N/A	N/A	N/A	1/1
Tong Yihui *(Note)*	1/1	N/A	N/A	N/A	1/1
Leung Shun Sang, Tony	3/3	N/A	2/2	2/2	1/1
Tang Cornor Kwok Kau	3/3	2/2	N/A	N/A	1/1
Zhang Zhong	2/3	N/A	N/A	N/A	1/1
Yip Kin Man, Raymond	3/3	3/3	2/2	2/2	1/1
Law, Yui Lun	3/3	3/3	2/2	2/2	1/1
Chan Chung Chun	3/3	3/3	2/2	2/2	1/1

Note: Mr. Tong Yihui retired from office by rotation at the annual general meeting of the Company held on 19 May 2011 and not offered himself for re-election.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director were not separated from January to March 2011. Mr. Li Shaofeng was the chairman and managing director of the Company. However, the roles of the Chairman and Managing Director are segregated and performed by Mr. Li and Mr. Yang Kaiyu respectively with effect from 1 April 2011 in order to comply with all the principles and the provision A.2.1 of the Code.

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 2011, 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. Li Shaofeng *(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 the remuneration of the managing Director after his re-designation, the consideration of extension of exercisable period of share options held by a retired executive Director, review and approval of the performance-based remuneration of executive Directors and recommendation of remuneration of non-executive Directors (including independent non-executive Directors) to the Board. The attendance record of the Remuneration Committee members is set out in the table: Attendance Record on page 34 of this report.

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Board has approved that Mr. Leung Shun Sang, Tony will cease to be the chairman of the Remuneration Committee of the Company and will remain as a member of the Remuneration Committee, and Mr. Yip Kin Man, Raymond, an existing member of the Remuneration Committee of the Company, will be appointed as the chairman of the Remuneration Committee with effect from 1 April 2012. In addition, the Company has also revised the terms of reference of the Remuneration Committee which was adopted on 22 March 2012.

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. Li Shaofeng *(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, two Nomination Committee Meetings were held and the works performed by the Nomination Committee included review and approval of the re-designation of an executive Director and the recommendation to the Board for approval of such re-designation, review of current structure, size and composition of the Board and the standard and procedures for nomination of new directors. The attendance record of the Nomination Committee members is set out in the table: Attendance Record on page 34 of this report.

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Company has revised the terms of reference of the Nomination Committee which was adopted on 22 March 2012.

Audit Committee

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

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

and its terms of reference are summarized as follows:

Relationship with the Company's external auditors

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

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

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

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

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

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

Review of financial information of the Company

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

(a) any changes in accounting policies and practices;

(b) major judgmental areas;

(c) significant adjustments resulting from audit;

(d) the going concern assumptions and any qualifications;

(e) compliance with accounting standards; and

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

vii) In regard to (vi) above:

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year under review, three Audit Committee Meetings were held and the attendance record of the Audit Committee members is set out in the table: Attendance Record on page 34 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 2011. 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 they can discharge their duties in relation to the Company's internal controls.

During the financial year of 2011, 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. The Audit Committee members had also reviewed certain areas of the internal control system and given advice to the management of the Company to further improve the internal control policy of the core subsidiaries of the Company, especially the risk management and the Board had adopted the recommendation of the Audit Committee members in such area.

In order to comply with the forthcoming amendments to the Listing Rules which will be effective on 1 April 2012, the Company has revised the terms of reference of the Audit Committee which was adopted on 22 March 2012.

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 be 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 2011, 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 2011 amounted to HK$1,240,000 for audit services and HK$360,000 for non audit services comprising fees for review of interim financial statements.

SHAREHOLDERS' RIGHTS

The Board recognizes the importance of effective communication with Shareholders. 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 2011 annual general meeting.

The procedures of 2011 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 of the meeting will explain the procedures for conducting a poll at the meeting and there will be sufficient time for Shareholders to raise their questions and opinions. After the conclusion of general meeting, Shareholders have opportunity to talk with any Executive Director face to face to learn more about the businesses of the Group, if appropriate.

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, as requested may meet with Shareholders, potential and institutional investors and research analysts. The management also will provide them with the information of the latest business development of the Group and answer their queries subject to the Company's Continuous Disclosure Obligation Policy. The corresponding presentation material is made available upon request, if appropriate.

In order to further promote a sound communication between the public, 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 to reflect the current business development of the Company. Also, the Company Secretarial Department of the Company will respond to the telephone enquiries and email or postages correspondences from Shareholders or investors in respect of various issues subject to the Company's Continuous Disclosure Obligation Policy. Any opinions, views and suggestions of Shareholders will be solicited and brought to the attention of the Board and management, if necessary.

During the year, the 2011 annual general meeting was held on 19 May 2011 to approve ordinary businesses of annual general meeting. The resolutions of annual general meeting were duly passed by way of poll.

In order to maintain candid and constructive communications with Shareholders and potential investors, and also comply with the forthcoming amendments to Listing Rules and the Codes with effect form 1 April 2012, the Company has devised and adopted relevant communication policy for them on 22 March 2012.

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.

On 30 May 2011, the Board has adopted the revised Internal Control Manual to improve and enhance the effectiveness and operational efficiency of the internal management and control system of the Company.

On 22 March 2012, the Board has adopted the corporate governance terms of reference and its respective terms are performed by Nomination, Remuneration and Audit Committees respectively.

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.

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

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 41 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 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 61 to 146.

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:

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**3,527**	200,441	171,314	34,762	105,762
TOTAL ASSETS	**4,120,012**	3,767,274	3,038,112	2,095,651	1,879,938
TOTAL LIABILITIES	**(1,779,066)**	(1,514,466)	(971,446)	(258,966)	(380,009)
	2,340,946	2,252,808	2,066,666	1,836,685	1,499,929
MINORITY INTEREST	**(840)**	(840)	(840)	(840)	(840)
SHAREHOLDERS' EQUITY	**2,340,106**	2,251,968	2,065,826	1,835,845	1,499,089

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 2011 are summarised on page 147 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company are set out in note 31 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 39 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 66 and 67 of this annual report and in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Companies Ordinance, amounted to HK$2,849,000.

DONATIONS

During the year, the Group did not make any charitable donations.

DIRECTORS

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

Li Shaofeng *(Chairman)*	(re-designated on 1 April 2011)
Yang Kaiyu *(Managing Director)*	(re-designated on 1 April 2011)
Tong Yihui *(Deputy Managing Director)*	(retired on 19 May 2011)
Leung Shun Sang, Tony *(Non-executive Director)*	
Tang Cornor Kwok Kau *(Deputy Managing Director)*	
Zhang Zhong *(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. Tang Cornor Kwok Kau, Leung Shun Sang, Tony and Yip Kin Man, Raymond will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. With the approval of the Board on 22 March 2012, Mr. Dong Haochun will become an Executive Director and Deputy Managing Director on 1 April 2012. Mr. Dong will retire from office and, being eligible, offer himself for re-election at the forthcoming annual general meeting in accordance with article 96 of the Articles.

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 39 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.

Mr. Yip Kin Man, Raymond has served the Board for more than nine years, however, he has not engaged in any executive management of the Group. His familiarity with the Company's business may place him in a better position to contribute independent views to the Company. Taking into consideration of his independent scope of works in the past years, there is no evidence that length of tenure is having an adverse impact of his independence. The Board therefore considers that Mr. Yip remains independent for re-election at the forthcoming annual general meeting.

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 39 to the financial statements.

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

As at 31 December 2011, save for the interest of the Directors in the Shares and share options of the Company set out as below, none of the Directors had any interests and short positions in the Shares, debentures or underlying Shares or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred therein or which were required to be disclosed herein pursuant to the Model Code.

Long position in Shares

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

Name of Director	Total number of Shares held	Approximate % of the issued share capital	Capacity in which interests are held
Li Shaofeng ("Mr. Li")	7,652,000	0.39	Beneficial owner
Yang Kaiyu ("Mr. Yang")	3,596,000	0.18	Family interest *Note (a)*
Leung Shun Sang, Tony ("Mr. Leung")	7,652,000	0.39	Beneficial owner
Tang Cornor Kwok Kau ("Mr. Tang")	10,000,000	0.52	Beneficial owner *Note (b)*

Notes:

(a) All those Shares were beneficially owned by Mr. Yang's wife.

(b) 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)

Long position in Shares (continued)

(b) Share options

As at 31 December 2011, there were a total of 98,438,000 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 outstanding 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 (a)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
Mr. Li	30,614,000 *Note (b)*	–	–	–	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		
	44,414,000	–	–		44,414,000				Beneficial owner	2.30
Mr. Yang	5,400,000	–	–	–	5,400,000	13/7/2009	13/7/2009 to 12/7/2019	0.680		
	5,400,000 *Note (c)*	–	–	–	5,400,000	13/7/2009	1/1/2010 to 12/7/2019	0.680		
	7,200,000 *Note (c)*	–	–	–	7,200,000	13/7/2009	1/1/2011 to 12/7/2019	0.680		
	18,000,000	–	–		18,000,000				Beneficial owner	0.93
Mr. Leung	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		
	16,592,000	–	–		16,592,000				Beneficial owner	0.86
Mr. Tang	10,000,000	–	–	–	10,000,000	28/1/2008	28/1/2008 to 27/1/2018	0.864	Beneficial owner	0.52
Zhang Zhong	2,000,000	–	–	–	2,000,000	14/12/2010	14/12/2010 to 13/12/2020	0.940	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

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

Long position in Shares (continued)

(b) Share options (continued)

	Options to subscribe for Shares									
Name of Director	Number of outstanding 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 (a)*	Exercise period	Exercise price per Share HK$	Capacity in which interests are held	Approximate % of the issued share capital
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
	98,438,000	–	–		98,438,000					

Notes:

(a) Share options granted are exercisable within the period from the date of grant to the end of the exercise period except for the share options set out under *Note (c)* below.

(b) These share options granted were in excess of the individual limit and the approval from Shareholders was obtained in general meeting held on 25 June 2003.

(c) 5,400,000 share options have a vesting period from the date of grant to 31 December 2009 and 7,200,000 share options have a vesting period from the date of grant to 31 December 2010.

