SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

Stock Code : 697

CONTINUED GROWTH

ANNUAL REPORT 2010

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wang Qinghai *(Chairman)*
Cao Zhong *(Vice Chairman)*
Li Shaofeng *(Managing Director)*
Zhang Wenhui *(Deputy Managing Director)*
Chen Zhouping *(Deputy Managing Director)*
Ip Tak Chuen, Edmond *(Non-executive Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Kan Lai Kuen, Alice
(Independent Non-executive Director)
Wong Kun Kim
(Independent Non-executive Director)
Leung Kai Cheung
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Li Shaofeng *(Chairman)*
Zhang Wenhui
Chen Zhouping

AUDIT COMMITTEE

Wong Kun Kim *(Chairman)*
Kan Lai Kuen, Alice
Leung Kai Cheung

NOMINATION COMMITTEE

Li Shaofeng *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

REMUNERATION COMMITTEE

Leung Shun Sang, Tony *(Chairman)*
Li Shaofeng *(Vice Chairman)*
Kan Lai Kuen, Alice
Wong Kun Kim
Leung Kai Cheung

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

697

WEBSITE

www.shougang-intl.com.hk

Mr. Wang Qinghai, aged 52, senior engineer. Mr. Wang was appointed the Chairman of the Company in April 2001. He is also the chairman of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"). Mr. Wang is the vice chairman and general manager of Shougang Corporation, the ultimate holding company of Shougang Holding. He was the chairman of Shougang Concord Grand (Group) Limited ("Shougang Grand") from April 2001 to May 2010 and the chairman of Fushan International Energy Group Limited ("Fushan Energy") from January 2005 to May 2010. Mr. Wang has extensive experience in management and operation.

An engagement letter was entered into with Mr. Wang for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wang is entitled to a director's fee as may be determined by the board of director of the Company (the "Board") from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Wang is HK$150,000. For the financial year ending 31 December 2011, the director's fee of Mr. Wang will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wang. Such director's fees were determined with reference to Mr. Wang's experience and duties as well as the then prevailing market conditions.

Mr. Cao Zhong, aged 51, graduated from Zhejiang University, the People's Republic of China and Graduate School, The Chinese Academy of Social Sciences with a bachelor degree in engineering and a master degree in economics. Mr. Cao was appointed the Managing Director of the Company in November 2001 and has been re-designated to a Non-executive Director and the Vice Chairman of the Company from 10 May 2010 (the "Re-designation"). He is the chairman and the chief executive officer of China Timber Resources Group Limited, a Hong Kong listed company. Mr. Cao is also a director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Cao was the chairman of Shougang Concord Technology Holdings Limited ("Shougang Technology"), the vice chairman and managing director of Shougang Grand, the chairman of Shougang Concord Century Holdings Limited ("Shougang Century"), the vice chairman and managing director of Fushan Energy and the chairman of Global Digital Creations Holdings Limited ("GDC") and he resigned from all his directorships in such companies from 10 May 2010. He was also an executive director of APAC Resources Limited ("APAC") from April 2007 to October 2009 and was concurrently the chairman of APAC since May 2007. Mr. Cao has extensive experience in corporate management and operation.

An engagement letter was entered into with Mr. Cao for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Cao is entitled to a director's fee as may be determined by the Board from time to time. For the period from 1 January 2010 to 9 May 2010, Mr. Cao was entitled to a monthly salary of HK$350,000 for his service as an Executive Director and the Managing Director of the Company under the service contract entered into between Mr. Cao and a wholly-owned subsidiary of the Company which was terminated upon the Re-designation on 10 May 2010. For the period from 10 May 2010 (the effective date of the Re-designation) to 31 December 2010, the director's fee of Mr. Cao is HK$96,370.97 which was paid for his services as a Non-executive Director of the Company. For the financial year ending 31 December 2011, the director's fee of Mr. Cao will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Cao. Such director's fees were determined with reference to Mr. Cao's experience and duties as well as the then prevailing market conditions.

Mr. Li Shaofeng, aged 44, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed the Managing Director of the Company in May 2010 and is the chairman of each of the Executive Committee and the Nomination Committee and the vice chairman of the Remuneration Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding, in 1989 and is the vice chairman and managing director of Shougang Holding and a director of each of Grand Invest International Limited ("Grand Invest") and China Gate Investments Limited ("China Gate"), each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Li is the chairman and managing director of Shougang Century and the chairman of each of Shougang Technology, Shougang Grand and GDC. He is also a director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$350,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the period from 10 May 2010 (the date of appointment of Mr. Li as an Executive Director of the Company) to 31 December 2010, Mr. Li's monthly salary is HK$350,000 and his discretionary bonus is HK$3,500,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance.

Mr. Zhang Wenhui, aged 55, graduated from the University of Science and Technology Beijing. Mr. Zhang was appointed a Deputy Managing Director of the Company in September 2006 and is a member of the Executive Committee of the Company. He is a deputy managing director of Shougang Holding, and a director of each of Grand Invest and China Gate, each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Zhang is a non-executive director of Fushan Energy. He joined Shougang Corporation in 1982 and had been working in various companies under Shougang Corporation during the period from 1990 to 2001. Mr. Zhang had acted as the Deputy Managing Director of the Company for the period from July 2002 to January 2005. He was a director and the president of Shougang Technology during the period from July 2004 to July 2006 and was the vice chairman of Shougang Technology from July 2006 to September 2006. Mr. Zhang has extensive experience in management and company operations.

A service contract was entered into between Mr. Zhang and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Zhang is entitled to a monthly salary of HK$260,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2010, Mr. Zhang's monthly salary is HK$190,000 and his discretionary bonus is HK$2,850,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Zhang's individual performance.

Mr. Chen Zhouping, aged 45, graduated from the School of Economics and Management, Beijing Tsinghua University and is a member of the Chinese Institute of Certified Public Accountants. Mr. Chen was appointed a Deputy Managing Director of the Company in November 2002 and is a member of the Executive Committee of the Company. He is a deputy managing director of Shougang Holding, and a director of each of Grand Invest and China Gate, each of Shougang Holding, Grand Invest and China Gate is a substantial shareholder of the Company within the meaning of Part XV of the SFO. Mr. Chen was appointed a non-executive director of Fushan Energy in January 2009 and has been re-designated as the vice chairman and managing director of Fushan Energy from 10 May 2010. He is also a non-executive director of Mount Gibson Iron Limited, a company listed on the Australian Securities Exchange. Mr. Chen has extensive experience in steel industry, engineering design, human resources and management.

A service contract was entered into between Mr. Chen and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Chen is entitled to a monthly salary of HK$250,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2010, Mr. Chen's monthly salary is HK$250,000 and his discretionary bonus is HK$2,500,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Chen's individual performance.

Mr. Ip Tak Chuen, Edmond, aged 58, holds a bachelor of arts degree in economics and a master of science degree in business administration. Mr. Ip was appointed a Non-executive Director of the Company in 1993. He is also a deputy managing director of Cheung Kong (Holdings) Limited, an executive director and deputy chairman of Cheung Kong Infrastructure Holdings Limited, the senior vice president and chief investment officer of CK Life Sciences Int'l., (Holdings) Inc. and a non-executive director of each of TOM Group Limited, ARA Asset Management Limited, AVIC International Holding (HK) Limited, Excel Technology International Holdings Limited and Ruinian International Limited. All the companies mentioned above are listed companies in Hong Kong or overseas. Mr. Ip is also a non-executive director of ARA Asset Management (Fortune) Limited, which manages Fortune Real Estate Investment Trust, a real estate investment trust listed on The Stock Exchange of Hong Kong Limited and the Singapore Exchange Securities Trading Limited ("SGX-ST"), and a director of ARA Trust Management (Suntec) Limited, which manages Suntec Real Estate Investment Trust, a real estate investment trust listed on SGX-ST. He is also a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO. He also holds directorships in certain companies controlled by a substantial shareholder of the Company.

An engagement letter was entered into with Mr. Ip for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Ip is entitled to a director's fee as may be determined by the Board from time to time pursuant to the authority given by the shareholders of the Company. For the financial year ended 31 December 2010, the director's fee of Mr. Ip is HK$150,000. For the financial year ending 31 December 2011, the director's fee of Mr. Ip will be HK$150,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Ip. Such director's fees were determined with reference to Mr. Ip's experience and duties as well as the then prevailing market conditions.

Mr. Leung Shun Sang, Tony, aged 68, holds a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in November 1992 and is the chairman of the Remuneration Committee and the vice chairman of the Nomination Committee of the Company. He is also a non-executive director of each of Shougang Technology, Shougang Grand, Shougang Century, GDC and Fushan Energy. Mr. Leung is the managing director of CEF Group. He has over 40 years of experience in finance, investment and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Leung is HK$230,000. For the financial year ending 31 December 2011, the director's fee of Mr. Leung will be HK$230,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Ms. Kan Lai Kuen, Alice, aged 56, is a fellow member of The Association of Chartered Certified Accountants, a fellow member of the CPA Australia and an associate member of The Hong Kong Institute of Certified Public Accountants. She is also a fellow member of the Hong Kong Institute of Directors. Ms. Kan was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. She was also an independent non-executive director of Shougang Technology from September 2004 to June 2010. Ms. Kan held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the managing director of each of Asia Investment Management Limited and Asia Investment Research Limited, both companies are licensed corporations under the SFO. Ms. Kan is licensed as a responsible officer of each of Asia Investment Management Limited, Asia Investment Research Limited and Lotus Asset Management Limited under the SFO. She is also an independent non-executive director of each of Regal Hotels International Holdings Limited, G-Vision International (Holdings) Limited, Sunway International Holdings Limited, Shimao Property Holdings Limited, China Energine International (Holdings) Limited and Sunac China Holdings Limited, all of which are listed companies in Hong Kong. Ms. Kan has over 15 years of experience in corporate finance and is well experienced in both the equity and debt markets.

An engagement letter was entered into with Ms. Kan for a term of three years commencing on 1 January 2011. Under the engagement letter, Ms. Kan is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Ms. Kan is HK$330,000. For the financial year ending 31 December 2011, the director's fee of Ms. Kan will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Kan. Such director's fees were determined with reference to Ms. Kan's experience and duties as well as the then prevailing market conditions.

Mr. Wong Kun Kim, aged 66, holds a bachelor degree in economics, a master degree in business administration and a doctorate of philosophy. He is a member of the Chartered Institute of Marketing and Chartered Management Institute. Mr. Wong was appointed an Independent Non-executive Director of the Company in September 2004 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang Technology. Mr. Wong is licensed as a responsible officer of each of Asia Investment Management Limited and Asia Investment Research Limited under the SFO and has over 35 years of experience working as senior executives for various multinational corporations engaged in trading, manufacturing, finance and real estates. Mr. Wong had served as consultants and directors for different listed companies in Mainland China, Hong Kong, Taiwan and United States of America and is currently an independent non-executive director of Sunway International Holdings Limited, a Hong Kong listed company.

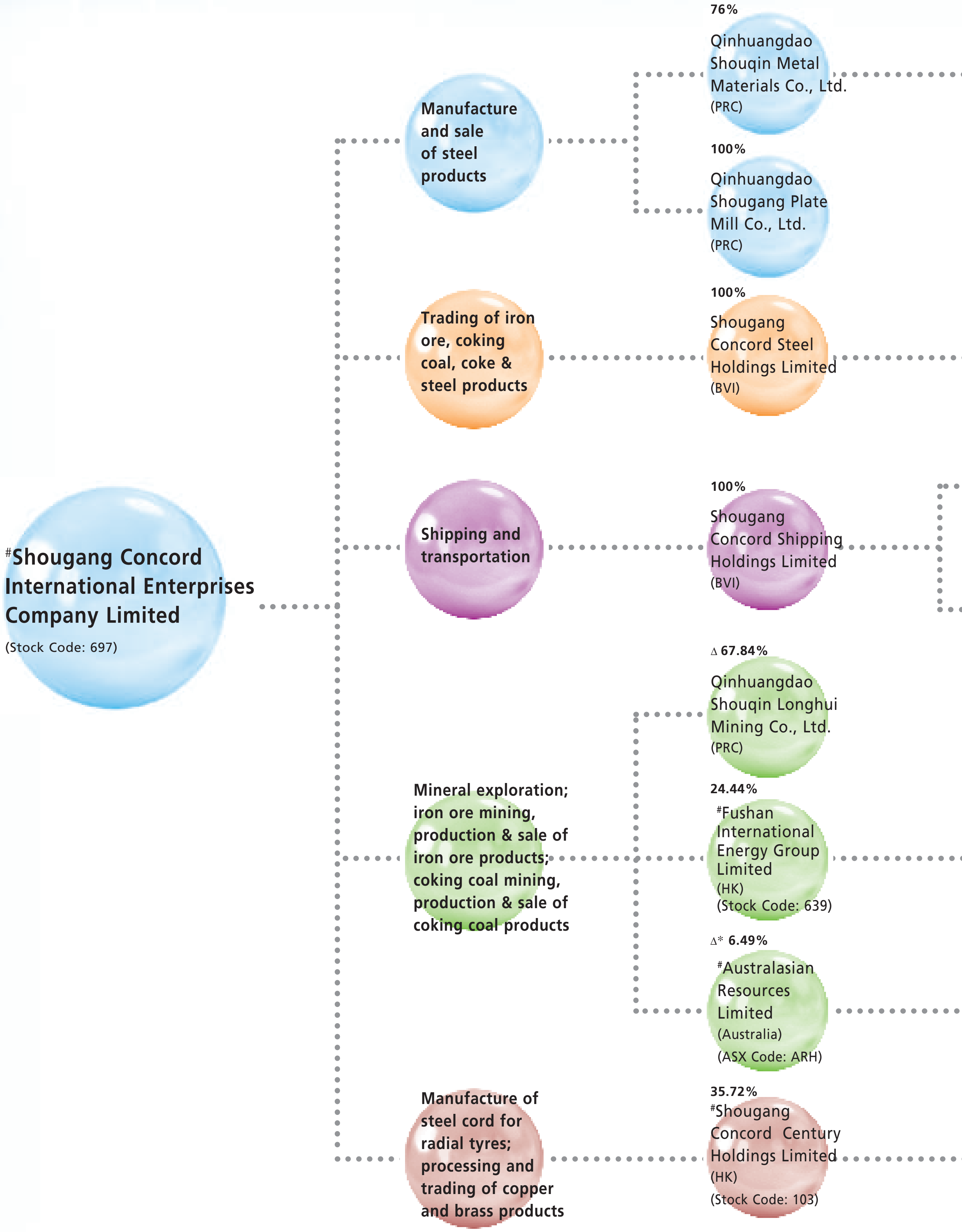
An engagement letter was entered into with Mr. Wong for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Wong is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Wong is HK$330,000. For the financial year ending 31 December 2011, the director's fee of Mr. Wong will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Wong. Such director's fees were determined with reference to Mr. Wong's experience and duties as well as the then prevailing market conditions.

Mr. Leung Kai Cheung, aged 65, graduated from the Chinese University of Hong Kong with a bachelor degree in business. Mr. Leung was appointed an Independent Non-executive Director of the Company in June 2006 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang Technology. Mr. Leung had been a senior executive of Citibank, N.A. and the general manager of Barclays Bank PLC in charge of Kowloon and New Territories district. He is currently the chairman of each of Star International Enterprises Limited and Shinon Technologies Limited. Mr. Leung has extensive financial knowledge and business management experience and is familiar with the business environment of both Hong Kong and Mainland China and the operation of listed companies.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2010, the director's fee of Mr. Leung is HK$330,000. For the financial year ending 31 December 2011, the director's fee of Mr. Leung will be HK$330,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2010



MAIN OPERATIONAL STRUCTURE

Δ 87.76%
Qinhuangdao Shouqin Steels Machining & Delivery Co., Ltd. (PRC)

Notes:

\# Listed company

Δ Attributable interest held by Shougang Concord International Enterprises Company Limited

* Including the interests held through Fushan International Energy Group Limited and APAC Resources Limited

100% Shougang Concord Steel International Trading Co. Ltd. (BVI)
100% Shougang Concord Godown Limited (HK)
100% Shougang Concord Management Company Limited (HK)
100% 深圳市首康國際貿易有限公司 (PRC)

100% Shougang Concord International Transport Limited (BVI)
100% Shougang Concord Shipping Services Limited (HK)
100% Ryegar Limited (UK)
70% Centralink International Limited (BVI)
Δ 63% Zhoushan Shouhe Centra-link Co., Ltd. (PRC)

100% SCIT Trading Limited (HK)
100% SCIT Services Limited (BVI)

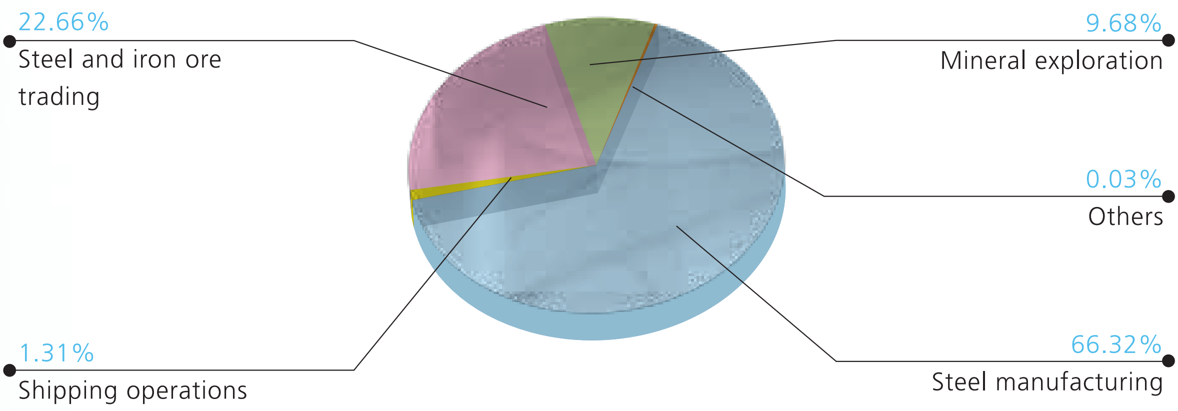
Δ 3.38% # APAC Resources Limited (Bermuda) (Stock Code: 1104)
Δ* 4.48% # Mount Gibson Iron Limited (Australia) (ASX Code: MGX)

Δ* 6.49% International Minerals Pty Ltd (Australia)
Δ* 6.49% International Exploration Ltd (Australia)

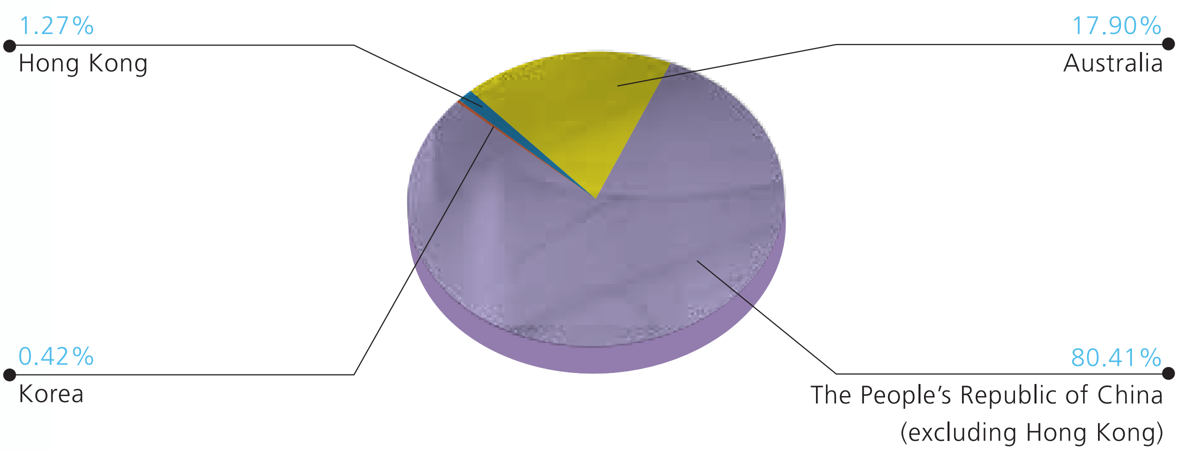
Δ 35.72% Jiaxing Eastern Steel Cord Co., Ltd. (PRC)
Δ 35.72% Tengzhou Eastern Steel Cord Co., Ltd. (PRC)
Δ 35.72% Hing Cheong Metals (China & Hong Kong) Limited (HK)
Δ 35.72% Rise Boom International Limited (BVI)

FINANCIAL HIGHLIGHTS

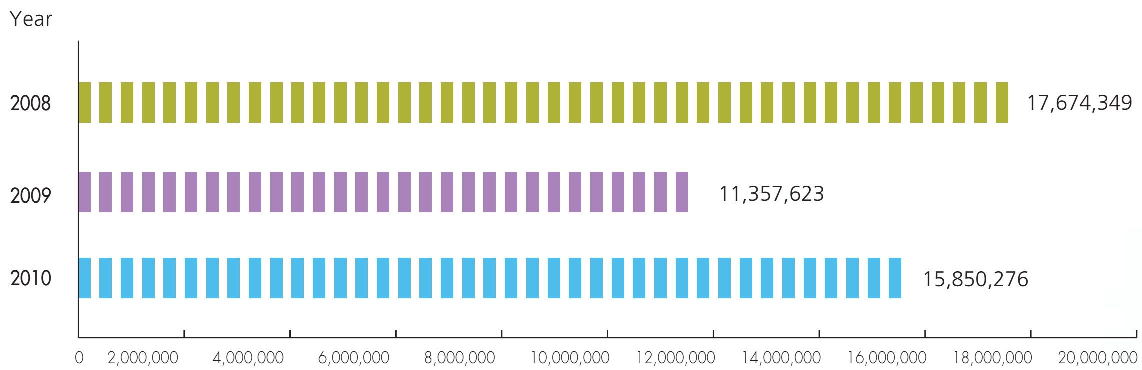
TURNOVER BY PRINCIPAL ACTIVITY
FOR THE YEAR 2010



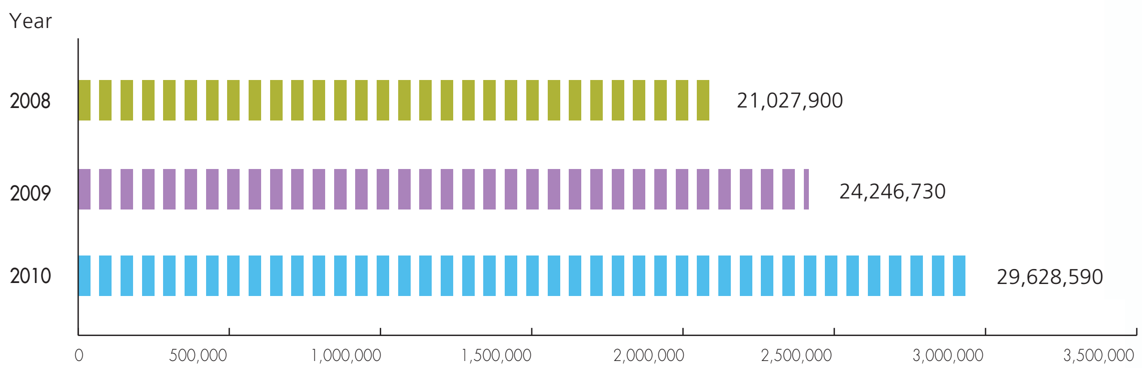
TURNOVER BY GEOGRAPHICAL LOCATION
FOR THE YEAR 2010



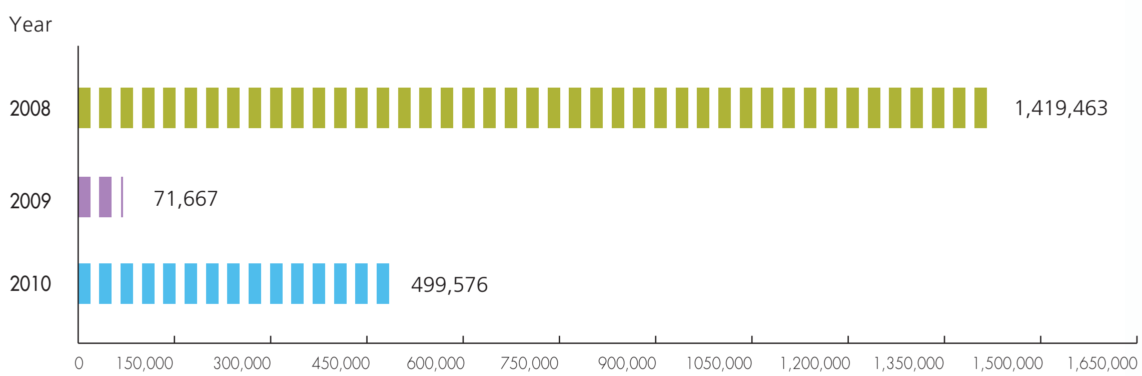
TURNOVER (in HK$'000)



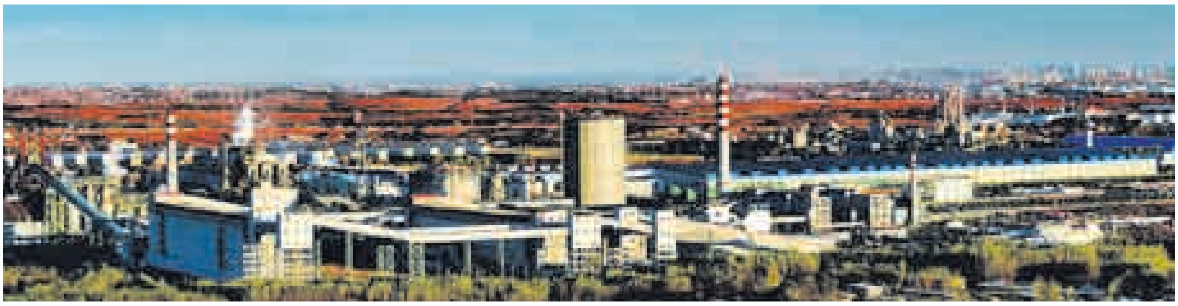
TOTAL ASSETS (in HK$'000)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (in HK$'000)



CHAIRMAN'S STATEMENT



In a theme of opportunities and challenges, the past year has presented Shougang Concord International with many of each. After an unprecedented crumple in 2009, the steel industry has staged a generally positive though volatile recovery in 2010. However, the industry is also becoming increasingly constrained by raw material prices. Steel prices have gone up from an extreme low as much improved demand has helped support the market. Raw material cost, however, has reached an abnormal high with iron ore prices doubling during the year. In the medium term, structural overcapacity and high raw material cost such as iron ore will continue to adversely affect the profitability of our steel manufacturing segment. Elimination of obsolete capacities and various acquisitions in the steel industry are bound to commence.