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$0.10 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 the Company's associated corporations at 31 December 2011.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the businesses 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 and Shareholder
Zhang Zhong *(Note 2)*	Bekaert (Huizhou) Steel Cord Co., Ltd.	Manufacturing and 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	Director
	Bekaert Ansteel Tire Cord (Chongqing) Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	Bekaert Binjiang Advanced Products 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	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
Zhang Zhong *(Note 2)* (continued)	Bekaert Korea Ltd.	Sale of steel cord products and other advanced materials	Director
	Bekaert Shenyang Advanced Products Co., Ltd.	Manufacturing and sale of fine cord, precision and other special steel cord products	Director
	Bekaert – Shenyang Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
	China Bekaert Steel Cord Co., Ltd.	Manufacturing and sale of steel wire and/or cord products	Director
Chan Chung Chun *(Note 3)*	Sinocop Resources (Holdings) Limited	Trading of metals and minerals	Deputy Chairman and Executive Director and Shareholder (Beneficial owner, Interest of controlled corporation)
	Sinocop Resources (Chile) Limited	Trading of metals and minerals	Director

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Notes:

1 Mr. Li Shaofeng acts as a non-executive director and minority shareholder of Sinocop Resources (Holdings) Limited ("Sinocop Resources") and does not participate in any decision making on daily operation of Sinocop Resources. He is the chairman 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. Zhang Zhong 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 2011, 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	35.70	Beneficial owner and interests of controlled corporations Note (1)
Casula	402,395,304	20.92	Beneficial owner
Shougang International	686,655,179	35.70	Interests of controlled corporations Note (2)
Able Legend	126,984,000	6.60	Beneficial owner
Shougang HK	904,639,179	47.04	Beneficial owner and 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) Shougang HK is beneficially interested in 2,096,000 Shares and by virtue of the SFO, it is deemed to be interested in the 126,984,000 Shares and the 74,034,000 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 14,870,000 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 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**" hereunder and/or in note 40 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 32 to 43 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had 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 40 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 31 December 2009 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 2010 to 31 December 2012 at a monthly rental of HK$150,000 (exclusive of rates, management fees 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 31 December 2009 whereby a premises known as Flat 1906A, Hongway Garden, 8 New Market Street, Sheung Wan, Hong Kong with an aggregate 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 2010 to 31 December 2012 at a monthly rental of HK$10,000 (exclusive of rates, management fees 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).

    This tenancy agreement was terminated on 1 January 2012.

The details of the above transactions (collectively the "Tenancy Agreements") are set out in the Company's announcement dated 31 December 2009.

RELATED PARTY TRANSACTIONS (continued)

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

Continuing connected transaction with Bekaert group

Supply Contract

On 28 December 2009, the Company and Bekaert entered into the supply contract (the "Supply Contract") for a period of three years from 1 January 2010 under which Bekaert agrees to manufacture, sell and deliver certain materials (including brass coated wire) for the manufacture of steel cords used for the reinforcement of rubber tyres to the Group. The details are set out in the Company's announcement dated 29 December 2009.

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

Continuing connected transaction with Bekaert group

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 cords for reinforcement of radial tyres in certain territories as defined in the Commercial Agency Contract for a period of five years from the date of obtaining approval of independent Shareholders at the extraordinary general meeting held on 6 June 2007. The details are set out in the Company's announcement and circular dated 20 April and 9 May 2007 respectively.

This Commercial Agency Contract expired on 19 April 2011.

Shougang HK and Bekaert are substantial Shareholders and therefore connected persons of the Company under the Listing Rules. Accordingly, the transactions under the Tenancy Agreements, the Supply 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;

RELATED PARTY TRANSACTIONS (continued)

(c) in accordance with the Tenancy Agreements, the Supply 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 rent payable by the Group to Shougang HK group, sales payable and commission payable by the Group to Bekaert group were approximately HK$1,800,000, HK$Nil and HK$Nil respectively during the year of 2011. The said rent payable by the Group to Shougang HK group, sales payable and commission payable for the provision of agency services by the Group to Bekaert group did not exceed the limit of annual rental cap of HK$2,061,600, annual Group's Purchase Cap of HK$8,258,000 and annual Commission Cap of HK$5,860,000 respectively.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to report on the Continuing Connected Transactions. The auditors of the Company have issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions. The Independent Non-executive Directors have reviewed the Continuing Connected Transactions and the letter 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 39 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, 20 March 2012 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 31% (2010: 34%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 13% (2010: 15%).

Purchases from the Group's five largest suppliers accounted for approximately 40% (2010: 39%) of the total purchases for the year and purchases from the largest supplier, included therein amounted to approximately 11% (2010: 12%).

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

Li Shaofeng
Chairman
Hong Kong
22 March 2012

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 61 to 146, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

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 of the consolidated financial statements that give a true and fair view 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 2011, 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
22 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	5	**1,775,665**	1,663,484
Cost of sales		**(1,610,965)**	(1,375,934)
Gross profit		**164,700**	287,550
Investment and other income	7	**23,793**	90,763
Other gains and losses	8	**28,030**	58,184
Distribution and selling expenses		**(49,955)**	(28,326)
Administrative expenses		**(84,393)**	(100,736)
Research and development expenses		**(20,591)**	(15,954)
Finance costs	9	**(47,899)**	(32,559)
Profit before tax		**13,685**	258,922
Income tax expenses	10	**(10,158)**	(58,481)
Profit for the year	11	**3,527**	200,441
Earnings per share	14		
Basic		**HK0.18 cents**	HK10.43 cents
Diluted		**HK0.18 cents**	HK10.06 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**3,527**	200,441
Other comprehensive income (expense)		
Exchange differences arising on translation of group entities	**106,546**	70,560
Loss on fair value change of listed available-for-sale investments	**–**	(13,379)
Reclassified from other comprehensive income upon disposal of listed available-for-sale investments	**–**	(29,873)
Surplus on revaluation of properties	**8,370**	3,903
Recognition of deferred tax liability on revaluation of properties	**(1,908)**	(718)
Other comprehensive income for the year (net of tax)	**113,008**	30,493
Total comprehensive income for the year	**116,535**	230,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Investment properties	15	**31,491**	27,744
Property, plant and equipment	16	**2,117,478**	1,745,586
Prepaid lease payments	17	**198,599**	184,464
Goodwill	19	**41,672**	41,672
Club memberships	21	**751**	732
Deposit paid for the acquisition of property, plant and equipment		**4,662**	108,269
		2,394,653	2,108,467
Current assets			
Inventories	22	**425,618**	354,562
Trade receivables	23	**595,578**	495,156
Bills receivable	23	**353,719**	388,048
Prepayments, deposits and other receivables	24	**186,104**	136,907
Prepaid lease payments	17	**8,464**	7,587
Tax recoverable		**920**	99
Bank balances and cash	27	**154,956**	276,448
		1,725,359	1,658,807
Current liabilities			
Trade payables	28	**77,626**	42,514
Other payables and accruals	28	**308,160**	175,944
Tax payable		**29,849**	55,469
Bank borrowings	29	**838,002**	811,829
		1,253,637	1,085,756
Net current assets		**471,722**	573,051
Total assets less current liabilities		**2,866,375**	2,681,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	**2011** **HK$'000**	2010 HK$'000
Non-current liabilities			
Bank borrowings	29	**500,445**	403,426
Other payable		**982**	1,058
Deferred tax liabilities	30	**24,002**	24,226
		525,429	428,710
		2,340,946	2,252,808
Capital and reserves			
Share capital	31	**192,290**	192,230
Reserves		**2,147,816**	2,059,738
Equity attributable to equity holders of the Company		**2,340,106**	2,251,968
Share option reserve of a subsidiary		**840**	840
		2,340,946	2,252,808

The consolidated financial statements on pages 61 to 146 were approved and authorised for issue by the board of directors on 22 March 2012 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	18	**467,068**	436,034
Advances to subsidiaries	18	**1,305,184**	1,357,624
Club memberships	21	**391**	372
		1,772,643	1,794,030
Current assets			
Prepayments and other receivables		**419**	380
Amounts due from subsidiaries	25	**486,415**	496,852
Bank balances and cash	27	**106**	61,625
		486,940	558,857
Current liabilities			
Other payables and accruals		**16,366**	8,513
Tax payable		**9**	16
Bank borrowings	29	**462,473**	548,943
		478,848	557,472
Net current assets		**8,092**	1,385
Total assets less current liabilities		**1,780,735**	1,795,415
Non-current liability			
Bank borrowings	29	**131,247**	167,020
		1,649,488	1,628,395
Capital and reserves			
Share capital	31	**192,290**	192,230
Reserves	32	**1,457,198**	1,436,165
		1,649,488	1,628,395

DIRECTOR　　　　*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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 2010	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
Profit for the year	–	–	–	–	–	–	–	–	–	200,441	200,441	–	200,441
Exchange differences arising on translation of group entities	–	–	–	–	–	–	70,560	–	–	–	70,560	–	70,560
Loss on fair value change of listed available-for-sale investments	–	–	–	–	–	(13,379)	–	–	–	–	(13,379)	–	(13,379)
Reclassified from other comprehensive income upon disposal of listed available-for-sale investments	–	–	–	–	–	(29,873)	–	–	–	–	(29,873)	–	(29,873)
Surplus on revaluation of properties	–	–	–	–	3,903	–	–	–	–	–	3,903	–	3,903
Recognition of deferred tax liability on revaluation of properties	–	–	–	–	(718)	–	–	–	–	–	(718)	–	(718)
Total comprehensive income (expense) for the year	–	–	–	–	3,185	(43,252)	70,560	–	–	200,441	230,934	–	230,934
Share issued at premium	50	320	–	–	–	–	–	–	–	–	370	–	370
Recognition of equity settled share-based payments	–	–	–	–	–	–	–	2,883	–	–	2,883	–	2,883
Cancellation of share options	–	–	–	–	–	–	–	(187)	–	187	–	–	–
Dividend paid	–	–	–	–	–	–	–	–	–	(48,045)	(48,045)	–	(48,045)
At 31 December 2010	192,230	996,400	23,990	2,724	17,022	–	240,201	34,663	38,815	705,923	2,251,968	840	2,252,808

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note i)*	Capital redemption reserve HK$'000	Property 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 2011	192,230	996,400	23,990	2,724	17,022	240,201	34,663	38,815	705,923	2,251,968	840	2,252,808
Profit for the year	-	-	-	-	-	-	-	-	3,527	3,527	-	3,527
Exchange differences arising on translation of group entities	-	-	-	-	-	106,546	-	-	-	106,546	-	106,546
Surplus on revaluation of properties	-	-	-	-	8,370	-	-	-	-	8,370	-	8,370
Recognition of deferred tax liability on revaluation of properties	-	-	-	-	(1,908)	-	-	-	-	(1,908)	-	(1,908)
Total comprehensive income for the year	-	-	-	-	6,462	106,546	-	-	3,527	116,535	-	116,535
Share issued at premium	60	384	-	-	-	-	-	-	-	444	-	444
Recognition of equity settled share-based payments	-	-	-	-	-	-	3	-	-	3	-	3
Cancellation of share options	-	-	-	-	-	-	(808)	-	808	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(28,844)	(28,844)	-	(28,844)
At 31 December 2011	192,290	996,784	23,990	2,724	23,484	346,747	33,858	38,815	681,414	2,340,106	840	2,340,946