Our other major segments including that of upstream, however, have performed well. Our mineral exploration segment saw strong growth, thanks to the profit contribution of our associate Fushan International Energy Group Limited (hard coking coal producer), while our Joint venture Shouqin Longhui Mineral Co., Ltd. (iron ore producer) has already provided profit contribution during its start-up. Iron ore and steel trading business has also done remarkably well in 2010.

Consolidated revenue for the year was HK$15.8 billion, while net profit attributable to shareholders was HK$500million, an increase of 6 times from that of 2009. With improved profitability, the Board has recommended a final dividend of HK1 cent per share.

We have tried our best to strengthen our resilience in this challenging market by improving production efficiency in steel plates through a new roughing mill and ultra thick caster. We also constantly optimize our product mix and to refine our value-adding service to cater for our customer needs. Our focus remains on our improving our core steel manufacturing business, upholding our development towards mineral exploration businesses.

I deeply regret the departure of Mr. Cao Zhong as Managing Director of the Company in May 2010, but we are fortunate he has agreed to remain as our Vice Chairman and Non-Executive Director. Mr. Cao has been pivotal to the development of our businesses, whilst I heartily welcome Mr. Li Shaofeng as our new Managing Director and trust that Mr. Li can lead the Group to new heights. Finally, I extend my thanks to the hard working and talented staff here for their contributions to the Group, and certainly the shareholders who have been supporting Shougang Concord International.

Wang Qinghai
Chairman

29 March 2011

COMPANY OVERVIEW

Shougang Concord International Enterprises Company Limited ("Shougang Concord International") is a heavy plate manufacturing enterprise in the PRC with strategic interests in upstream and downstream assets. Currently, our operations are grouped under four segments: steel manufacturing, mineral exploration, steel and iron ore trading and shipping. In addition to our 24.4% shareholding in Hong Kong-listed Chinese hard coking coal producer Fushan International Energy Group Limited ("Fushan International"), we have strengthened our upstream interests by long term iron ore offtake agreements signed with Australia listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson") and by exploring local iron ore resources in Qinhuangdao City, Hebei, PRC, via our Qinhuangdao Shouqin Longhui Mining Co. Ltd ("Shouqin Longhui"). Together with our downstream steel processing centre, such vertical integration strategy enables us staying firm in such a macro environment.

PERFORMANCE OVERVIEW

In 2010, steel market has continued its recovery starting from the third quarter of previous year. Production and prices of steel have been gradually improving. On the other hand, raw material cost remained very strong due to healthy demand, these pressured margins of steel manufacturers throughout the year. Yielding from our across-the-value chain earning profiles, net profit attributable to shareholders of the Group amounted to HK$500 million, comparing to HK$72 million recorded in the previous year, up 6 times; our mineral exploration segment contributed HK$483 million in profit, comparing to profit of HK$122 million in previous year. The Group recorded a consolidated turnover of HK$15,850 million in 2010, representing an increase of 40% comparing with that of last year. Basic earnings per share was HK6.1 cents.

FINANCIAL REVIEW

Year ended 31 December 2010 compared to year ended 31 December 2009

Turnover and Cost of Sales

For the year under review, the Group recorded a consolidated turnover of HK$15,850 million, representing an increase of HK$4,493 million, or 40% over that of last year. Sales were higher via progressive commencement of our Shouqin Longhui from September 2009, reporting sales of HK$2,357 million, while our steel manufacturing segment also reported higher sales through improved demand and pricing.

Cost of sales for the current year was HK$14,998 million. It resulted in gross profit of HK$852 million in the current year, comparing to gross loss of HK$732 million in last year. All major segments have reported improved results, details of which are discussed in the ensuing sections below.

EBITDA and Core Operating Profit

In the current year, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$1,597 million, while it was HK$1,269 million in the last year.

Profit after tax included certain significant non-cash and non-recurring charges and are shown below:

In HK$ million	**For the year ended 31 December**	
	2010 (audited)	2009 (audited)
Profit attributable to shareholders	**500**	72
Fair value (gain) on iron ore offtake contract with Mt. Gibson	**(147)**	(69)
Employee share option expenses	**35**	59
Asset realization – Disposal of Mt. Gibson shares, net	**–**	(1,114)
Negative goodwill on acquisition of Fushan International shares, net of fair value movement of HK$171 million	**–**	(137)
Impairment loss of goodwill – Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate")	**–**	50
Fair value loss on share options	**–**	3
Core operating profit/(loss)	**388**	(1,136)

FINANCIAL REVIEW (continued)

Finance costs

For the current year, finance costs amounted to HK$445 million, higher by about 13% from last year. The Group took advantage of the low interest environment by levering up for value-adding growth, net debt has grown to HK$9,719 million from HK$9,049 million in the last year.

Share of results of associates

This item includes the share of results of 24.4%-held Fushan International and 35.7%-held Shougang Concord Century Holdings Limited ("Shougang Century") whilst we have started to equity account for the results of Fushan International from 1 September 2009.

For this year, we have recognized profit contribution of HK$414 million and HK$62 million from Fushan International and Shougang Century respectively.

Taxation

For this year, we have provided HK$38 million in deferred tax assets for Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Plate, resulting in net tax credit as HK$34 million, while it was HK$143 million in expenses last year.

REVIEW OF OPERATIONS

Summary of net profit contribution to the group by operation/entity

HK$'000

Operation/Entity		Attributable interest	For the year ended 31 December 2010 (audited)	2009 (audited)
1.	Steel manufacturing			
	Shouqin	76%	**(322,697)**	(904,821)
	Qinhuangdao Plate	100%	**(125,646)**	(328,349)
	Sub-total		**(448,343)**	(1,233,170)
2.	Mineral exploration			
	Fushan International	24.4%	**412,119**	169,451
	Shouqin Longhui	67.8%	**70,943**	(47,851)
	Sub-total		**483,062**	121,600
3.	Steel and iron ore trading			
	Shougang Steel Group	100%	**340,027**	45,515
4.	Shipping operations			
	Shougang Shipping Group	100%	**47,569**	31,228
5.	Others			
	Shougang Century	35.7%	**62,466**	42,838
	Fair value gain on Mt. Gibson offtake contract	100%	**147,000**	69,056
	Corporate	100%	**(132,205)**	(119,147)
	Net profit on disposal of Mt. Gibson shares		**–**	1,113,747
	Sub-total		**77,261**	1,106,494
	Total		**499,576**	71,667

REVIEW OF OPERATIONS (continued)

Steel manufacturing

The Group operates in this business segment through Shouqin and Qinhuangdao Plate, both of which are situated in Qinhuangdao city, Hebei, PRC. During the reporting year, although steel prices were generally higher than that of the preceding year, increases in raw material prices not only exceeded that of steel prices, the timing of such increases were sometimes quicker and sharper, affecting profitability of this segment. In the second half of the year, power cut initiation by the government also put significant pressure to productivity. This core segment recorded net loss of HK$448 million during the current year, while that of last year was net loss of HK$1,233 million. Summary of production and sales quantities of the two manufacturing plants in the current and last year under this segment is as follows:

	In '000 mt.	Slabs		Heavy Plates	
For the year ended 31 December		**2010**	2009	**2010**	2009
(i)	Production				
	Shouqin	**2,394**	2,379	**1,313**	1,290
	Qinhuangdao Plate	**–**	–	**639**	701
	Total	**2,394**	2,379	**1,952**	1,991
	Change		+1%		–2%
(ii)	Sales				
	Shouqin#	**927**	936	**1,283**	1,277
	Qinhuangdao Plate	**–**	–	**576**	651
	Total	**927**	936	**1,859**	1,928
	Change		–1%		–4%

substantially all the slabs sold by Shouqin are towards Qinhuangdao Plate and are eliminated on consolidation

REVIEW OF OPERATIONS (continued)

Steel manufacturing (continued)

Shouqin

The Group holds an effective interest of 76% in Shouqin (52% held by the Group directly and 24% through Qinhuangdao Plate), the remaining 20% and 4% are held by Hyundai Heavy Industries Company Limited and Shougang Corporation respectively.

With its state-of-the-art integrated production facilities, Shouqin seizes the industrialization and urbanization trend of China, now catering to booming industries, such as infrastructure, petrochemical, shipping and heavy machinery. Its 4300mm heavy plate production line, newly installed ultra thick slab caster and roughing mill give Shouqin an edge over other players in the industry. Currently, annual production capacities of slab and heavy plate have reached 3.6 million tonnes and 1.8 million tonnes respectively. For the current year, Shouqin reported a turnover of HK$9,932 million before elimination, recording a 15% rise on the comparative year. Reasons for such change are three-fold:

(i) Average realized selling price (net of VAT) of heavy plate was HK$5,048 (RmB 4,380), about 19% higher than that of last year; and

(ii) Average realized selling price (net of VAT) of steel slab was HK$4,030 (RmB 3,497), about 20% higher than that of the last year; partly offset by

(iii) The decrease in production of heavy plates in first half 2010, due to the installation of a new roughing mill (600,000mt. capacity) and an ultra-thick slab caster.

In order to meet customers' demand, a downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. ("QSSM"), commenced operation in the first quarter of 2009. QSSM is mainly engaged in processing and pre-treatment of ship plates, heavy machinery engineering and structural steel. It is part of Shouqin's development towards a one-stop supplier for steel products. The current capacity in pre-treatment of plates is 150,000 tonnes per annum and it is still on ramping up stage. This entity recorded HK$493 million in turnover and an attributable loss of HK$2 million in current year.

REVIEW OF OPERATIONS (continued)

Steel manufacturing (continued)

Shouqin (continued)

For the year ended 31 December 2010, Shouqin recorded a gross profit of HK$130 million, comparing to gross loss of HK$611 million in last year, and thus contributed a net loss of HK$323 million to the Group.

Qinhuangdao Plate

As a well developed steel manufacturer, Qinhuangdao Plate recorded a turnover of HK$3,370 million before elimination for the year ended 31 December 2010, a rise of 12% comparing with that of last year. Lower sales volume was compensated by higher average selling price and improved profitability. Average realized selling price (net of VAT) was HK$4,714 (RmB 4,093), about 23% higher than that of last year. As a result, the Group's share of loss of Qinhuangdao Plate was HK$126 million, comparing to loss of HK$328 million last year.

In the near term, the profitability of both plants are squeezed under the high cost and overcapacity environment. However, for the medium term, upon gradual improvement of raw material pricing mechanism and steel plate supply-demand dynamics, the outlook remains positive.

Mineral exploration

Production and sale of coking coal

Fushan International is a 24.4% held associate of the Group and we have started to equity account for its financial results from 1 September 2009. It is the second largest hard coking coal producer in China, currently operating three premium coking coal mines in Shanxi, PRC with an annual production capacity of over 6 million tonnes. During the year, it produced 6.2 million tonnes of raw coal and 1.6 million tonnes of clean coal. Its consolidated turnover for the current year was HK$5,543 million, net profit attributable to shareholders was HK$1,803 million, a rise of 24% and 60% respectively over that of last year. Profit attributable to the Group was HK$414 million in this year.

REVIEW OF OPERATIONS (continued)

Mineral exploration (continued)

Production and sale of coking coal (continued)

The hike in coking coal price has helped drive profitability of Fushan International. For the longer term, solid margins are expected to be sustainable, given the demand from steel industry and rarity of quality coking coal. We expect this upstream business to provide a stable profit base for the Group in the foreseeable years.

Production of iron ore products

The Group holds an effective 68% interest in Shouqin Longhui which is situated in Qinhuangdao City, Hebei, PRC. Shouqin Longhui currently holds two magnetite iron ore mines together with its concentrating and pelletizing facilities. Iron ore fines concentrated from raw ores from the mines are used as feeds (shortfalls are currently satisfied by purchasing feeds from the market) for the pellet plant to produce the final product – iron ore pellets. The designed output of iron ore concentrate and pellet plant are 1 million tonnes and 2 million tonnes per annum respectively.

In the current year, Shouqin Longhui sold approximately 1.7 million tonnes of pellets. It recorded a turnover HK$2,357 million for the year with a net profit of HK$105 million, and the profit attributable to the group was about HK$71 million. Shouqin Longhui commenced operation progressively from September 2009, loss attributable to the group in the last year was HK$48 million.

Due to strong demand and bottleneck of supply, iron ore price has remained much stronger since middle of 2010. We believe this situation shall persist for the foreseeable future and profitability of Shouqin Longhui would improve further through production ramp up and the increase of self-produced iron ore concentrates.

REVIEW OF OPERATIONS (continued)

Steel and iron ore trading

Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported a turnover of HK$3,593 million for the year ended 31 December 2010. Shougang Steel Group sold approximately 3.0 million tonnes of iron ore through long term offtake arrangements with Mt. Gibson starting from 1 July 2009. Trading of other steel products recorded a small gain. The resulting net gain was HK$340 million in the current year, comparing to HK$46 million in last year. With the strong raw material prices and growth in production of Mt. Gibson, we expect good profitability and iron ore trading volume will remain substantial.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") mainly engage in time charter business of two capsized vessel, used as a hedge to our transportation cost. In the current year, it reported a net profit of HK$48 million, compared to a net profit of HK$31 million last year. Shipping market has improved in the first half of 2010, but dropped sharply in the second half, due to the excessive supply growth. While there is a short term imbalance of supply-demand, downside risk of shipping rate is limited in the longer term, due to higher scrapping, potential port congestion and growing China's seaborne market. Our operational strategy is to lease out the vessels on longer terms when rates are high and vice versa, serving as a hedge on shipping rates for imported raw materials.

Other business

Manufacture of steel cord for radial tyres; processing and trading of copper and brass products

Shougang Century, a 35.7% associate of the Group, recorded net profit of HK$200 million in current year, an increase of 17% as compared to that of last year. The Group's share of its net results was a profit of HK$62 million, comparing to share of profit of HK$55 million in the last year.

The sustained economic growth of China has helped automobile demand and hence the demand for quality steel cords for radial tires. Together with enhanced operational efficiency and enlarged production capacity, Shougang Century has seen growth in its revenue and profit, which should remain favorable in the coming years.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

1. Leverage

The financial leverage of the Group as at 31 December 2010 as compared to 31 December 2009 is summarized below:

HK$ million	**31 December 2010**	31 December 2009
Total Debt		
– from banks	**10,734**	9,909
– from parent company	**969**	793
sub-total	**11,703**	10,702
Cash and bank deposits	**1,984**	1,653
Net debt	**9,719**	9,049
Total capital (Equity and debt)	**21,270**	19,283
Financial leverage		
– Net debt to total capital	**45.7%**	46.9%
– Net debt to total assets	**32.8%**	37.3%

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

2. Currency and Interest Rate Risk

The Company manages its financial risks in accordance with guidelines laid down by its Board of Directors. The treasury policy aims to manage the Group currency, interest rate and counterparty risks. Derivatives are only used primarily for managing such risks but not for speculative purposes. We also target to ensure that adequate financial resources are available for business growth.

The Group conducts its businesses mainly in Hong Kong and Mainland China, therefore it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. For the year ended 31 December 2010, approximately 78% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements.

3. Financing activities

In April 2010, the Company entered into a loan arrangement for 3-year facilities at HK$350 million. The loan was drawn down in May 2010. In January 2011, the Company entered into a loan agreement for 3.5-year facilities at US$50 million. US$37.5 million of the loan has been drawn down to date.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals during 2010.

CAPITAL STRUCTURE

The Company did not issue any new shares during current year.

The issued share capital of the Company was HK$1,635 million (represented by 8,175 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,200 employees as at 31 December 2010.

The remuneration policies of the Group are to ensure fairness and competitiveness of total remuneration in order to motivate and retain current employees as well as to attract potential ones. Remuneration packages are carefully structured to take into account local practices under various geographical locations in which the Group operates.

The remuneration packages of employees in Hong Kong include salary, discretionary bonuses, medical subsidies and a hospitalization scheme. All of the subsidiaries of the Group in Hong Kong provide pension schemes to the employees. The remuneration packages of employees in the PRC include salary, discretionary bonuses, medical subsidies and a welfare fund contribution as part of their staff benefits.

PROSPECTS

It has been another volatile year for the steel industry. High raw material cost, change in iron ore pricing mechanism, power cut initiation and the elimination of inefficient facilities, made 2010 a challenging yet important year for the industry.

High raw material cost and steel supply-demand gap have squeezed profitability of steel manufacturers. Steel prices have range-bounded since second half of 2010 and production growth has begun to slow down. This scenario is consistent with the fact that the transition from policy-driven explosive growth to steady growth of China, it is believed that the age of explosive expansion of the steel industry is over and the fragmented industry finds a good chance to speed up consolidation and eliminating inefficient capacities.

In the medium to long term, China's economic growth, strong fixed asset investment, together with the improvement of supply-demand dynamics are the engines driving the steel industry out of the current trough. It is expected that the demand for steel would steadily go up for years while profitability of steel manufacturers should bounce back subsequently. Our Group's vertical integration strategy has proved to be an advantageous one, enabling us staying firm in time of turbulence. We believe the worst is behind us and our comprehensive earning profile shall bear fruit with more attractive returns to our shareholders.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2010, except for the following deviation:

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

  The Chairman of the Board did not attend the annual general meeting of the Company held on 8 June 2010 (the "Meeting") as he had another business engagement. The Managing Director of the Company, who took the chair of the Meeting, and other members of the Board together with majority of members of the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

BOARD OF DIRECTORS

Composition

The Board currently comprises three Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;

- taking the lead where potential conflicts of interests arise;

BOARD OF DIRECTORS (continued)

Composition (continued)

- serving on Board committees if invited; and
- scrutinising the Company's performance.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Composition of the Board, including names of Independent Non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Company and its subsidiaries (the "Group"). It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

Board meetings

The Board has four scheduled meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles").

The Company Secretary assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Attendance records

During the financial year ended 31 December 2010, the Directors have made active contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2010 were as follows:

		Meetings attended/Eligible to attend
Chairman		
Wang Qinghai		0/4
Vice Chairman		
Cao Zhong		2/4
Executive Directors		
Li Shaofeng	*(appointed on 10 May 2010)*	2/2
Zhang Wenhui		4/4
Chen Zhouping		4/4
Luo Zhenyu	*(resigned on 10 May 2010)*	2/2
Non-executive Directors		
Ip Tak Chuen, Edmond		3/4
Leung Shun Sang, Tony		4/4
Independent Non-executive Directors		
Kan Lai Kuen, Alice		3/4
Wong Kun Kim		4/4
Leung Kai Cheung		4/4

BOARD OF DIRECTORS (continued)

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointments and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Articles, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including Non-executive Director) is appointed for a specific term and is subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

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

BOARD OF DIRECTORS (continued)

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. During the year, Mr. Wang Qinghai continued to assume the role of the Chairman. Mr. Cao Zhong served as the Managing Director of the Company during the period from 1 Jaunary 2010 to 9 May 2010 and was re-designated as the Vice Chairman of the Company from 10 May 2010. Mr. Li Shaofeng succeeded Mr. Cao as the Managing Director of the Company from 10 May 2010. The Chairman provides leadership for the Board. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in February 2005 and comprises all Executive Directors of the Company.

The members of the Executive Committee during the year were as follows:

- Li Shaofeng *(Chairman)* *(appointed as a member from 10 May 2010)*
- Zhang Wenhui
- Chen Zhouping
- Cao Zhong *(Chairman)* *(ceased to act as a member from 10 May 2010)*
- Luo Zhenyu *(ceased to act as a member from 10 May 2010)*

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group. During the year, twenty seven meetings of the Executive Committee were held.

BOARD COMMITTEES (continued)

Audit Committee

An Audit Committee of the Board was established in December 1998 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are available on request and are posted on the Company's website.

The principal duties of the Audit Committee include, among other things:

- overseeing the relationship with the Company's auditor;

- reviewing the interim and annual financial statements; and

- reviewing the Company's financial reporting system and internal control procedures.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Audit Committee comprises three Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company. The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Wong Kun Kim *(Chairman)*	2/2
Kan Lai Kuen, Alice	2/2
Leung Kai Cheung	2/2

During the year, two meetings of the Audit Committee were held for, amongst other things:

- reviewing the final results of the Group for the financial year ended 31 December 2009; and

- reviewing the interim results of the Group for the six months ended 30 June 2010.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in February 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are available on request and are posted on the Company's website.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The members of the Nomination Committee during the year and their attendance were as follows:

		Meeting attended/Eligible to attend
Li Shaofeng *(Chairman)*	*(appointed as a member from 10 May 2010)*	0/0
Leung Shun Sang, Tony *(Vice Chairman)*		1/1
Kan Lai Kuen, Alice		1/1
Wong Kun Kim		1/1
Leung Kai Cheung		1/1
Cao Zhong *(Chairman)*	*(ceased to act as a member from 10 May 2010)*	1/1

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, one meeting of the Nomination Committee was held for considering and making recommendations to the Board on the appointment and re-designation of Directors.

Remuneration Committee

A Remuneration Committee of the Board was established in February 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are available on request and are posted on the Company's website.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;
- reviewing and approving performance-based remuneration;
- determining the specific remuneration packages of all Executive Directors and senior management and making recommendation to the Board of the remuneration of Non-executive Directors;
- reviewing and approving the compensation payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and
- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The members of the Remuneration Committee during the year and their attendance were as follows:

		Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*		1/2
Li Shaofeng *(Vice Chairman)*	*(appointed as a member from 10 May 2010)*	1/1
Kan Lai Kuen, Alice		2/2
Wong Kun Kim		2/2
Leung Kai Cheung		2/2
Cao Zhong *(Vice Chairman)*	*(ceased to act as a member from 10 May 2010)*	1/1

The Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

During the year, two meetings of the Remuneration Committee were held for, amongst other things:

- considering and reviewing the remuneration and terms of service contracts of the Executive Directors of the Company;
- determining the bonuses of the Executive Directors of the Company for the year 2010; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2011.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by regularly and continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

INTERNAL CONTROL (continued)

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or eliminate such risks.