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 registered or incorporated in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries 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 2011

	2011	2010
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Profit before tax	**13,685**	258,922
Adjustments for:		
Depreciation of property, plant and equipment	**126,031**	118,739
Amortisation of prepaid lease payments	**7,848**	5,156
Increase in fair value of investment properties	**(3,281)**	(5,097)
Reversal of revaluation deficit of leasehold land and buildings	**(630)**	(655)
Loss on disposal of property, plant and equipment, net	**227**	346
Interest income	**(1,472)**	(2,253)
Allowance for inventories recognised, net	**6,049**	6,869
Inventories written off	**3,816**	–
Allowance for bad and doubtful debts recognised (reversed), net	**10,276**	(1,870)
Finance costs	**47,899**	32,559
Foreign exchange gains, net	**(27,750)**	(6,689)
Gain on disposal of listed available-for-sale investments	**–**	(30,084)
Dividend income from listed available-for-sale investments	**–**	(263)
Share-based payments expenses	**3**	2,883
Operating cash flows before movements in working capital	**182,701**	378,563
Increase in inventories	**(65,625)**	(143,204)
Increase in trade and bills receivables	**(34,346)**	(148,914)
Increase in prepayments, deposits and other receivables	**(48,201)**	(37,373)
Decrease in amounts due from related companies	**–**	277
Increase (decrease) in trade payables	**33,002**	(5,513)
(Decrease) increase in other payables and accruals	**(14,019)**	13,769
Cash generated from operations	**53,512**	57,605
Interest received	**1,472**	2,253
Interest paid	**(46,680)**	(34,261)
Hong Kong profits tax paid	**(984)**	–
PRC Enterprise Income Tax paid	**(40,091)**	(20,929)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(32,771)**	4,668

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(125,194)**	(339,599)
Deposit paid for the acquisition of property, plant and equipment	**(34,702)**	(107,878)
Additions to prepaid lease payments	**(13,445)**	(82,522)
Proceeds from disposal of property, plant and equipment	**443**	39
Decrease in restricted bank deposits	**–**	49,448
Proceeds from disposal of listed available-for-sale investments	**–**	37,370
Dividend received from listed available-for-sale investments	**–**	263
NET CASH USED IN INVESTING ACTIVITIES	**(172,898)**	(442,879)
FINANCING ACTIVITIES		
New bank loans raised	**479,841**	767,795
Trust receipt loans raised	**227,013**	210,890
Bank advances for discounted bills	**57,169**	353,891
Proceeds on issue of ordinary shares	**444**	370
Repayment of bank loans	**(412,955)**	(332,354)
Repayment of trust receipt loans	**(207,322)**	(201,320)
Repayment of bank advances for discounted bills	**(44,536)**	(392,732)
Dividend paid	**(28,844)**	(48,045)
NET CASH FROM FINANCING ACTIVITIES	**70,810**	358,495
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(134,859)**	(79,716)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**276,448**	342,895
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**13,367**	13,269
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, Bank balances and cash	**154,956**	276,448

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's substantial shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the People's Republic of China (the "PRC"). The address of the registered office of the Company is disclosed in the "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing of steel cords and processing and trading of copper and brass products.

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate. For the convenience of the financial statements users, the financial statements are presented in Hong Kong dollars ("HKD").

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

In the current year, the Group has applied a number of new and revised Standards, Amendments and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for the 2011 financial year.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

a) HKAS 24 (as revised in 2009) has changed the definition of a related party. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous standard.

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

HKAS 24 Related Party Disclosures (as revised in 2009) (continued)

b) In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Company and its subsidiaries are PRC government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has significant influence over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years. However, the related party disclosures set out in note 40 to the consolidated financial statements have been changed to reflect the application of HKAS 24 (as revised in 2009).

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the directors anticipate that the adoption of HKFRS 9 is not expected to have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

New and revised Standards on consolidation and disclosures

In June 2011, a package of five standards on consolidation, joint arrangement, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these standards will not have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

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

HKFRS 13 Fair Value Measurement (continued)

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have no material impact to the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual periods beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets (continued)

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised regarding the Group's investment properties of which the measurement of deferred tax currently reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover the carrying amount. Upon the application of the amendments to HKAS 12, the carrying amounts of investment properties are presumed to be recovered through sales unless the presumption is rebutted. The directors are still in the process of assessing the impact of the amendments to the Group.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts or fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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 in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Goodwill arising on an acquisition of a subsidiary before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Investments in subsidiaries

Investments in subsidiaries are stated in the company statement of financial position at cost (including deemed capital contribution) less subsequent accumulated impairment losses, if any.

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. 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)

Investment properties (continued)

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

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and building held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost or fair value of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Club memberships

Club memberships are stated in the consolidated and company statement of financial position at cost less subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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, 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 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.

Current and deferred tax are 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 current and deferred tax are 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, sales related taxes and returns.

Revenue from sales of goods is recognised when the goods are delivered and title has been passed.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

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 lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and buildings (continued)

For leasehold land classified as operating lease, whilst the building element is classified as finance lease, interest in leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 the 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 at 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.

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 entity are translated from functional currency to the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised as an expense when employees have rendered services entitling them to the contributions.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into "loans and receivables".

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method (continued)

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, amounts due from subsidiaries, trade receivables, bills receivable, other receivables 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).

Impairment loss on loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected. The amount of the impairment loss recognised is 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.

The carrying amount is reduced by the impairment loss directly for all loans and receivables 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 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.

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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 rate is the rate that exactly discounts estimated future cash payments (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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including trade payables, other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are 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, 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 original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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 consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss 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 assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) 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 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 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 receivables

The Group estimates the provisions for impairment of trade receivables by assessing their recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the provisions at the end of the reporting period. As at 31 December 2011, the carrying amount of trade receivables was approximately HK$595,578,000 (2010: HK$495,156,000) (net of allowance for bad and doubtful debts of approximately HK$12,704,000 (2010: HK$2,288,000)).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Depreciation

Property, plant and equipment are long-lived but may be subject to technical obsolescence. The annual depreciation charges are affected by the estimated useful lives of the relevant type of property, plant and equipment. Management performs annual reviews to assess the appropriateness of the estimated useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

At 31 December 2011, the Group's carrying value of property, plant and equipment was approximately HK$2,117,478,000 (2010: HK$1,745,586,000). Depreciation is recognised by the Group so as to write off the cost of items of property, plant and equipment less their residual values over the estimated useful lives of five to fifty years, using the straight-line method commencing from the date the property, plant and equipment are placed into use. The estimated useful lives and the dates that the Group places the property, plant and equipment into use reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of that property, plant and equipment.

Estimate of fair value of leasehold land and buildings

At the end of the reporting period, leasehold land and buildings are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised their judgment and is satisfied that the assumption used in valuation is reflective of the current market conditions.

Allowance for inventories

As at 31 December 2011, the carrying amount of the Group's inventories was HK$425,618,000 (2010: HK$354,562,000). At the end of the reporting period, the Group reviews an aging analysis of inventories and carries out an inventory review on a product-by-product basis. The Group makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group also estimates the net realisable value for finished goods, work in progress and raw materials based primarily on the latest invoice prices and current market conditions.

If the conditions of inventory of the Group become no longer suitable for use in production, an additional allowance may be required.

5. REVENUE

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

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

	2011	2010
	HK$'000	HK$'000
Sales of goods		
Manufacturing of steel cords	**1,359,044**	1,255,043
Processing and trading of copper and brass products	**415,885**	404,365
Trading of other metal products	**–**	3,478
	1,774,929	1,662,886
Rental income	**736**	598
	1,775,665	1,663,484

6. SEGMENT INFORMATION

Information reported to the Company's managing director, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's operating and reportable segments under HKFRS 8 are 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.

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results

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

For the year ended 31 December 2011

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Segment revenue			
External sales	1,359,044	415,885	1,774,929
Inter-segment sales *(Note)*	–	24,417	24,417
Total	1,359,044	440,302	1,799,346
Segment results	57,088	3,940	61,028

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

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,799,346
Rental income	736
Elimination of inter-segment sales	(24,417)
Group revenue	1,775,665

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2011 (continued)

Reconciliation of profit before tax

	HK$'000
Total profit for operating segments	**61,028**
Profit arising from property investment	**3,523**
Unallocated amounts	
Unallocated income	**28,179**
Unallocated expenses	**(31,146)**
Unallocated finance costs	**(47,899)**
Profit before tax	**13,685**

For the year ended 31 December 2010

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Segment revenue			
External sales	1,255,043	404,365	1,659,408
Inter-segment sales *(Note)*	–	17,041	17,041
Total	1,255,043	421,406	1,676,449
Segment results	276,069	8,786	284,855

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

6. SEGMENT INFORMATION (continued)

(a) Segment revenues and results (continued)

For the year ended 31 December 2010 (continued)

Reconciliation of revenue

	HK$'000
Total revenue for operating segments	1,676,449
Rental income and revenue for trading of other metal products	4,076
Elimination of inter-segment sales	(17,041)
Group revenue	1,663,484

Reconciliation of profit before tax

	HK$'000
Total profit for operating segments	284,855
Profit arising from trading of other metal products and property investment	4,969
Unallocated amounts	
Unallocated income	16,595
Unallocated expenses	(45,022)
Unallocated finance costs	(32,559)
Gain on disposal of listed available-for-sale investments	30,084
Profit before tax	258,922

The accounting policies of the operating 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 profit arising from trading of other metal products and property investment, central administration costs, the emoluments of directors of the Company, gain on disposal of listed available-for-sale investments, interest income on bank deposits, dividend income from listed available-for-sale investments and finance costs. This is the measure reported to the CODM 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 operating and reportable segment:

Segment assets

	2011	2010
	HK$'000	HK$'000
Steel cord	**3,790,738**	3,317,592
Copper and brass products	**127,442**	129,525
Total segment assets	**3,918,180**	3,447,117
Bank balances and cash	**154,956**	276,448
Unallocated assets	**46,876**	43,709
Consolidated assets	**4,120,012**	3,767,274

Segment liabilities

	2011	2010
	HK$'000	HK$'000
Steel cord	**375,902**	208,935
Copper and brass products	**4,832**	3,217
Total segment liabilities	**380,734**	212,152
Bank borrowings	**1,338,447**	1,215,255
Unallocated liabilities	**59,885**	87,059
Consolidated liabilities	**1,779,066**	1,514,466

6. SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities (continued)

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

- all assets are allocated to operating segments other than certain property, plant and equipment, investment properties, club membership, certain inventories, certain trade receivables, certain prepayments, deposits and other receivables, tax recoverable and bank balances and cash.