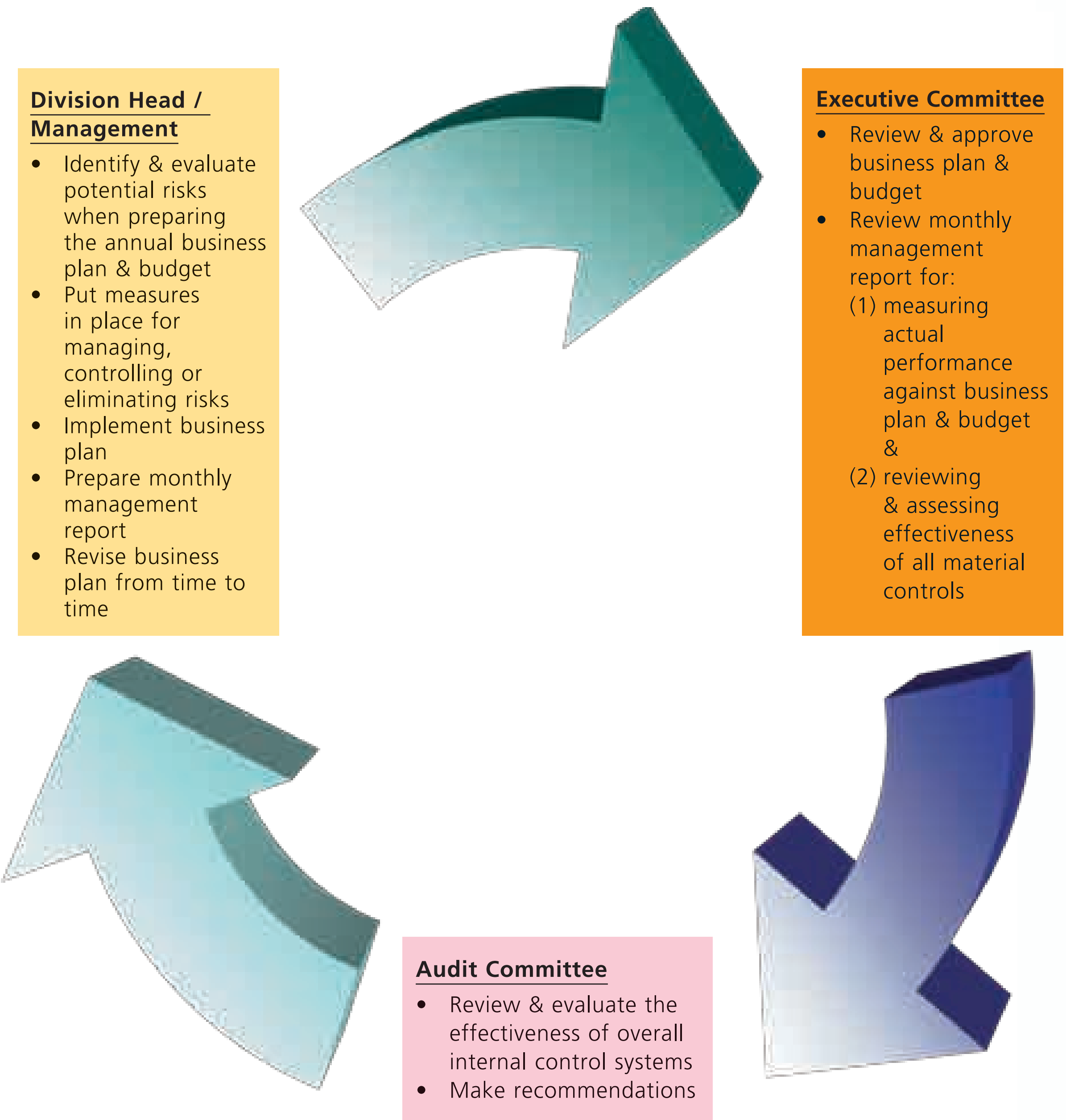
The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes. The Executive Committee holds periodical meetings with the senior management of each principal business unit and the finance team to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems, including financial, operational and compliance controls as well as risk management.

INTERNAL CONTROL (continued)

Internal control system



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee, continuously reviewing the effectiveness of the Group's internal control systems.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2010.

Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fee paid/payable** *HK$'000*
Audit services	1,881
Non-audit services:	
Interim review	584
Professional services rendered for connected transactions	71
Review preliminary results announcement for 2009	31
	2,567

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 54 to 55 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-intl.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were by way of a poll. At the commencement of a general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders regarding voting by way of a poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in note 48 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2010 and the state of affairs of the Group at that date are set out in the financial statements on pages 56 to 170 of this annual report.

The Board of Directors of the Company recommends a final dividend of HK1 cent per share for the year ended 31 December 2010 (2009: Nil) payable to shareholders whose names appear on the register of members of the Company on Thursday, 19 May 2011. This dividend is subject to shareholders' approval at the Company's annual general meeting to be held on Thursday, 19 May 2011. The register of members of the Company will be closed from Wednesday, 18 May 2011 to Thursday, 19 May 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. The final dividend is expected to be paid on or about Monday, 13 June 2011.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 171 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

Particulars of the major investment properties of the Group as at 31 December 2010 are set out on page 172 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 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 61 to 62 of this annual report and in note 38 to the financial statements, respectively.

DONATIONS

No charitable donation was made by the Group during the year (2009: HK$1,000,000).

DIRECTORS

The Directors of the Company during the year were as follows:

Wang Qinghai	
Cao Zhong	
Li Shaofeng	*(appointed on 10 May 2010)*
Zhang Wenhui	
Chen Zhouping	
Luo Zhenyu	*(resigned on 10 May 2010)*
Ip Tak Chuen, Edmond	
Leung Shun Sang, Tony	
Kan Lai Kuen, Alice*	
Wong Kun Kim*	
Leung Kai Cheung*	

* *Independent Non-executive Directors*

In accordance with clause 103(A) of the Company's articles of association, Mr. Chen Zhouping, Mr. Leung Shun Sang, Tony, Ms. Kan Lai Kuen, Alice and Mr. Leung Kai Cheung will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

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 of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2010 had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2010 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			
Name of Director	Capacity in which interests are held	Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2010
Cao Zhong	Beneficial owner	10,000,000	65,000,000	75,000,000	0.91%
Li Shaofeng	Beneficial owner	–	20,000,000	20,000,000	0.24%
Zhang Wenhui	Beneficial owner	–	35,000,000	35,000,000	0.42%
Chen Zhouping	Beneficial owner	–	45,000,000	45,000,000	0.55%
Ip Tak Chuen, Edmond	Beneficial owner	–	12,590,000	12,590,000	0.15%
Leung Shun Sang, Tony	Beneficial owner	7,590,000	–	7,590,000	0.09%
Kan Lai Kuen, Alice	Beneficial owner	–	1,500,000	1,500,000	0.01%
Wong Kun Kim	Beneficial owner	–	1,500,000	1,500,000	0.01%
Leung Kai Cheung	Beneficial owner	–	1,500,000	1,500,000	0.01%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.20 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Scheme" below.*

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

(b) Long positions in the shares and underlying shares of Shougang Concord Century Holdings Limited ("Shougang Century"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in Shougang Century: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of Shougang Century as at 31.12.2010
Cao Zhong	Beneficial owner	7,652,000	74,350,000	82,002,000	4.26%
Li Shaofeng	Beneficial owner	7,652,000	44,414,000	52,066,000	2.70%
Chen Zhouping	Beneficial owner	7,652,000	–	7,652,000	0.39%
Leung Shun Sang, Tony	Beneficial owner	7,652,000	16,592,000	24,244,000	1.26%

* *The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of Shougang Century adopted on 7 June 2002. Upon exercise of the share options in accordance with the share option scheme of Shougang Century, ordinary shares of HK$0.10 each in the share capital of Shougang Century are issuable. The share options are personal to the respective Directors.*

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

(c) Long positions in the shares and underlying shares of Fushan International Energy Group Limited ("Fushan Energy"), an associated corporation of the Company

Name of Director	Capacity in which interests are held	Number of shares/underlying shares in Fushan Energy: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of Fushan Energy as at 31.12.2010
Cao Zhong	Beneficial owner	3,000,000	–	3,000,000	0.05%
Chen Zhouping	Beneficial owner	–	6,000,000	6,000,000	0.11%
Leung Shun Sang, Tony	Beneficial owner	–	6,000,000	6,000,000	0.11%

* *The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of Fushan Energy adopted on 20 June 2003. Upon exercise of the share options in accordance with the share option scheme of Fushan Energy, ordinary shares of HK$0.10 each in the share capital of Fushan Energy are issuable. The share options are personal to the respective Directors.*

Save as disclosed above, as at 31 December 2010, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Directors have declared interests in the following businesses (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

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 interest of the Director in the entity
Wang Qinghai	Shougang Corporation#	Manufacture, sale and trading of steel products and iron ore	Director
Cao Zhong	China Shougang International Trade and Engineering Corporation#*	Manufacture, sale and trading of steel products and iron ore	Director
	Shougang Holding (Hong Kong) Limited ("Shougang Holding")#*	Manufacture, sale and trading of steel products and iron ore	Director
Li Shaofeng^	Shougang Holding#	Manufacture, sale and trading of steel products and iron ore	Director
Zhang Wenhui	Shougang Holding#	Manufacture, sale and trading of steel products and iron ore	Director
Chen Zhouping	Shougang Holding#	Manufacture, sale and trading of steel products and iron ore	Director

\# *Such businesses may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

* *Mr. Cao Zhong resigned as a director of each of China Shougang International Trade and Engineering Corporation and Shougang Holding during the year.*

^ *Mr. Li Shaofeng was appointed as a Director of the Company during the year.*

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

The Board is independent from the boards of the above-mentioned entities and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these entities.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2010, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests are held	Number of shares	Interests as to % of the issued share capital of the Company as at 31.12.2010	*Note(s)*
Shougang Holding	Beneficial owner, interests of controlled corporations	3,425,850,686	41.90%	*1*
China Gate Investments Limited ("China Gate")	Beneficial owner	1,979,904,761	24.21%	*1*
Grand Invest International Limited ("Grand Invest")	Beneficial owner	768,340,765	9.39%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	455,401,955	5.57%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	423,054,586	5.17%	*2*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	455,401,955	5.57%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	455,401,955	5.57%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	455,401,955	5.57%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	455,401,955	5.57%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 17 February 2010 (being the latest disclosure form filed up to 31 December 2010) that as at 17 February 2010, its interests included the interests held by China Gate and Grand Invest respectively, both were wholly-owned subsidiaries of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 27 February 2009 (being the latest disclosure form filed up to 31 December 2010) that as at 24 February 2009, its interests included the interests held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 31 December 2010, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEME

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 245,140,000 which represents approximately 3.0% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 687,894,321, representing approximately 8.41% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors.

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

SHARE OPTION SCHEME (continued)

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

No share option was exercised or cancelled in accordance with the terms of the Scheme during the year. Details of movements in the share options under the Scheme during the year were as follows:

	Options to subscribe for shares of the Company								
Category or name of grantees	At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company									
Cao Zhong[2]	65,000,000[3]	–	–	–	–	65,000,000[3]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Li Shaofeng	–	20,000,000[3]	–	–	–	20,000,000[3]	14.12.2010	14.12.2010 – 13.12.2017	HK$1.180
Zhang Wenhui	35,000,000[3]	–	–	–	–	35,000,000[3]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Chen Zhouping	45,000,000[3]	–	–	–	–	45,000,000[3]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Luo Zhenyu[4]	25,000,000[3]	–	(25,000,000)[3&4]	–	–	–	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Ip Tak Chuen, Edmond	8,000,000	–	–	–	–	8,000,000	23.08.2002	23.08.2002 – 22.08.2012	HK$0.295
	4,590,000	–	–	–	–	4,590,000	12.03.2003	12.03.2003 – 11.03.2013	HK$0.280
	12,590,000	–	–	–	–	12,590,000			
Kan Lai Kuen, Alice	1,500,000	–	–	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Wong Kun Kim	1,500,000	–	–	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
Leung Kai Cheung	1,500,000	–	–	–	–	1,500,000	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	187,090,000	20,000,000	(25,000,000)	–	–	182,090,000			

SHARE OPTION SCHEME (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Granted during the year[1]	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Employees of the Group	12,500,000[3]	–	–	1,000,000[3&5]	(500,000)[3&6]	13,000,000[3]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	12,500,000	–	–	1,000,000	(500,000)	13,000,000			
Other participants	50,000	–	–	–	–	50,000	23.08.2002	23.08.2002 – 22.08.2012	HK$0.295
	26,000,000[3]	–	(1,000,000)[3&5]	25,000,000[3&4]	–	50,000,000[3]	20.12.2007	20.12.2007 – 19.12.2014	HK$2.944
	26,050,000	–	(1,000,000)	25,000,000	–	50,050,000			
	225,640,000	20,000,000	(26,000,000)	26,000,000	(500,000)	245,140,000			

Notes:

1. (a) The closing price of the shares of the Company immediately before the date on which the share options were granted was HK$1.12 per share.

   (b) The estimated fair value of the share options determined at the date of grant using the Binominal Option pricing model was approximately HK$13,272,000. Details of the calculation of the fair value of the share options are set out in note 37 to the financial statements.

2. Mr. Cao Zhong was re-designated from an Executive Director and the Managing Director of the Company to a Non-executive Director and the Vice Chairman of the Company on 10 May 2010. The Board approved the extension of the exercise period for the share options held by Mr. Cao up to 19 December 2014.

3. Such share options are subject to the restrictions that up to 20%, 40%, 60%, 80% and 100% of the total options granted will be exercisable during the period of 12th, 24th, 36th, 48th and the expiry of the 48th months respectively from the date of acceptance of the grant of options by the relevant grantees.

4. Mr. Luo Zhenyu resigned as a Director of the Company on 10 May 2010. The Board approved the extension of the exercise period for the share options held by Mr. Luo up to 19 December 2014 and such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

5. The share options were held by two grantees who became employees of the Group during the year and such share options were re-classified from the category of "Other participants" to "Employees of the Group" during the year.

6. The share options were held by a grantee who ceased to be an employee of the Group during the year and such share options were lapsed on 1 August 2010.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had approximately HK$246,586,000 reserves available for distribution as calculated in accordance with the provisions of Section 79B of the Companies Ordinance, of which approximately HK$81,754,000 has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 28.7% of the total sales for the year and sales to the largest customer included therein amounted to approximately 14.8%. Purchases from the Group's five largest suppliers accounted for approximately 74.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 32.7%. The holding company of the controlling shareholder of the Company had interests in three of the Group's five largest customers and two of the Group's five largest suppliers. Save as disclosed above, none of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the Group's five largest customers and suppliers.

CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the year and up to the date of this report:

As stated in the announcement of the Company dated 8 May 2008 and in the circular of the Company dated 20 May 2008, a master agreement dated 7 May 2008 (the "Old Master Agreement") was entered into between the Company and Shougang Corporation, a connected person of the Company by virtue of its being the holding company of Shougang Holding, the controlling shareholder of the Company, in relation to (i) provision of raw materials, materials, fuel, energy, equipments, spare parts, steel products and services and other related products and/or services to the Group by Shougang Corporation and/or its associates (the "Purchases"); and (ii) supply of raw materials, scrap materials, steel products and services and other related products and/or services to Shougang Corporation and/or its associates by the Group (the "Sales") during the three financial years ended 31 December 2010.

CONTINUING CONNECTED TRANSACTIONS (continued)

Pursuant to the Old Master Agreement, the cap amounts of the Purchases and the Sales for each of the three financial years ended 31 December 2010 are as follows:

	Financial year ended 31 December		
	2008	**2009**	**2010**
	HK$' million	*HK$' million*	*HK$' million*
Cap amounts for the Purchases	14,230	18,620	23,150
Cap amounts for the Sales	12,800	15,500	18,500

Details of the continuing connected transactions as mentioned above have been included in the Company's previous annual reports in compliance with the Listing Rules.

The continuing connected transactions carried out under the Old Master Agreement during the year have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that:

(1) the transactions were entered into in the ordinary and usual course of business of the relevant members of the Group;

(2) the transactions were conducted on normal commercial terms, or if there was no available comparison, on terms that were no less favourable than terms available to or from (as the case may be) independent third parties; and

(3) the transactions were entered into in accordance with the relevant agreements governing such transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has provided a letter to the Board of Directors of the Company confirming the matters stated in Rule 14A.38 of the Listing Rules in respect of the continuing connected transactions as set out above which took place during the year.

CONTINUING CONNECTED TRANSACTIONS (continued)

As the Old Master Agreement expired on 31 December 2010, a new master agreement dated 11 November 2010 (the "New Master Agreement") was entered into between the Company and Shougang Corporation for governing the continuing connected transactions to be entered into between the Group and Shougang Corporation and/or its associates for the three financial years ending 31 December 2013. Pursuant to the New Master Agreement, the cap amounts of the Purchases and the Sales for each of the three financial years ending 31 December 2013 are as follows:

	Financial year ending 31 December		
	2011	**2012**	**2013**
	HK$' million	*HK$' million*	*HK$' million*
Cap amounts for the Purchases	24,100	25,400	27,900
Cap amounts for the Sales	23,200	30,100	33,400

As Shougang Corporation was one of the largest steel producers in the People's Republic of China (the "PRC"), the continuing connected transactions with Shougang Corporation and/or its associates would guarantee a stable source of supply of raw materials, materials and related products and regular sales of materials and steel products to one of the largest steel companies in the PRC.

Details of the continuing connected transactions contemplated under the New Master Agreement were disclosed in the announcement of the Company dated 11 November 2010 and a circular to shareholders dated 1 December 2010 in accordance with Chapter 14A of the Listing Rules. The New Master Agreement was approved, confirmed and ratified by the independent shareholders of the Company on 17 December 2010.

The transactions took place during the year as set out in notes 47(I)(a), (b), (e), (i), (j) and (k) to the financial statements under the heading of "Related Party Disclosures" were continuing connected transactions which had been approved by the independent shareholders of the Company. The transactions as set out in notes 47(I)(c), (d), (f), (g) and (h) were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

As far as the transactions took place during the year as set out in note 47(II) to the financial statements under the heading of "Related Party Disclosures" are concerned, for those transactions with Shougang Corporation and/or its associates mentioned in notes 24, 27 and 28 to the financial statements, they were incidental to the continuing connected transactions which had been approved by the independent shareholders of the Company. The transactions as set out in note 34 to the financial statements and the provision of corporate guarantees by Shougang Corporation for bank loans granted to the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS (continued)

As far as the transactions set out in note 47(IV) to the financial statements under the heading of "Related Party Disclosures" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The remaining transactions which took place during the year as set out under the heading of "Related Party Disclosures" did not constitute connected transactions under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

(a) Under the loan agreement dated 22 November 2007 (the "Loan Agreement") entered into between Bank of China (Hong Kong) Limited ("BOC") and Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"), a 76% indirectly owned subsidiary of the Company, in relation to a loan in an amount not exceeding RMB1,500,000,000, breach of any of the following undertakings (the "Undertakings") by Shougang Corporation during the term of the Loan Agreement will constitute an event of default upon which the loan will, among others, become immediately due and payable: (i) Shougang Corporation will beneficially own at least 51% interests in Beijing Shougang Company Limited; (ii) Shougang Corporation will beneficially own at least 35% of the issued share capital of the Company; and (iii) the net asset value of Shougang Corporation will not be less than RMB15,000,000,000. The loan shall be repaid by Shouqin by instalments with the last instalment due on the date falling 36 months after the date of first drawn down of the loan (i.e. 23 November 2007).

A supplemental loan agreement dated 22 November 2010 (the "Supplemental Loan Agreement") was entered into between Shouqin and Nanyang Commercial Bank (China) Limited ("Nanyang Commercial Bank"), to which the rights and obligations of part of the loan under the Loan Agreement in an amount of RMB300,000,000 (the "Outstanding Loan") had been novated from BOC subsequent to the entering into of the Loan Agreement. Pursuant to the Supplemental Loan Agreement, the parties agreed to extend the due date in respect of the Outstanding Loan for one year to 23 November 2011. The Undertakings made by Shougang Corporation under the Loan Agreement shall continue to be applicable to the Supplemental Loan Agreement and breach of any of the Undertakings by Shougang Corporation will constitute an event of default upon which the Outstanding Loan will become immediately due and payable.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES (continued)

(b) Under the facility agreement dated 28 February 2008 entered into between a syndicate of banks and the Company in relation to term and revolving credit facilities in a total principal amount of US$320,000,000 made available by the banks to the Company, each of the following will constitute an event of default upon which the facilities will, among others, become immediately due and payable: (i) Shougang Holding ceases to be the single largest beneficial shareholder of the Company; (ii) Shougang Holding ceases to be a wholly-owned subsidiary of Shougang Corporation; and (iii) Shougang Corporation ceases to have management control in Shougang Holding. The US$200,000,000 term loan facility shall be repaid by the Company by instalments with the last instalment due on the date falling 48 months after the date of the facility agreement. The US$120,000,000 revolving loan facility may be re-borrowed by the Company and the final maturity day is the date falling 48 months after the date of the facility agreement.

(c) Under the loan agreement dated 26 March 2008 entered into between BOC and Shouqin in relation to a loan in an amount not exceeding RMB350,000,000 and the loan agreement dated 14 August 2008 entered into between Nanyang Commercial Bank and Shouqin in relation to a loan in an amount not exceeding RMB250,000,000, breach of any of the following undertakings by Shougang Corporation during the term of the loan agreements will constitute an event of default upon which the loans will, among others, become immediately due and payable: (i) Shougang Corporation will beneficially own at least 51% interests in Beijing Shougang Company Limited; (ii) Shougang Corporation will beneficially own at least 35% of the issued share capital of the Company; and (iii) the net asset value of Shougang Corporation will not be less than RMB15,000,000,000. The loans shall be repaid by Shouqin by instalments with the last instalment due on 23 November 2010.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 25 to 37 of this annual report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Li Shaofeng
Managing Director

Hong Kong, 29 March 2011

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF
SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED
首長國際企業有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shougang Concord International Enterprises Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 56 to 170, which comprise the consolidated and Company's statements of financial position as at 31 December 2010, and the 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 ("HKFRSs") 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 preparation of 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.

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 2010, and of the Group's profit and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
Revenue	6	**15,850,276**	11,357,623
Cost of sales		**(14,998,290)**	(12,089,157)
Gross profit (loss)		**851,986**	(731,534)
Other income	7	**61,796**	68,103
Other gains and losses	8	**(27,214)**	1,007,153
Change in fair value of derivative financial instruments		**147,074**	95,136
Distribution and selling expenses		**(191,742)**	(64,723)
Administrative expenses		**(474,436)**	(461,684)
Finance costs	9	**(444,527)**	(392,863)
Share of result of associates		**476,629**	402,022
Profit (loss) before taxation		**399,566**	(78,390)
Income tax credit (expense)	10	**33,617**	(142,546)
Profit (loss) for the year	11	**433,183**	(220,936)
Other comprehensive income (expense)			
Exchange differences arising on translation		**187,208**	7,189
Available-for-sale financial assets			
Gains arising during the year		**24,609**	3,476,917
Reclassification adjustments of cumulative gain upon disposal		**–**	(1,610,136)
Reversal of cumulative gain of an available-for-sale investee upon becoming an associate		**–**	(1,963,500)
Share of result of an available-for-sale investee upon becoming an associate		**–**	95,726
Deferred tax charge arising on fair value gains on available-for-sale investments		**–**	(170,816)
Reclassification adjustment for deferred tax charge upon disposal		**–**	170,816
Release on deemed disposal of partial interest in associates		**(108)**	–
Share of other comprehensive income of associates			
Exchange differences arising on translation		**125,442**	6,503
Fair value gain on available-for-sale financial assets		**157,528**	16,419
Gains on revaluation of properties		**–**	800
Other comprehensive income for the year (net of tax)		**494,679**	29,918
Total comprehensive income (expense) for the year		**927,862**	(191,018)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	NOTES	**2010** **HK$'000**	2009 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**499,576**	71,667
Non-controlling interests		**(66,393)**	(292,603)
		433,183	(220,936)
Total comprehensive income and expense attributable to:			
Owners of the Company		**950,476**	99,588
Non-controlling interests		**(22,614)**	(290,606)
		927,862	(191,018)
Earnings per share	14		
– Basic		**6.11 HK cents**	0.92 HK cent
– Diluted		**6.05 HK cents**	0.83 HK cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Investment properties	15	**34,234**	31,477
Property, plant and equipment	16	**12,096,114**	10,251,792
Prepaid lease rentals	17	**357,078**	326,316
Intangible asset	18	**–**	–
Mining assets	18	**179,593**	174,212
Goodwill	19	**168,015**	168,015
Interests in associates	22	**6,742,974**	6,211,843
Available-for-sale investments	23	**261,931**	231,688
Deferred tax assets	35	**46,827**	38,639
Other financial assets	29	**367,942**	275,140
Deposits for acquisition of property, plant and equipment	24	**178,396**	773,040
		20,433,104	18,482,162
CURRENT ASSETS			
Inventories	25	**3,491,190**	1,619,661
Trade and bill receivables	26	**1,622,373**	783,869
Trade receivables from related companies	27	**749,972**	722,395
Prepayments, deposits and other receivables	26	**1,006,681**	338,184
Prepaid lease rentals	17	**7,680**	7,459
Amounts due from related companies	27	**108,044**	301,007
Amount due from an associate	27	**17,756**	–
Amount due from a non-controlling shareholder of a subsidiary	27	**3,526**	3,407
Amount due from ultimate holding company of a shareholder	28	**1,887**	185,784
Other financial assets	29	**202,195**	149,706
Restricted bank deposits	30	**281,486**	280,838
Bank balances and cash	31	**1,702,696**	1,372,258
		9,195,486	5,764,568
CURRENT LIABILITIES			
Trade and bill payables	32	**2,966,135**	1,165,507
Other payables and accrued liabilities	32	**1,802,613**	1,414,060
Tax payable		**218,457**	184,741
Amount due to a shareholder	27	**–**	350,000
Amounts due to related companies	27	**1,056,185**	541,708
Amount due to ultimate holding company of a shareholder	28	**1,172,981**	99,041
Bank borrowings – due within one year	33	**8,845,339**	6,010,188
Loans from ultimate holding company of a shareholder	34	**968,868**	793,479
		17,030,578	10,558,724
NET CURRENT LIABILITIES		**(7,835,092)**	(4,794,156)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,598,012**	13,688,006

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	33	**1,888,612**	3,898,921
Deferred tax liabilities	35	**12,139**	48,267
		1,900,751	3,947,188
		10,697,261	9,740,818
CAPITAL AND RESERVES			
Share capital	36	**1,635,076**	1,635,076
Share premium and reserves		**7,932,018**	6,946,160
Equity attributable to owners of the Company		**9,567,094**	8,581,236
Non-controlling interests		**1,130,167**	1,159,582
		10,697,261	9,740,818

The consolidated financial statements on pages 56 to 170 were approved and authorised for issue by the Board of Directors on 29 March 2011 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Zhang Wenhui
DIRECTOR