- all liabilities are allocated to operating segments other than tax payables, bank borrowings and deferred tax liabilities.

(c) Other segment information

For the year ended 31 December 2011

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Amounts included in the measure of segment assets or segment profit or loss:			
Property, plant and equipment	2,095,037	10,042	2,105,079
Capital expenditure	406,307	52	406,359
Depreciation	123,852	925	124,777
Allowance for bad and doubtful debts recognised	10,276	–	10,276
Allowance for inventories recognised	6,049	–	6,049
Inventories written off	3,816	–	3,816
Reversal of revaluation deficit of leasehold land and buildings	–	630	630
Loss on disposal of property, plant and equipment	168	–	168
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax expenses	8,524	37	8,561

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

For the year ended 31 December 2010

	Steel cord HK$'000	Copper and brass products HK$'000	Segment total HK$'000
Amounts included in the measure of segment assets or segment profit or loss:			
Property, plant and equipment	1,723,134	10,203	1,733,337
Capital expenditure	492,504	516	493,020
Depreciation	116,749	873	117,622
Allowance for bad and doubtful debts reversed	(1,861)	(9)	(1,870)
Allowance for inventories recognised	6,869	–	6,869
Reversal of revaluation deficit of leasehold land and buildings	–	655	655
Loss on disposal of property, plant and equipment	346	–	346
Amount regularly provided to CODM but not included in the measure of segment profit or loss or segment assets:			
Income tax expenses	57,034	678	57,712

(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.

6. SEGMENT INFORMATION (continued)

(e) Information about major customers

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2011	2010
	HK$'000	HK$'000
Customer A[1]	**238,689**	249,223

[1] Revenue from steel cord segment.

There were no other customers that contributed over 10% on the total revenue of the Group during the years ended 31 December 2011 and 2010.

7. INVESTMENT AND OTHER INCOME

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Investment income		
Interest income on bank deposits	**1,472**	2,253
Dividend income from listed available-for-sale investments	**–**	263
	1,472	2,516
Other income		
Government grants *(Note)*	**16,806**	81,472
Sales of scrap and other materials	**5,515**	6,342
Subcontracting income	**–**	433
	22,321	88,247
	23,793	90,763

7. INVESTMENT AND OTHER INCOME (continued)

Note: Government grants included immediate financial supports with an amount of approximately HK$12,808,000 (2010: HK$77,571,000) granted from the local government of Tengzhou City, Shandong in the PRC. For the remaining government grants, there were no specific conditions attached to the grants and the amounts were recognised in profit or loss when the grants were received.

8. OTHER GAINS AND LOSSES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Gain on disposal of listed available-for-sale investments	**–**	30,084
Foreign exchange gains, net	**33,983**	19,904
Increase in fair value of investment properties *(note 15)*	**3,281**	5,097
Allowance for bad and doubtful debts (recognised) reversed	**(10,276)**	1,870
Reversal of revaluation deficit of leasehold land and buildings	**630**	655
Loss on disposal of property, plant and equipment, net	**(227)**	(346)
Others	**639**	920
	28,030	58,184

9. FINANCE COSTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Interest expenses on bank borrowings wholly repayable within five years	**46,680**	34,261
Amortisation of borrowing costs	**5,499**	1,860
Total borrowing costs	**52,179**	36,121
Less: amounts capitalised	**(4,280)**	(3,562)
	47,899	32,559

Borrowing costs capitalised during the year arose on general borrowing pool and were calculated by applying a capitalisation rate of 4.47% (2010: 3.11%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Current tax:		
Hong Kong	**75**	95
PRC Enterprise Income Tax	**12,851**	45,321
	12,926	45,416
Under (over) provision in prior years:		
Hong Kong	**(1)**	–
PRC Enterprise Income Tax	**28**	(78)
	27	(78)
Deferred taxation *(note 30)*:		
Current year	**(2,795)**	13,143
	10,158	58,481

10. INCOME TAX EXPENSES (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for current year.

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 24% for the year ended 31 December 2011 (2010: 22%).

In addition, according to the New Law and Implementation Regulation, withholding income tax at a rate of 10% would be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors for the companies established in the PRC. Such dividend tax rate may be further reduced by applicable tax treaties or arrangement. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the withholding tax rate on dividends paid by a PRC resident enterprise to a Hong Kong resident enterprise is further reduced to 5% if the Hong Kong resident enterprise holds at least 25% equity interests in the PRC resident enterprise, and remains at 10% otherwise. 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 rates.

10. INCOME TAX EXPENSES (continued)

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Profit before tax	**13,685**	258,922
Tax at PRC Enterprise Income tax rate of 24% (2010: 22%) *(Note i)*	**3,284**	56,963
Tax effect of expenses not deductible in determining taxable profit	**5,840**	9,100
Tax effect of income not taxable in determining taxable profit	**(299)**	(13,175)
Tax effect of tax losses not recognised	**5,721**	5,718
Tax effect on utilisation of tax losses previously not recognised	**–**	(898)
Tax effect on utilisation of deductible temporary difference previously not recognised	**(376)**	(107)
Deferred tax on distributable earnings of PRC subsidiaries	**2,052**	10,393
Effect of tax exemptions and concessions granted to subsidiaries *(Note ii)*	**(4,523)**	(10,554)
Effect of different tax rates in other jurisdiction	**(566)**	2,439
Effect of different tax rates for interest income *(Note iii)*	**(872)**	(758)
Adjustments to deferred taxes due to varying tax rates	**(34)**	(127)
Under (over) provision in respect of prior years	**27**	(78)
Others	**(96)**	(435)
Income tax expenses for the year	**10,158**	58,481

10. INCOME TAX EXPENSES (continued)

Notes:

i. The PRC Enterprise Income Tax rate of 24% (2010: 22%) 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. During the year ended 31 December 2011, the two subsidiaries are now in the second year of entitling 50% relief from PRC Enterprise Income Tax. The PRC enterprise income tax charges are arrived at after taking into account these tax incentives.

iii. The withholding tax rates on interest income earned from entities in the PRC were 7% and 10%.

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 has been charged directly to other comprehensive income.

11. PROFIT FOR THE YEAR

	THE GROUP	
	2011	2010
	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	**144,908**	130,319
– Retirement benefit scheme contributions	**16,778**	12,828
– Share-based payments	**3**	2,883
Total staff costs	**161,689**	146,030
Cost of inventories recognised as an expense (including allowance for inventories recognised of approximately HK$6,049,000 (2010: HK$6,869,000) and inventories written off of approximately HK$3,816,000 (2010: Nil))	**1,590,595**	1,375,934
Depreciation of property, plant and equipment	**126,031**	118,739
Auditor's remuneration	**1,240**	1,200
Amortisation of prepaid lease payments (included in "Cost of sales")	**7,848**	5,156
Gross rental income from investment properties	**(736)**	(598)
Less: direct operating expenses for investment properties that generate rental income during the year	**147**	119
Net rental income	**(589)**	(479)

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the nine (2011: eleven) directors of the Company were as follows:

For the year ended 31 December 2011

	Li Shaofeng HK$'000	Yang Kaiyu HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Tong Yihui HK$'000 (retired on 19 May 2011)	Zhang Zhong HK$'000	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Total HK$'000
Fees	–	–	190	–	–	150	240	240	240	1,060
Other emoluments										
Salaries and other benefits	3,176	2,625	–	1,981	756	–	–	–	–	8,538
Retirement benefit scheme contributions	159	124	–	99	38	–	–	–	–	420
Total emoluments	3,335	2,749	190	2,080	794	150	240	240	240	10,018

For the year ended 31 December 2010

	Li Shaofeng HK$'000	Tong Yihui HK$'000	Leung Shun Sang, Tony HK$'000	Tang Cornor Kwok Kau HK$'000	Yang Kaiyu HK$'000 (appointed on 10 May 2010)	Zhang Zhong HK$'000 (appointed on 15 December 2010)	Yip Kin Man, Raymond HK$'000	Law, Yui Lun HK$'000	Chan Chung Chun HK$'000	Cao Zhong HK$'000 (resigned on 10 May 2010)	Geert Johan Roelens HK$'000 (resigned on 15 December 2010)	Total HK$'000
Fees	–	–	190	–	–	7	240	240	240	–	150	1,067
Other emoluments												
Salaries and other benefits	3,211	2,010	–	1,980	1,363	–	–	–	–	–	–	8,564
Retirement benefit scheme contributions	371	182	–	182	157	–	–	–	–	–	–	892
Discretionary bonus *(Note i)*	4,250	1,650	–	1,650	1,432	–	–	–	–	–	–	8,982
Share-based payments *(Note ii)*	–	–	–	–	960	780	–	–	–	–	–	1,740
Total emoluments	7,832	3,842	190	3,812	3,912	787	240	240	240	–	150	21,245

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Note:

i The discretionary bonus is determined by the remuneration committee of the Company with reference to the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition for the year ended 31 December 2010. No discretionary bonus was paid or payable for the year ended 31 December 2011.

ii The share-based payments are the fair values of share options charged to profit or loss in respect of options granted in 2010 or prior years.

No director waived any emoluments in the years ended 31 December 2011 and 2010.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emoluments are included in the disclosures above. For the year ended 31 December 2010, one of the four directors was newly appointed as director on 10 May 2010. For the year ended 31 December 2011, one of the four directors retired as director on 19 May 2011. The emoluments of the remaining one (2010: one) individual, the newly appointed director before his appointment on 10 May 2010 and the retired director after his retirement on 19 May 2011 were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits (including share-based payments)	**2,045**	2,091
Retirement benefit scheme contributions	**73**	16
Discretionary bonus	**230**	1,383
	2,348	3,490

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

The emoluments, including the emolument of the newly appointed director before his appointment on 10 May 2010 and the retired director after his retirement on 19 May 2011, were within the following bands:

	Number of individuals	
	2011	2010
HK$1,000,001 to HK$2,000,000	**2**	2

In both years, no emoluments were paid by the Group to the directors, or the five highest paid individuals as an inducement to join or upon joining the Group. None of the directors has waived any emoluments and no other amounts were paid by the Group to the directors, or the five highest paid individuals, as compensation for loss of office.