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	NOTES	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**2,859,179**	2,774,045
Interest in an associate	22	**4,876**	4,876
Amounts due from subsidiaries	21	**4,905,784**	4,993,469
Other financial assets	29	**367,942**	275,140
		8,137,781	8,047,530
CURRENT ASSETS			
Other receivables	26	**1,105**	2,363
Amount due from a related company	27	**8**	–
Other financial assets	29	**202,195**	149,164
Bank balances and cash	31	**426,090**	494,882
		629,398	646,409
CURRENT LIABILITIES			
Other payables and accrued liabilities	32	**3,217**	8,611
Amount due to a subsidiary	21	**151,193**	44,998
Amount due to a shareholder	27	**–**	350,000
Bank borrowings – due within one year	33	**2,444,652**	384,833
Other financial liabilities	29	**162,518**	149
		2,761,580	788,591
NET CURRENT LIABILITIES		**(2,132,182)**	(142,182)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,005,599**	7,905,348
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	33	**–**	2,090,447
		6,005,599	5,814,901
CAPITAL AND RESERVES			
Share capital	36	**1,635,076**	1,635,076
Share premium and reserves	38	**4,370,523**	4,179,825
		6,005,599	5,814,901

Li Shaofeng	**Zhang Wenhui**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000 (Note a)	Exchange reserve HK$'000	Share option reserve HK$'000	Enterprise expansion fund and statutory reserve fund HK$'000 (Note b)	Security investment reserve HK$'000	Non-distributable reserve HK$'000 (Note c)	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2009	1,435,076	2,242,475	22,611	32,587	557,948	170,603	729,318	88,536	51,979	2,232,705	7,563,838	1,497,500	9,061,338
Profit for the year	–	–	–	–	–	–	–	–	–	71,667	71,667	(292,603)	(220,936)
Exchange differences arising on translation	–	–	–	–	5,192	–	–	–	–	–	5,192	1,997	7,189
Fair value gains on available-for-sale investments	–	–	–	–	–	–	–	3,476,917	–	–	3,476,917	–	3,476,917
Deferred tax charge arising on fair value gains on available-for-sale investments	–	–	–	–	–	–	–	(170,816)	–	–	(170,816)	–	(170,816)
Transfer to profit or loss upon disposal of available-for-sale investments (note 22)	–	–	–	–	–	–	–	(1,610,136)	–	–	(1,610,136)	–	(1,610,136)
Reclassification adjustment for deferred tax charge included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	–	170,816	–	–	170,816	–	170,816
Reversal of cumulative gain of an associate previously classified as available-for-sale investment	–	–	–	–	–	–	–	(1,963,500)	–	–	(1,963,500)	–	(1,963,500)
Share of result of an associate previously classified as available-for-sale investment	–	–	–	–	–	–	–	–	–	95,726	95,726	–	95,726
Surplus on revaluation of properties	–	–	–	800	–	–	–	–	–	–	800	–	800
Share of other comprehensive income of associates	–	–	–	–	2,999	–	–	16,419	–	3,504	22,922	–	22,922
Total comprehensive income and expense for the year	–	–	–	800	8,191	–	–	(80,300)	–	170,897	99,588	(290,606)	(191,018)
Release on deemed disposal of partial interest in associates	–	–	–	(61)	(1,334)	–	–	155	–	–	(1,240)	–	(1,240)
Transfer to enterprise expansion fund and statutory reserve fund	–	–	–	–	–	–	159	–	–	(159)	–	–	–
Share issued at premium	200,000	891,500	–	–	–	–	–	–	–	–	1,091,500	–	1,091,500
Share issue expenses	–	(60)	–	–	–	–	–	–	–	–	(60)	–	(60)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(65,432)	(65,432)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(231,762)	(231,762)	–	(231,762)
Recognition of equity-settled share based payment	–	–	–	–	–	59,372	–	–	–	–	59,372	–	59,372
Contribution from a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	–	18,120	18,120
At 31 December 2009	1,635,076	3,133,915	22,611	33,326	564,805	229,975	729,477	8,391	51,979	2,171,681	8,581,236	1,159,582	9,740,818
Profit for the year	–	–	–	–	–	–	–	–	–	499,576	499,576	(66,393)	433,183
Exchange differences arising on translation	–	–	–	–	143,429	–	–	–	–	–	143,429	43,779	187,208
Fair value gains on available-for-sale investments	–	–	–	–	–	–	–	24,609	–	–	24,609	–	24,609
Share of other comprehensive income of associates	–	–	–	–	125,442	–	–	157,528	–	–	282,970	–	282,970
Release on deemed disposal of partial interest in associates	–	–	–	–	(26)	–	–	(82)	–	–	(108)	–	(108)
Total comprehensive income and expense for the year	–	–	–	–	268,845	–	–	182,055	–	499,576	950,476	(22,614)	927,862
Release on deemed disposal of partial interest in associates	–	–	–	(1)	–	–	(3)	–	–	4	–	–	–
Transfer to enterprise expansion fund and statutory reserve fund	–	–	–	–	–	–	212	–	–	(212)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(6,801)	(6,801)
Recognition of equity-settled share based payment	–	–	–	–	–	35,382	–	–	–	–	35,382	–	35,382
At 31 December 2010	1,635,076	3,133,915	22,611	33,325	833,650	265,357	729,686	190,446	51,979	2,671,049	9,567,094	1,130,167	10,697,261

Notes:

(a) Revaluation reserve mainly represents the fair value recognised on prepaid lease rentals for the original equity interest held, which is 51%, upon the step-up acquisition of Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") in 2005.

(b) Enterprise expansion fund and statutory reserve fund, which are non-distributable, are appropriated from the profit after taxation of the Company's subsidiaries under the applicable laws and regulations in the People's Republic of China (other than Hong Kong).

(c) The non-distributable reserve represented the capitalisation of the dividends paid out of the enterprise expansion fund and statutory reserve fund.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before tax from operations	**399,566**	(78,390)
Adjustments for:		
Interest income	**(26,966)**	(47,472)
Interest expenses	**444,527**	392,863
Share of results of associates	**(476,629)**	(402,022)
Share-based payments	**35,382**	59,372
Loss on dilution of interests in associates	**1,680**	19,177
Loss arising from fair value adjustments on consideration paid and the available-for-sale investments acquired	**–**	170,500
Gain from changes in fair value of investment properties	**(1,910)**	(3,558)
Gain on disposal of available-for-sale investments	**–**	(1,245,923)
Gain on disposal of property, plant and equipment	**(131)**	(298)
Depreciation of property, plant and equipment	**684,567**	659,197
Amortisation of mining assets	**1,888**	2,963
Amortisation of prepaid lease rentals	**7,871**	6,982
Change in fair value of derivative financial instruments	**(146,883)**	(67,346)
Impairment loss on goodwill	**–**	50,000
(Reversal of) allowance for inventories	**(201,751)**	210,395
Reversal of allowance of trade receivables, net	**(5,641)**	(3,547)
Operating cash flows before movements in working capital	**715,570**	(277,107)
(Increase) decrease in inventories	**(1,592,872)**	60,974
(Increase) decrease in trade and bill receivables	**(798,882)**	142,518
Increase in prepayments, deposits and other receivables	**(652,745)**	(6,303)
Decrease in amounts due from related companies	**50,384**	1,000,910
Decrease (increase) in amount due from ultimate holding company of a shareholder	**191,704**	(185,372)
Decrease (increase) in other financial assets/liabilities	**1,610**	(11,948)
Decrease in restricted bank deposits	**11,153**	371,159
Increase (decrease) in trade and bill payables	**1,747,166**	(213,973)
Increase in other payables and accrued liabilities	**356,103**	27,695
Increase (decrease) in amount due to ultimate holding company of a shareholder	**1,069,817**	(45,260)
Increase (decrease) in amounts due to related companies	**462,888**	(172,329)
Cash generated from operations	**1,561,896**	690,964
Interest paid	**(531,575)**	(434,427)
Income taxes paid	**(4,180)**	(30,418)
NET CASH FROM OPERATING ACTIVITIES	**1,026,141**	226,119

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,262,035)**	(1,462,790)
Decrease in amount due to a shareholder	**(191,750)**	–
Deposits paid for acquisition of property, plant and equipment	**(145,911)**	(772,545)
Addition of prepaid lease rentals	**(28,909)**	(2,397)
Increase in amount due from an associate	**(17,756)**	–
Dividends received from an associate	**227,531**	100,000
Interest received	**26,966**	47,472
Proceeds from disposal of property, plant and equipment	**847**	2,777
Acquisition of an associate	**–**	(2,440,628)
Purchase of available-for-sale investments	**–**	(107,180)
Capital contribution to associates	**–**	(17,381)
Decrease in amounts due from related companies	**–**	207,392
Proceeds from disposal of investment properties	**–**	10,692
NET CASH USED IN INVESTING ACTIVITIES	**(1,391,017)**	(4,434,588)
FINANCING ACTIVITIES		
New borrowings raised	**6,976,776**	6,742,401
Loan from ultimate holding company of a shareholder	**142,046**	–
Repayment of loan from ultimate holding company of a shareholder	**–**	(136,317)
Increase in amounts due to related companies	**26,344**	18,384
Repayment of bank borrowings	**(6,467,342)**	(4,126,012)
Dividend paid to non-controlling shareholders of a subsidiary	**(6,801)**	(65,432)
Decrease in amount due to ultimate holding company of a shareholder	**(39)**	(29,530)
Payment of dividend	**–**	(231,762)
Expenses on issue of shares	**–**	(60)
Capital contribution from non-controlling shareholders	**–**	18,120
NET CASH FROM FINANCING ACTIVITIES	**670,984**	2,189,792
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**306,108**	(2,018,677)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,372,258**	3,382,952
Effect of foreign exchange rate changes	**24,330**	7,983
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**1,702,696**	1,372,258

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's major shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 42% equity interest of the Company as at 31 December 2010, and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the People's Republic of China (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 Company and its subsidiaries (collectively referred to as the "Group"), will hereinafter be referred to as the "Shougang Group". The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in note 48 to the consolidated financial statements.

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. As the Company was incorporated in Hong Kong, the financial statements are presented in Hong Kong dollars.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK$7,835,092,000 as at 31 December 2010 of which current liabilities of approximately HK$8,845,339,000 were attributable to bank borrowings due within one year as disclosed in note 33 to the consolidated financial statements. Taking into account the financial resources of the Group, including the Group's unutilised banking facilities, the Group's ability to renew the banking facilities upon maturity, financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, and the marketable securities held by the Group that can be disposed of, if necessary, the Directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligation as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

New and revised Standards and Interpretations applied in the current year

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
Hong Kong Accounting Standard ("HKAS") 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009, except for amendment to HKFRS5
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRIC – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group and the statement of financial position of the Company.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease rentals in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

The application of the amendment has had no material effect on the consolidated financial statements of the Group.

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

HKFRS 3 (Revised 2008) Business Combinations and HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

As there was no transaction during the current period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the consolidated financial statements of the Group.

New and revised Standards and Interpretations issued but not yet effective

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3(as revised in 2008), HKAS 1 and HKAS 28 [1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [3]
HKFRS 9	Financial Instruments [4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets [5]
HKAS 24 (as revised in 2009)	Related Party Disclosures, except for partial exemption of paragraph 25-27 [6]
HKAS 32 (Amendments)	Classification of Rights Issues [7]
HKFRIC – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [6]
HKFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

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

New and revised Standards and Interpretations issued but not yet effective (continued)

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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 accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. 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 presentation 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. Currently, 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 is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2011. Based on the Group's and the Company's financial assets and financial liabilities as at 31 December 2010, the application of the new Standard may affect the classification and measurement of the Group's financial assets but not on the Group's financial liabilities, and will have no significant impact on the Company's financial statements.

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

New and revised Standards and Interpretations issued but not yet effective (continued)

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors are still in the process of assessing the impact of the amendments to the Group.

The directors of the Company anticipate that the application of the other new and revised Standards and Interpretations issued but not yet effective will have no material effect on consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at 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 principle 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 statement of comprehensive income 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 in line with those used by other members of the Group.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

The Group regards acquisition of partial interest in the equity of a subsidiary with non-controlling shareholders without changes in control as transactions with equity owners of the Group. When additional equity interest in a subsidiary is acquired, any difference between the consideration paid and the relevant share of the carrying amount of the subsidiary's net assets acquired is recorded in equity.

Business combinations that took place prior to 1 January 2010

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

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

The minority interest in the acquiree is initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the 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 statement of comprehensive income. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates (continued)

Acquisition of an associate achieved in stages prior to 1 January 2010

For acquisition of associates which involved successive share purchases for which the investment was previously accounted for as available-for-sale investments with changes in fair value included in other comprehensive income, cumulative changes in the fair value of previously held ownership interests are reversed through other comprehensive income upon which the Group has significant influence in the investee.