13. DIVIDENDS

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2010 final dividend of HK1.5 cents per share		
(2010: 2009 final dividend of HK1.5 cents per share)	**28,844**	28,827
2010 interim dividend of HK1 cent per share	**–**	19,218
	28,844	48,045

No interim or final dividend was paid or proposed for the year ended 31 December 2011, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS PER SHARE

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Earnings		
Earnings for the purposes of calculation of basic and diluted earnings per share	**3,527**	200,441

	THE GROUP	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of calculation of basic earnings per share	**1,922,879,186**	1,921,896,995
Effect of dilutive potential ordinary shares: Share options	**30,142,047**	71,392,636
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	**1,953,021,233**	1,993,289,631

The computation of diluted earnings per share does 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 for the outstanding periods during 2011 and 2010 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 2010	22,401
Exchange realignment	246
Increase in fair value	5,097
At 31 December 2010 and 1 January 2011	27,744
Exchange realignment	466
Increase in fair value	3,281
At 31 December 2011	31,491

The fair values of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of valuations carried out on that day by Messrs. Vigers Appraisal & Consulting Limited ("Vigers"), an independent professional valuer not connected with the Group. Vigers is a member of the Institute of Valuers. The valuation was arrived at by reference to the recent transactions for similar premises in the proximity.

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

The carrying value of investment properties comprising land and buildings in Hong Kong and other regions in the PRC was as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Long-term lease in Hong Kong	**21,500**	18,460
Medium-term lease in other regions in the PRC	**9,991**	9,284
	31,491	27,744

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2010	195,164	2,403	1,344,243	14,845	19,297	161,802	1,737,754
Exchange realignment	6,304	38	46,536	447	496	8,623	62,444
Additions	–	124	216,538	4,496	6,721	266,106	493,985
Reclassification	178,352	756	123,834	2,336	–	(305,278)	–
Disposals	–	–	(453)	(272)	(619)	–	(1,344)
Surplus on revaluation	(592)	–	–	–	–	–	(592)
At 31 December 2010 and 1 January 2011	379,228	3,321	1,730,698	21,852	25,895	131,253	2,292,247
Exchange realignment	18,054	100	85,564	961	1,036	6,982	112,697
Additions	1,835	1,182	137,772	4,690	569	260,548	406,596
Reclassification	2,957	–	109,119	1,153	–	(113,229)	–
Disposals	–	(856)	(663)	(455)	–	–	(1,974)
Surplus on revaluation	(19,597)	–	–	–	–	–	(19,597)
At 31 December 2011	382,477	3,747	2,062,490	28,201	27,500	285,554	2,789,969
Comprising:							
At cost	–	3,747	2,062,490	28,201	27,500	285,554	2,407,492
At valuation	382,477	–	–	–	–	–	382,477
	382,477	3,747	2,062,490	28,201	27,500	285,554	2,789,969
DEPRECIATION							
At 1 January 2010	3,048	2,253	398,023	5,932	7,783	–	417,039
Exchange realignment	409	37	16,122	197	227	–	16,992
Provided for the year	13,074	126	100,149	2,319	3,071	–	118,739
Eliminated on disposals	–	–	(176)	(225)	(558)	–	(959)
Write back on revaluation	(5,150)	–	–	–	–	–	(5,150)
At 31 December 2010 and 1 January 2011	11,381	2,416	514,118	8,223	10,523	–	546,661
Exchange realignment	996	73	27,805	413	413	–	29,700
Provided for the year	16,220	407	102,078	3,642	3,684	–	126,031
Eliminated on disposals	–	(805)	(103)	(396)	–	–	(1,304)
Write back on revaluation	(28,597)	–	–	–	–	–	(28,597)
At 31 December 2011	–	2,091	643,898	11,882	14,620	–	672,491
CARRYING VALUES							
At 31 December 2011	382,477	1,656	1,418,592	16,319	12,880	285,554	2,117,478
At 31 December 2010	367,847	905	1,216,580	13,629	15,372	131,253	1,745,586

Note: In the opinion of the directors, the lease payments cannot be allocated reliably between the land and building elements. Thus, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	25 to 50 years, or over the terms of the leases, whichever is shorter
Leasehold improvements	18% – 20%
Plant and machinery	4% – 20%
Furniture, fixtures and equipment	9% – 20%
Motor vehicles	11% – 20%

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
The carrying value of leasehold land and buildings comprises:		
Land in Hong Kong:		
Long lease	**2,900**	2,540
Medium-term lease	**7,750**	7,350
Buildings in other regions in the PRC	**371,827**	357,957
	382,477	367,847

The leasehold land and buildings of the Group were valued by Vigers on an open market value basis by reference to recent market transactions for comparable properties and depreciated replacement cost method as at 31 December 2011 and 2010.

If the leasehold land and buildings had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$358,350,000 (2010: HK$352,880,000).

Applications for property ownership certificates of the buildings located in the PRC with aggregate carrying values of approximately HK$306,279,000 (2010: HK$295,085,000) are still in the progress at 31 December 2011. 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.

17. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current asset	**8,464**	7,587
Non-current asset	**198,599**	184,464
	207,063	192,051
The Group's prepaid lease payments comprise:		
Medium-term leasehold land located in the PRC	**207,063**	192,051

At 31 December 2011, included in prepaid lease payments was land use rights with carrying amount of HK$96,314,000 (2010: HK$81,894,000) which the Group was in the process of obtaining the land use right certificates.

18. INVESTMENT IN SUBSIDIARIES/ADVANCES TO SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**59,252**	51,452
Capital contributions	**407,816**	384,582
	467,068	436,034
Advances to subsidiaries	**1,305,184**	1,357,624

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 (2010: HK$15,372,000) which bears interest at the London Interbank Offered Rate ("LIBOR") plus 3% (2010: LIBOR plus 3%) per annum as at 31 December 2011, (ii) balance with a subsidiary of HK$34,176,000 (2010: HK$42,866,000) which bears interest at Hong Kong Dollar Prime Rate (2010: Hong Kong Dollar Prime Rate) per annum as at 31 December 2011, and (iii) balance with a subsidiary of HK$10,000,000 (2011: Nil) which bears interest at 2.25% per annum as at 31 December 2010, 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 2011, the effective interest rates used were within a range of 2.25% to 5.00% per annum (2010: 2.25% to 5.00% per annum), being the prevailing market borrowing rates for a similar instrument.

Details of the Company's principal subsidiaries at 31 December 2011 are set out in note 41.

19. GOODWILL

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

Particulars regarding impairment testing on goodwill are disclosed in note 20.

20. IMPAIRMENT TESTING ON GOODWILL

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

During the year ended 31 December 2011, management of the Group determined that there was no impairment of the CGU containing goodwill.

20. IMPAIRMENT TESTING ON GOODWILL (continued)

The basis of the recoverable amount of the above CGU and its major underlying assumptions are summarised below:

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation use cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 8.09% (2010: 6.06%). The cash flow of CGU beyond the 5-year period is extrapolated for nine years (2010: ten years) using a 0% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales, gross margin and other direct costs, such estimation is based on the unit's 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 to exceed the aggregate recoverable amount of the above CGU.

21. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club memberships, at cost	**2,126**	2,126	**936**	936
Exchange realignment	**31**	12	**31**	12
Less: Impairment losses	**(1,406)**	(1,406)	**(576)**	(576)
	751	732	**391**	372

22. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**162,029**	109,789
Work in progress	**55,770**	49,958
Finished goods	**207,819**	194,815
	425,618	354,562

23. TRADE RECEIVABLES/BILLS RECEIVABLE

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**608,282**	497,444
Less: allowance for bad and doubtful debts	**(12,704)**	(2,288)
	595,578	495,156
Bills receivable	**353,719**	388,048
	949,297	883,204

Included in bills receivable as at 31 December 2011 was an amount of approximately HK$12,818,000 (2010: HK$176,000) that had been discounted to banks *(note 29)*.

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	
	2011	2010
	HK$'000	HK$'000
0 – 90 days	**400,552**	379,145
91 – 180 days	**153,494**	100,169
Over 180 days	**41,532**	15,842
	595,578	495,156

23. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 – 90 days	**21,537**	24,994
91 – 180 days	**171,633**	160,220
Over 180 days	**160,549**	202,834
	353,719	388,048

At the end of the reporting period, all bills receivable are with maturity date within six months based on the issuance date of relevant bills.

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$207,179,000 (2010: HK$144,769,000) which are past due at the end of the reporting period 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.

23. TRADE RECEIVABLES/BILLS RECEIVABLE (continued)

The aged analysis of trade receivables which are past due but not impaired based on the due date is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
0 – 90 days	**159,162**	126,492
91 – 180 days	**42,121**	18,142
Over 180 days	**5,896**	135
	207,179	144,769

Movement in the allowance for bad and doubtful debts:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of the year	**2,288**	4,551
Exchange realignment	**140**	96
Amount reversed during the year	**–**	(1,870)
Amount written off as uncollectible	**–**	(489)
Impairment losses recognised on receivables	**10,276**	–
Balance at end of the year	**12,704**	2,288

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Other receivables are unsecured and interest free. Except for value added tax receivables of approximately HK$152,965,000 (2010: HK$115,019,000) as at 31 December 2011, the remaining balances are repayable on demand.

25. AMOUNTS DUE FROM SUBSIDIARIES

The amounts due from subsidiaries are unsecured and repayable within one year. The amount included HK$50,000,000 (2010: HK$80,000,000) which bears interest at 2.25% per annum.

26. PLEDGE OF ASSETS

At the end of the reporting period, the following assets are pledged to secure certain bank borrowings as set out in note 29:

(i) the Group's leasehold land and buildings with an aggregate net book value of HK$7,750,000 (2010: HK$7,350,000);

(ii) the Group's certain prepaid lease payments with an aggregate net book value of HK$91,916,000 (2010: HK$90,834,000); and

(iii) the equity interests in certain subsidiaries of the Company.

27. BANK BALANCES AND CASH

The Group

Bank balances carry interest at market rates which ranging from 0.01% to 1.49% per annum (2010: 0.01% to 1.35% per annum). At the end of the reporting period, 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**	**Others**
	HK$'000	HK$'000 Equivalent	HK$'000 Equivalent
As at 31 December 2011	9,540	17,800	4,991
As at 31 December 2010	69,112	5,145	92

The Company

Bank balances carry interest at market rate of 0.01% per annum (2010: ranging from 0.01% to 1.00% per annum). At the end of the reporting period, 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 2011	92	14
As at 31 December 2010	61,611	14

28. 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	
	2011	2010
	HK$'000	HK$'000
0 – 30 days	**61,351**	24,408
31 – 90 days	**10,501**	16,369
91 – 180 days	**4,467**	305
181 – 365 days	**655**	55
Over 1 year	**652**	1,377
	77,626	42,514

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$260,686,000 (2010: HK$117,509,000).

29. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trust receipt loans	**59,443**	39,326	**–**	–
Other bank loans	**1,266,186**	1,175,753	**593,720**	715,963
Discounted bills with recourse	**12,818**	176	**–**	–
	1,338,447	1,215,255	**593,720**	715,963
Secured	**394,329**	463,209	**167,020**	197,332
Unsecured	**944,118**	752,046	**426,700**	518,631
	1,338,447	1,215,255	**593,720**	715,963

29. BANK BORROWINGS (continued)

The above amounts are repayable as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**469,510**	293,198	**93,981**	30,312
In the second year	**208,187**	148,743	**85,689**	60,731
In the third to fifth year inclusive	**292,258**	254,683	**45,558**	106,289
	969,955	696,624	**225,228**	197,332
Carrying amount of bank loans contain a repayment on demand clause:				
– within one year	**218,775**	191,556	**218,775**	191,556
– in the second year	**149,717**	152,400	**149,717**	152,400
– in the third to fifth year inclusive	**–**	174,675	**–**	174,675
	368,492	518,631	**368,492**	518,631
	1,338,447	1,215,255	**593,720**	715,963
Less: Amount due within one year shown under current liabilities	**(838,002)**	(811,829)	**(462,473)**	(548,943)
Amount shown under non-current liabilities	**500,445**	403,426	**131,247**	167,020

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings				
Within one year	**235,496**	149,053	**–**	–

29. BANK BORROWINGS (continued)

The Group's and the Company's variable-rate borrowings and the agreed scheduled repayment dates including bank loans with repayment on demand clause are as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-rate borrowings				
Within one year	**452,789**	335,701	**312,756**	221,868
In the second year	**357,904**	301,143	**235,406**	213,131
In the third to fifth year inclusive	**292,258**	429,358	**45,558**	280,964
	1,102,951	1,066,202	**593,720**	715,963

The Group has variable-rate borrowings which carry interest at a premium over LIBOR, Hong Kong Interbank Offered Rate ("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	
	2011	2010	**2011**	2010
Effective interest rate per annum:				
Fixed-rate borrowings	**1.31% to 9.84%**	1.58% to 6.37%	**–**	–
Variable-rate borrowings	**1.78% to 7.65%**	1.28% to 5.96%	**1.78% to 3.53%**	1.75% to 2.22%

29. 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD	**554,730**	674,857	**426,700**	518,631
USD	**239,225**	201,768	**167,020**	197,332

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

THE GROUP	Accelerated tax depreciation HK$'000	Allowance for bad and doubtful debts HK$'000	Revaluation of properties HK$'000	Tax loss HK$'000	Withholding tax on distributable profit of subsidiaries in the PRC HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010	(3,116)	(776)	5,109	(1,453)	10,997	(584)	10,177
Exchange realignment	246	(27)	–	–	–	(31)	188
(Credit) charge to profit or loss for the year	(661)	253	(131)	(81)	10,393	3,370	13,143
Charge to equity for the year	–	–	718	–	–	–	718
At 31 December 2010 and 1 January 2011	(3,531)	(550)	5,696	(1,534)	21,390	2,755	24,226
Exchange realignment	1,816	(27)	–	(992)	–	(134)	663
Charge (credit) to profit or loss for the year	2,817	(2,569)	104	(6,167)	2,052	968	(2,795)
Charge to equity for the year	–	–	1,908	–	–	–	1,908
At 31 December 2011	1,102	(3,146)	7,708	(8,693)	23,442	3,589	24,002

30. DEFERRED TAX LIABILITIES (continued)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$272,636,000 (2010: HK$238,070,000) available for offset against future profits. The losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$17,877,000 (2010: HK$28,609,000). A deferred tax asset has been recognised in respect of approximately HK$13,108,000 (2010: HK$22,273,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining deductible temporary differences of approximately HK$4,769,000 (2010: HK$6,336,000) as it is not probable that taxable profit will be available against 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.

31. SHARE CAPITAL

	2011		2010	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	**HK$'000**	'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At 1 January and 31 December	**5,000,000**	**500,000**	5,000,000	500,000
Issued and fully paid:				
At 1 January	**1,922,301**	**192,230**	1,921,801	192,180
Exercise of share options *(Note)*	**600**	**60**	500	50
At 31 December	**1,922,901**	**192,290**	1,922,301	192,230

Note: During the year ended 31 December 2011, employees other than directors of the Company exercised 600,000 (2010: 500,000) share options. Therefore, 600,000 and 500,000 new shares were issued during the years ended 31 December 2011 and 2010 respectively. The new shares rank pari passu with the existing shares in all respects.

32. 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 2010	996,080	23,990	2,724	77,596	31,967	190,661	1,323,018
Profit for the year	–	–	–	–	–	121,743	121,743
Translation adjustment	–	–	–	36,246	–	–	36,246
Total comprehensive income for the year	–	–	–	36,246	–	121,743	157,989
Shares issued at premium	320	–	–	–	–	–	320
Recognition of equity settled share-based payments	–	–	–	–	2,883	–	2,883
Cancellation of share options	–	–	–	–	(187)	187	–
Dividend paid	–	–	–	–	–	(48,045)	(48,045)
At 31 December 2010 and 1 January 2011	996,400	23,990	2,724	113,842	34,663	264,546	1,436,165
Loss for the year	–	–	–	–	–	(6,990)	(6,990)
Translation adjustment	–	–	–	56,480	–	–	56,480
Total comprehensive income (expense) for the year	–	–	–	56,480	–	(6,990)	49,490
Shares issued at premium	384	–	–	–	–	–	384
Recognition of equity settled share-based payments	–	–	–	–	3	–	3
Cancellation of share options	–	–	–	–	(808)	808	–
Dividend paid	–	–	–	–	–	(28,844)	(28,844)
At 31 December 2011	996,784	23,990	2,724	170,322	33,858	229,520	1,457,198

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.

33. 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 shareholders 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 debts, which includes the borrowings disclosed in note 29, net of cash and cash equivalents 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 each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debts.

34. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**1,123,163**	1,168,505	**1,791,705**	1,916,114
Financial liabilities				
Amortised cost	**1,690,493**	1,383,869	**609,896**	724,431

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade receivables, bills receivable, other receivables, amounts due from subsidiaries, bank balances and cash, trade payables, other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate 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.

34. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Certain bank balances and cash, trade receivables, other receivables, amounts due from subsidiaries, advance to subsidiaries, trade payables, 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 and the Company currently do 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.

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
	Equivalent	Equivalent	**Equivalent**	Equivalent
Monetary assets denominated in				
HKD	**37,878**	108,301	**1,116,111**	1,204,040
USD	**52,664**	33,671	**378,777**	464,337
Others	**15,730**	7,906	**–**	–
Monetary liabilities denominated in				
HKD	**557,811**	676,540	**429,768**	526,491
USD	**239,877**	202,498	**167,552**	197,940
Others	**293**	1,126	**–**	–

34. 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 and the Company are mainly exposed to the fluctuations in HKD and USD against RMB.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against HKD and USD. 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 rates. A positive number below indicates an increase in pre-tax profit for the year where RMB appreciates 5% against the relevant currency of the Group. A negative number below indicates an increase in pre-tax loss for the year where RMB appreciates 5% against the relevant currency of the Company. For a 5% depreciation of RMB against the relevant currency, there would be an equal and opposite impact on the pre-tax profit and the balances below would be negative.

	THE GROUP		**THE COMPANY**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HKD				
Increase in profit of the Group/increase in loss of the Company *(Note)*	**25,997**	28,412	**(34,317)**	(33,877)
USD				
Increase in profit of the Group/increase in loss of the Company *(Note)*	**9,361**	8,441	**(10,561)**	(13,320)

Note: This is mainly attributable to the exposure on outstanding HKD and USD denominated bank balances and cash, receivables, amounts due from subsidiaries, advances to subsidiaries, bank borrowings, and payables at the end of the reporting period for the Group and the Company.

34. 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 27) and fixed-rate borrowings (see note 29 for details of these borrowings). The Group and the Company currently do 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 borrowings (see note 29 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 25 for details of these advances) and variable-rate bank borrowings (see note 29 for details of these borrowings). It is the Group's and the Company'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 benchmark rate, HIBOR and LIBOR 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 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 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.

34. 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 50 basis points (2010: 50 basis points) higher/lower for variable-rate bank borrowings, and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$5,812,000 and HK$5,331,000 for the years ended 31 December 2011 and 2010, respectively.

At the end of the reporting period if interest rates had been 50 basis points (2010: 50 basis points) higher/lower for variable-rate advances to subsidiaries and variable-rate bank borrowings, and all other variables were held constant, the Company's loss for the year ended 31 December 2011 would increase/decrease by HK$2,471,000 and the Company's profit for the year ended 31 December 2010 would decrease/increase by HK$2,833,000.

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 statements of financial position; and

- the amount of contingent liabilities disclosed in note 37.

In order to minimise the credit risk, the management of the Group and the Company has 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.

34. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

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 88.8% (2010: 87.0%) of the total trade receivables as at 31 December 2011.

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

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company'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 2011, the Group has available undrawn borrowing facilities of approximately HK$282,325,000 (2010: HK$149,027,000).

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative 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 and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

34. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables

THE GROUP

	Weighted average effective interest rate % *(Note)*	On demand HK$'000	Less than 3 months HK$'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 31.12.2011 HK$'000
2011								
Non-derivative financial liabilities								
Trade and other payables	–	–	352,046	–	–	–	352,046	352,046
Bank borrowings								
– fixed rate	4.87	–	106,991	68,819	65,658	–	241,468	235,496
– variable rate	4.26	368,492	65,895	42,084	133,043	543,083	1,152,597	1,102,951
		368,492	524,932	110,903	198,701	543,083	1,746,111	1,690,493

	Weighted average effective interest rate % *(Note)*	On demand HK$'000	Less than 3 months HK$'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 31.12.2010 HK$'000
2010								
Non-derivative financial liabilities								
Trade and other payables	–	–	168,614	–	–	–	168,614	168,614
Bank borrowings								
– fixed rate	4.59	–	61,275	4,538	87,894	–	153,707	149,053
– variable rate	2.85	518,631	54,609	27,325	64,776	426,421	1,091,762	1,066,202
		518,631	284,498	31,863	152,670	426,421	1,414,083	1,383,869

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

34. 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)*	On demand HK$'000	Less than 3 months HK$'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 31.12.2011 HK$'000
2011								
Non-derivative financial liabilities								
Other payables	–	–	1,943	–	–	–	1,943	1,943
Financial guarantee contracts	–	884,426	–	–	–	–	884,426	14,233
Bank borrowings – variable rate	2.25	368,492	23,628	23,760	48,048	137,153	601,081	593,720
		1,252,918	25,571	23,760	48,048	137,153	1,487,450	609,896

	Weighted average effective interest rate % *(Note)*	On demand HK$'000	Less than 3 months HK$'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 31.12.2010 HK$'000
2010								
Non-derivative financial liabilities								
Other payables	–	–	1,977	–	–	–	1,977	1,977
Financial guarantee contracts	–	449,037	–	–	–	–	449,037	6,491
Bank borrowings – variable rate	1.92	518,631	5,067	5,091	20,614	173,434	722,837	715,963
		967,668	7,044	5,091	20,614	173,434	1,173,851	724,431

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

34. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest rate risk tables (continued)

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.

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$368,492,000 and HK$518,631,000 respectively. Taking into account the Group's and the Company's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. For the purpose of managing liquidity risk, the directors review the expected cash flow information of the Group's and the Company's bank borrowings carried variable interest rates based on the scheduled repayment dates set out in the bank loan agreement as set out in the table below:

	Weighted average effective interest rate	Less than 3 months	3 months to less than 1 year	1 year to less than 2 years	2 years to less than 3 years	Total undiscounted cash flows	Carrying amount as at 31 December
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bank borrowings							
– variable rate							
2011	4.26	–	228,095	162,472	–	390,567	368,492
2010	2.85	7,874	188,974	161,087	189,610	547,545	518,631

At that time, the aggregate principal and interest cash outflows will amount to approximately HK$390,567,000 (2010: HK$547,545,000).

34. FINANCIAL INSTRUMENTS (continued)

c. Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

35. OPERATING LEASES

The Group as lessee

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Minimum lease payments under operating leases in respect of land and buildings during the year	**6,080**	5,046

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	
	2011	2010
	HK$'000	HK$'000
Within one year	**5,433**	4,275
In the second to fifth year inclusive	**5,390**	6,032
	10,823	10,307

Operating lease payments represents rental payable by the Group for certain of its offices, factory premises and staff quarters. Leases are negotiated for terms of one to seven years.

35. OPERATING LEASES (continued)

The Group as lessor

Property rental income earned during the year was HK$736,000 (2010: HK$598,000). 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	
	2011	2010
	HK$'000	HK$'000
Within one year	**284**	411
In the second to fifth year inclusive	**118**	47
	402	458

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

36. CAPITAL COMMITMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Commitments in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the consolidated financial statements	**21,429**	214,562
– authorised but not contracted for	**–**	153,192
	21,429	367,754

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

37. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of banking facilities to subsidiaries				
– amount guaranteed	**–**	–	**884,426**	449,037
– amount utilised	**–**	–	**612,101**	343,490

As at 31 December 2011, an amount of approximately HK$14,233,000 (2010: HK$6,491,000) has been recognised in respect of the financial guarantee provided to subsidiaries in the Company's statement of financial position as other payables. The amount as at 31 December 2011 represents the amount initially recognised less cumulative amortisation recognised in accordance with the revenue recognition policy.

38. RETIREMENT BENEFIT SCHEMES

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

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a retirement scheme or other similar defined contribution provident fund operated by the respective local municipal government. These PRC subsidiaries are required to contribute 7% to 28% (2010: 8% to 20%) of its basic payroll costs to the scheme/fund. The contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme/fund.

39. SHARE-BASED PAYMENT TRANSACTIONS

a) The Company's share option scheme

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 entities 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 161,484,655 shares which represented 8.4% 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.

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

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.

Pursuant to the 2002 Scheme, share options held by any eligible participants will lapse automatically upon their resignations but the Board is empowered to extend the exercise period of the concerned share options at its discretion. Relevant exercise period of the share options held by the eligible participants who resigned during the year was extended and approved by the Board. Such change does not constitute modification of the 2002 Scheme.

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

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

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

Grantees	Number of share options for 2011 At 1.1.2011	Reclassification of categories of grantees	Cancelled during the year *(Note c)*	Exercised during the year *(Note b)*	Date of exercise	At 31.12.2011	Date of grant *(Note f)*	Exercise period	Exercise price per share HK$
Directors of the Company	382,000	–	–	–	–	382,000	23.8.2002	23.8.2002-22.8.2012	0.295
	68,882,000	(38,268,000) *(Note a)*	–	–	–	30,614,000	25.6.2003	25.6.2003-24.6.2013	0.365
	4,974,000	–	–	–	–	4,974,000	25.8.2003	25.8.2003-24.8.2013	0.740
	1,268,000	–	–	–	–	1,268,000	26.1.2007	26.1.2007-25.1.2017	0.656
	5,400,000	–	–	–	–	5,400,000	13.7.2009	13.7.2009-12.7.2019	0.680
	5,400,000	–	–	–	–	5,400,000 *(Note h)*	13.7.2009	1.1.2010-12.7.2019	0.680
	7,200,000	–	–	–	–	7,200,000 *(Note h)*	13.7.2009	1.1.2011-12.7.2019	0.680
	51,200,000	(10,000,000) *(Note a)*	–	–	–	41,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	2,000,000	–	–	–	–	2,000,000	14.12.2010	14.12.2010-13.12.2020	0.940
	146,706,000	(48,268,000)	–	–	–	98,438,000			
Employees other than directors of the Company	–	38,268,000 *(Note a)*	–	–	–	38,268,000	25.6.2003	25.6.2003-24.6.2013	0.365
	11,720,000	(2,240,000) *(Note d)* (500,000) *(Note e)*	–	(600,000)	14.1.2011	8,380,000	25.8.2003	25.8.2003-24.8.2013	0.740
	26,700,000	10,000,000 *(Note a)* (500,000) *(Note e)*	(1,000,000)	–	–	35,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	200,000	–	–	–	–	200,000 *(Note i)*	28.1.2008	28.1.2011-27.1.2018	0.864
	1,950,000	–	(600,000)	–	–	1,350,000	13.7.2009	13.7.2009-12.7.2019	0.680
	1,950,000	–	(600,000)	–	–	1,350,000 *(Note h)*	13.7.2009	1.1.2010-12.7.2019	0.680
	2,600,000	–	(800,000)	–	–	1,800,000 *(Note h)*	13.7.2009	1.1.2011-12.7.2019	0.680
	45,120,000	45,028,000	(3,000,000)	(600,000)		86,548,000			
All other eligible participants	2,296,000	–	–	–	–	2,296,000	23.8.2002	23.8.2002-22.8.2012	0.295
	5,356,000	–	–	–	–	5,356,000	12.3.2003	12.3.2003-11.3.2013	0.325
	1,500,000	–	–	–	–	1,500,000 *(Note j)*	25.8.2003	25.8.2003-30.4.2012	0.740
	–	500,000 *(Note e)*	–	–	–	500,000	25.8.2003	25.8.2003-30.6.2012	0.740
	–	2,240,000 *(Note d)*	–	–	–	2,240,000	25.8.2003	25.8.2003-31.12.2012	0.740
	57,350,000	–	–	–	–	57,350,000	2.10.2003	2.10.2003-1.10.2013	0.780
	3,000,000	–	–	–	–	3,000,000	28.1.2008	28.1.2008-31.12.2011	0.864
	17,000,000	–	–	–	–	17,000,000	28.1.2008	28.1.2008-27.1.2018	0.864
	–	500,000 *(Note e)*	–	–	–	500,000	28.1.2008	28.1.2008-30.6.2012	0.864
	2,000,000	–	–	–	–	2,000,000	28.1.2008	28.1.2008-14.12.2012	0.864
	88,502,000	3,240,000	–	–		91,742,000			
	280,328,000	–	(3,000,000)	(600,000)		276,728,000			
Exercisable at year end						276,728,000			
Weighted average exercise price	0.684	Not applicable	0.741	0.740		0.683			

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

Grantees	Number of share options for 2010 At 1.1.2010	Granted during the year *(Note k)*	Reclassification of categories of grantees	Cancelled during the year *(Note p)*	Exercised during the year *(Note q)*	Date of exercise	At 31.12.2010	Date of grant *(Note f)*	Exercise period	Exercise price per share HK$
Directors of the Company	382,000	–	–	–	–	–	382,000	23.8.2002	23.8.2002-22.8.2012	0.295
	68,882,000	–	–	–	–	–	68,882,000	25.6.2003	25.6.2003-24.6.2013	0.365
	4,974,000	–	–	–	–	–	4,974,000	25.8.2003	25.8.2003-24.8.2013	0.740
	57,350,000		(57,350,000) *(Note l)*				–	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
	–	–	5,400,000 *(Note m)*	–	–	–	5,400,000	13.7.2009	13.7.2009-12.7.2019	0.680
	–	–	5,400,000 *(Note m)*	–	–	–	5,400,000 *(Note h)*	13.7.2009	1.1.2010-12.7.2019	0.680
	–	–	7,200,000 *(Note m)*	–	–	–	7,200,000 *(Note h)*	13.7.2009	1.1.2011-12.7.2019	0.680
	70,200,000	–	(17,000,000) *(Note n)* (2,000,000) *(Note o)*	–	–	–	51,200,000	28.1.2008	28.1.2008-27.1.2018	0.864
	–	2,000,000	–	–	–	–	2,000,000	14.12.2010	14.12.2010-13.12.2020	0.940
	203,056,000	2,000,000	(58,350,000)	–	–		146,706,000			
Employees other than directors of the Company	13,720,000	–	(1,500,000) *(Note j)*	–	(500,000)	20.12.2010	11,720,000	25.8.2003	25.8.2003-24.8.2013	0.740
	26,700,000	–	–	–	–	–	26,700,000	28.1.2008	28.1.2008-27.1.2018	0.864
	400,000	–	–	(200,000)	–	–	200,000 *(Note i)*	28.1.2008	28.1.2011-27.1.2018	0.864
	7,500,000	–	(5,400,000) *(Note m)*	(150,000)	–	–	1,950,000	13.7.2009	13.7.2009-12.7.2019	0.680
	7,500,000	–	(5,400,000) *(Note m)*	(150,000)	–	–	1,950,000 *(Note g)*	13.7.2009	1.1.2010-12.7.2019	0.680
	10,000,000	–	(7,200,000) *(Note m)*	(200,000)	–	–	2,600,000 *(Note g)*	13.7.2009	1.1.2011-12.7.2019	0.680
	65,820,000	–	(19,500,000)	(700,000)	(500,000)		45,120,000			
All other eligible participants	2,296,000	–	–	–	–	–	2,296,000	23.8.2002	23.8.2002-22.8.2012	0.295
	5,356,000	–	–	–	–	–	5,356,000	12.3.2003	12.3.2003-11.3.2013	0.325
	3,000,000	–	–	–	–	–	3,000,000	28.1.2008	28.1.2008-31.12.2011	0.864
	–	–	1,500,000 *(Note j)*	–	–	–	1,500,000	25.8.2003	25.8.2003-30.4.2012	0.740
	–	–	57,350,000 *(Note l)*	–	–	–	57,350,000	2.10.2003	2.10.2003-1.10.2013	0.780
	–	–	17,000,000 *(Note n)*	–	–	–	17,000,000	28.1.2008	28.1.2008-27.1.2018	0.864
	–	–	2,000,000 *(Note o)*	–	–	–	2,000,000	28.1.2008	28.1.2008-14.12.2012	0.864
	10,652,000	–	77,850,000	–	–		88,502,000			
	279,528,000	2,000,000	–	(700,000)	(500,000)		280,328,000			
Exercisable at year end							270,328,000			
Weighted average exercise price	0.682	0.940	Not applicable	0.733	0.740		0.684			

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

Notes:

a. The respective 38,268,000 and 10,000,000 outstanding share options were held by Mr. Tong Yihui ("Mr. Tong") who retired as director of the Company with effect from 19/5/2011, the annual general meeting of the Company, and the options shall lapse immediately upon his retirement. However, in view of the great contribution of Mr. Tong during his tenure of directorship of the Company, on 29/3/2011, the Board approved the share options held by Mr. Tong remain exercisable up to the original expiring date (i.e. 24/6/2013 and 27/1/2018) respectively and Mr. Tong is reclassified under the category of "Employees other than directors of the Company".

b. Both the closing price and the weighted average closing price of the shares of the Company on the trading day immediately before the date on which the share options of the Company were exercised (i.e.14/1/2011) was HK$0.91. The consideration in respect of the exercise of the share options received by the Company was HK$444,000.

c. Totalling of 3,000,000 share options were cancelled during the year ended 31/12/2011 due to resignation of employees.

d. On 19/12/2011, the Board approved the 2,240,000 outstanding share options held by a retired employee who is reclassified as "All other eligible participants" under the 2002 Scheme remain exercisable up to 31/12/2012.

e. On 29/6/2011, the Board approved the totalling of 1,000,000 outstanding share options held by a retired employee who is reclassified as "All other eligible participants" under the 2002 Scheme remain exercisable up to 30/6/2012.

f. 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 (g), (h)* and *(i)* below.

g. 1,950,000 share options have a vesting period from the date of grant to 31/12/2009 and 2,600,000 share options have a vesting period from the date of grant to 31/12/2010.

h. 5,400,000 share options have a vesting period from the date of grant to 31/12/2009 and 7,200,000 share options have a vesting period from the date of grant to 31/12/2010 under the category of "Directors of the Company". 1,350,000 share options have a vesting period from the date of grant to 31/12/2009 and 1,800,000 share options have a vesting period from the date of grant to 31/12/2010 under the category of "Employees other than the directors of the Company".

i. 200,000 share options have a vesting period of three years from the date of grant.

j. On 29/4/2010 and 16/5/2011, the Board approved the 1,500,000 outstanding share options held by a retired employee who is reclassified as "All other eligible participants" under the 2002 Scheme remain exercisable up to 30/4/2011 and 30/4/2012 respectively.

k. The closing price of the shares of the Company on the trading day immediately before the date on which the share options of the Company were granted to a director of the Company (i.e.14/12/2010) was HK$0.92. The consideration in respect of the grant of these share options received by the Company was HK$1.

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

Notes: (continued)

l. 57,350,000 outstanding share options were held by Mr. Cao Zhong ("Mr. Cao") who resigned as director of the Company with effect from 10/5/2010 and the options shall lapse immediately upon his resignation. However, in view of the great contribution of Mr. Cao during his tenure of service for the Company, on 7/5/2010, the Board approved the options held by Mr. Cao remain exercisable up to the original expiring date (i.e. 1/10/2013). Mr. Cao is reclassified under the category of "All other eligible participants".

m. Totalling of 18,000,000 outstanding share options held by Mr. Yang Kaiyu ("Mr. Yang") who is reclassified under the category of "Directors of the company" when Mr. Yang was appointed as Deputy Managing Director during 2010.

n. 17,000,000 outstanding share options were held by Mr. Cao who resigned as director of the Company with effect from 10/5/2010 and the options shall lapse immediately upon his resignation. However, in view of the great contribution of Mr. Cao during his tenure of service for the Company, on 7/5/2010, the Board approved the options held by Mr. Cao remain exercisable up to the original expiring date (i.e. 27/1/2018). Mr. Cao is reclassified under the category of "All other eligible participants".

o. 2,000,000 outstanding share options were held by Mr. Geert Johan Roelens ("Mr. Roelens") who resigned as director of the Company with effect from 15/12/2010, the options shall lapse immediately upon his resignation. However, in view of the great contribution of Mr. Roelens during his tenure of directorship of the Company, on 14/12/2010, the Board approved the options held by Mr. Roelens remain exercisable up to 14/12/2012. Mr. Roelens is reclassified under the category of "All other eligible participants".

p. Totalling of 700,000 share options were cancelled during the year ended 31/12/2010 due to resignation of employees.

q. Both the closing price and the weighted average closing price of the shares of the Company on the trading day immediately before the date on which the share options of the Company were exercised (i.e.20/12/2010) was HK$0.89. The consideration in respect of the exercise of the share options received by the Company was HK$370,000.

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

a) The Company's share option scheme (continued)

During the year ended 31 December 2011, no share option was granted. During the year ended 31 December 2010, 2,000,000 share options granted on 14 December 2010 were vested immediately ("Option A"). The fair value of the share options granted in 2010 determined at the date of grant using the Binomial Option Pricing Model (the "Binomial Model") was approximately HK$780,000.

The following assumptions were used to calculate the fair value of the above Option A, using the Binomial Model:

	14 December 2010 Option A
Closing price of the Company's shares at the grant date	HK$0.94
Exercise price	HK$0.94
Option life	10 years
Expected volatility	58.87%
Dividend yield	2.66%
Risk-free interest rate	3.313%
Sub-optimal factor	1.91

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.

39. SHARE-BASED PAYMENT TRANSACTIONS (continued)

b) Hing Cheong Metals (China & Hong Kong) Limited's share option scheme

On 30 April 2007, Hing Cheong Metals (China & Hong Kong) Limited ("Hing Cheong") has entered into an agreement with a director of Hing Cheong pursuant to which the director was granted an option to subscribe for up to 10% equity interest in one subsidiary of Hing Cheong, in order to recognise his valuable and potential contribution to the Company and its subsidiaries. The option vested immediately. The fair value of the option determined at the date of the grant using the Binomial Model was approximately HK$840,000.

The option is exercisable in whole or in part (and in an integral multiple of 2% of the issued share capital of the Hing Cheong's subsidiary) at any time within the exercise period from 30 April 2007 to 29 April 2012. The option will lapse after 29 April 2012. During the years ended 31 December 2010 and 2011, no options were exercised, lapsed or cancelled. In addition, no share options were granted during the years ended 31 December 2010 and 2011.

40. RELATED PARTY TRANSACTIONS/BALANCES

The Company is an associate of Shougang HK, which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Group, will hereinafter be referred to as the "Shougang Group". Accordingly, the Group is significantly influenced by Shougang Group, which is part of a larger group of companies ultimately controlled by the PRC government.

Apart from the transactions with Shougang HK and its subsidiaries (collectively referred to as the "Shougang HK Group"), the Group also conducts businesses with other PRC government-related entities in the ordinary course of business.

(i) Transactions with PRC government-related entities

(a) Transactions with Shougang HK Group

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Consultancy fees paid to Shougang HK Group	**960**	960
Rental expenses paid to Shougang HK Group	**1,800**	1,830

40. RELATED PARTY TRANSACTIONS/BALANCES (continued)

(i) Transactions with PRC government-related entities (continued)

(b) Transactions with other PRC government-related entities

The Group has entered into various transactions, including sales to, purchases from and other operating expenses paid to other PRC government-related entities. In the opinion of the directors of the Company, the transactions are considered as individually insignificant to the operation of the Group during the reporting period.

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

(ii) Transactions with non-PRC government-related entities

Compensation of key management personnel

The key management of the Group comprises all executive directors of the Company, details of their emoluments and share-based payment transactions are disclosed in notes 12 and 39, 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.

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital	Attributable equity interest of the Group 2011	Attributable equity interest of the Group 2010	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

41. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration and operation	Nominal value of issued and paid-up capital	Attributable equity interest of the Group 2011	2010	Principal activities
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 cords
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$82,000,000	**100%**	100%	Manufacturing of steel cords
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 metal products
東莞興銅五金有限公司#	PRC	US$3,400,000 (2010: US$2,600,000)	**100%**	100%	Processing and trading of copper and brass products
首長寶佳(上海)管理有限公司#	PRC	US$1,000,000	**100%**	N/A	Provision of management services

A wholly foreign owned enterprise.

* Directly held by the Company.

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.

SUMMARY OF INVESTMENT PROPERTIES

Particulars of the investment properties held by the Group as at 31 December 2011 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 (as defined under the SFO) 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
"Continuous Disclosure Obligation Policy"	Shougang Concord Century Holdings Limited Continuous Disclosure Obligation Policy
"Copper and brass products"	processing and trading of copper and brass products
"Director(s)"	the director(s) of the Company
"Fair Union"	Fair Union Holdings Limited, a wholly owned subsidiary of Shougang International
"Group"	the Company and its subsidiaries

"HKD/HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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 (as defined under the SFO) 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, which for the purpose of this report shall exclude Hong Kong, Macau and Taiwan
"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

"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 (as defined under the SFO) of the Company
"Shougang International"	Shougang Concord International Enterprises Company Limited (Stock Code: 697), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange, a substantial shareholder (as defined under the SFO) of the Company
"Shougang Technology"	Shougang Concord Technology Holdings Limited (Stock Code: 521), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Steel cord"	manufacturing of steel cords 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, a joint stock limited company incorporated in the PRC, whose shares are listed on the Shanghai Stock Exchange
"%"	per cent.