Any excess of the initial cost of acquisition of the investee over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired on the date of exchange transaction is recognised as goodwill. The Goodwill is included within the carrying amount of the investment in associate and is assessed for impairment as part of investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee attributable to the ownership interests acquired over the initial recognised cost of acquisition of the investee on the date of exchange transaction, after reassessment, is recognised immediately in profit or loss.

The changes in the investee's accumulated profits and other equity balances from the date the investment was initially acquired up to the date the investment becomes an associate of the Group are included in accumulated profits or the relevant reserves respectively to the extent that they relate to the previously held ownership interests.

Acquisition of additional interest in an associate

Any excess of the cost of acquisition of additional equity interest over the Group's share of the net asset value of the identifiable assets and liabilities of the associate attributable to the additional equity interest acquired is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net asset value of the identifiable assets and liabilities attributable to the additional equity interest acquired over the cost of acquisition of additional equity interest, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Service income is recognised when services are provided.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Freight revenue from time charter which is operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Freight revenue from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

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

Property, plant and equipment

Property, plant and equipment including land and building held for use in the production or supply of goods or service, or for administrative purpose, other than properties under construction as described below, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the costs 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, at the following rates per annum. 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.

Buildings and structure	2% to 4%, or over the terms of the leases, whichever is shorter
Leasehold improvements	2.5% to 25%, or over the terms of the leases, whichever is shorter
Furniture, fixtures and equipment	12.5% to 33%
Plant and machinery	3.6% to 10%
Motor vehicles	10% to 25%
Vessels	5% to 18%

Property in the course of construction for production, supply or administrative are carried at cost less any recognised impairment loss. Costs include professional fees and for qualifying assets, borrowing cost capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its 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 profit or loss in the period in which the item is derecognised.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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 lease, in which case the entire base is classified as 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.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease rentals" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Prepaid lease rentals

Payments for obtaining land use rights are accounted for as prepaid lease rentals and are charged to profit or loss on a straight-line basis over the lease terms.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses 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 (the exchange reserve).

From 1 January 2010 onwards, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation 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.

4. 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 defined contribution retirement benefits scheme/state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

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 statement of comprehensive income 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 bases 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 difference 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible asset

Deferred product design fees

Deferred product design fees acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for deferred product design fees with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Mining Assets

Mining assets acquired separately are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is provided to write off the cost of the mining assets using the units of production method over the total proven and probable reserves of the iron mines.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the 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 (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 trade and bill receivables, trade receivables from related companies, other receivables, bank balances and deposits, amounts due from related companies, amount due from an associate, amount due from a non-controlling shareholder of a subsidiary and ultimate holding company of a shareholder) are carried at amortised cost using the effective interest method, less any identified impairment losses (See accounting policy on impairment on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, other receivables and trade receivables from related companies, 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, other receivables or trade receivables from related companies is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in security investment reserve.

Financial liabilities and equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Other financial liabilities

Other financial liabilities including trade and bill payables, other payables, bank borrowings, amounts due to related companies, amount due to a shareholder, loans from ultimate holding company of a shareholder and amount due to ultimate holding company of a shareholder are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derivative financial instruments

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

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments are recognised as derivative financial instruments with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 Group 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 Group measures the financial guarantee contact at the higher of: (i) the amount 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 HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset 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.

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

Impairment losses on assets excluding goodwill and financial assets (see the accounting policy in respect of goodwill and financial instruments above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets excluding goodwill and financial 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on assets excluding goodwill and financial assets (see the accounting policy in respect of goodwill and financial instruments above) (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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Equity settled share-based payment transactions

Share options granted to employees and other eligible participants of the Group 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.

Share options granted to employees and other eligible participants of the Group 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 options granted vest immediately, with a corresponding increase in equity (share option reserve).

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

Renewal of mining assets

As at 31 December 2010, the carrying amount of the Group's mining assets is approximately HK$179,593,000 (2009: HK$174,212,000). Mining assets with a carrying amount of approximately HK$54,510,000 (2009: HK$52,312,000) will expire in June 2011 and mining assets with a carrying amount of approximately HK$125,083,000 (2009: HK$121,900,000) will expire in December 2011. The Directors are of the opinion that the expiry date of the mining assets can be extended with minimal cost. Where the mining assets cannot be extended upon expiry, an impairment loss may arise.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The movement of the provision for impairment recognised during the year is set out in note 26.

Allowance for inventories

As at 31 December 2010, the carrying amount of the Group's inventories is HK$3,491,190,000 (2009: HK$1,619,661,000). The management of the Group reviews an aging analysis at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. The management 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. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Income taxes

No deferred tax asset has been recognised in respect of tax losses of approximately HK$1,819 million, of which HK$285 million is subject to Hong Kong Inland Revenue Department's ("IRD") confirmation and HK$479 million is subject to confirmation by the State Administration of Taxation of the PRC ("SAT") (2009: HK$1,229 million, of which HK$263 million was subject to IRD's confirmation and HK$884 million is subject to SAT's confirmation) due to the unpredictability of future profit streams. In cases where probable taxable profit will be available against which the deductible temporary differences can be utilised, a deferred tax asset may be recognised.

Fair value of commodity forward contracts to purchase iron ore

The fair value for the commodity forward contracts to purchase iron ore is established by using valuation techniques. The Group has established a process to ensure that valuation techniques are developed by qualified personnel and are validated and reviewed by personnel independent of those that developed the valuation techniques. However, it should be noted that some inputs, such as iron ore market price and risk free rate, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions change, it may lead to a change in the fair value of the commodity forward contracts. The carrying amount of the commodity forward contracts is HK$570,137,000 (2009: HK$423,137,000). Details of the commodity forward contracts are disclosed in note 29.

Depreciation

The Group's net book value of property, plant and equipment as at 31 December 2010 was approximately HK$12,096,114,000 (2009: HK$10,251,792,000). The Group depreciates the property, plant and equipment on a straight-line basis over their estimated useful lives of 3 to 50 years, after taking into account their estimated residual value, commencing from the date the property, plant and equipment is available for use. The estimated useful lives and dates that the Group places the property, plant and equipment into productive use reflects the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. If the estimated useful life of property, plant and equipment did not reflect its actual useful life, additional depreciation may be required.

6. REVENUE AND SEGMENT INFORMATION

Revenue arising from sales of steel products, leasing and charter hire income, sales of iron ore and management services income during the year is as follows:

	2010 **HK$'000**	2009 HK$'000
Sale of steel products	**11,143,193**	9,129,186
Vessel chartering and floating cranes leasing income	**207,142**	197,127
Sale of iron ore	**4,494,866**	2,026,013
Management services income	**5,075**	5,297
	15,850,276	11,357,623

Segment information

Information reported to the Board of Directors of the Company, being the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

Steel manufacturing	– manufacture and sale of steel products;
Shipping operations	– vessel chartering and the leasing of floating cranes;
Steel and iron ore trading	– trading of steel products and iron ore;
Mineral exploration	– mining, processing and sale of iron ore; and
Others	– management services business.

During the year ended 31 December 2009, the Group has started the mineral exploration operation, which is reported as a separate operating segment to the Directors for the purposes of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 December 2010

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Revenue						
External sales	**10,512,275**	**207,142**	**3,591,992**	**1,533,792**	**5,075**	**15,850,276**
Inter-segment sales	**113,335**	**–**	**–**	**822,843**	**–**	**936,178**
Segment revenue	**10,625,610**	**207,142**	**3,591,992**	**2,356,635**	**5,075**	**16,786,454**
Eliminations						**(936,178)**
Group revenue						**15,850,276**

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Segment (loss) profit	**(227,444)**	**45,365**	**484,396**	**152,523**	**792**	**455,632**
Interest income						**26,966**
Central administration costs						**(113,528)**
Finance costs						**(444,527)**
Gain from change in fair value of derivative financial instrument						**74**
Loss on dilution of interests in associates						**(1,680)**
Share of result of associates						**476,629**
Profit before taxation						**399,566**

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2009

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Revenue						
External sales	8,600,112	197,127	2,419,265	135,822	5,297	11,357,623
Inter-segment sales	377,260	–	–	188,931	–	566,191
Segment revenue	8,977,372	197,127	2,419,265	324,753	5,297	11,923,814
Eliminations						(566,191)
Group revenue						11,357,623

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Segment (loss) profit	(1,183,722)	28,808	114,355	(61,394)	6,010	(1,095,943)
Interest income						47,472
Central administration costs						(121,523)
Finance costs						(392,863)
Gain from change in fair value of derivative financial instrument						26,199
Loss on dilution of interest in associates						(19,177)
Loss arising from fair value adjustments on consideration paid and the available-for-sale investments acquired						(170,500)
Gain on disposal of available-for-sale investment						1,245,923
Share of result of associates (Note)						402,022
Loss before taxation						(78,390)

Note: Share of result of associates including discount on acquisition of an associate of HK$307,358,000.

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit (loss) generated by each segment without allocation of interest income, central administration costs, finance costs, gain from change in fair value of foreign currency forward contracts and option to subscribe for shares of a listed company in Australia, loss arising from fair value adjustments on consideration paid and the available-for-sale investments acquired, gain on disposal of available-for-sale investment, loss on dilution of interest in associates and share of result of associates. This is the measure reported to the Directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2010 **HK$'000**	2009 HK$'000
Segment assets		
Steel manufacturing	**17,051,386**	13,686,624
Shipping operations	**25,630**	17,762
Steel and iron ore trading	**1,311,422**	535,508
Mineral exploration	**2,180,773**	1,561,955
Others	**5,709**	6,899
Total segment assets	**20,574,920**	15,808,748
Interests in associates	**6,742,974**	6,211,843
Available-for-sale investments	**261,931**	231,688
Deferred tax assets	**46,827**	38,639
Amount due from an associate – non-trade	**17,756**	–
Amounts due from related companies – non-trade	**–**	301,007
Foreign currency forward contracts	**–**	1,592
Option to subscribe for shares of a listed company in Australia	**–**	117
Restricted bank deposits	**281,486**	280,838
Bank balances and cash	**1,702,696**	1,372,258
Consolidated assets	**29,628,590**	24,246,730

6. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	2010 HK$'000	2009 HK$'000
Segment liabilities		
Steel manufacturing	**5,406,163**	2,542,688
Shipping operations	**44,456**	45,683
Steel and iron ore trading	**698,587**	58,883
Mineral exploration	**447,663**	193,463
Others	**6,032**	10,891
Total segment liabilities	**6,602,901**	2,851,608
Amount due to a shareholder	**–**	350,000
Amount due to related companies – non-trade	**296,140**	269,796
Amount due to ultimate holding company of a shareholder – non-trade	**98,873**	98,912
Bank borrowings	**10,733,951**	9,909,109
Tax payable	**218,457**	184,741
Deferred tax liabilities	**12,139**	48,267
Loans from ultimate holding company of a shareholder	**968,868**	793,479
Consolidated liabilities	**18,931,329**	14,505,912

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to reportable segments other than the items disclosed above.
- all liabilities are allocated to reportable segments other than the items disclosed above.

6. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2010

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	**1,131,931**	**222**	**366**	**390,630**	**235**	**1,523,384**
Depreciation of property, plant and equipment	**626,258**	**1,756**	**145**	**55,989**	**419**	**684,567**
Amortisation of mining assets	**–**	**–**	**–**	**1,888**	**–**	**1,888**
Amortisation of prepaid lease rentals	**7,733**	**–**	**89**	**49**	**–**	**7,871**
Loss (gain) on disposal of property, plant and equipment	**(164)**	**–**	**–**	**–**	**33**	**(131)**
Reversal of allowance for inventories	**(201,751)**	**–**	**–**	**–**	**–**	**(201,751)**

2009

	Steel manufacturing HK$'000	Shipping operations HK$'000	Steel and iron ore trading HK$'000	Mineral exploration HK$'000	Others HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	1,350,083	898	192	934,053	33	2,285,259
Depreciation of property, plant and equipment	636,003	1,634	55	20,491	1,014	659,197
Amortisation of mining assets	–	–	–	2,963	–	2,963
Amortisation of prepaid lease rentals	6,888	–	89	5	–	6,982
Gain on disposal of property, plant and equipment	(5)	–	–	–	(293)	(298)
Allowance for inventories	210,395	–	–	–	–	210,395

Note: Non-current assets excluded financial instruments and deferred tax assets.

6. REVENUE AND SEGMENT INFORMATION (continued)

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2010 HK$'000	2009 HK$'000
Steel plates	**10,324,234**	8,421,651
Iron ore	**4,494,866**	2,026,013
Steel slabs	**818,959**	707,535
Vessel chartering and floating cranes leasing	**207,142**	197,127
Management services	**5,075**	5,297
	15,850,276	11,357,623

Geographical information

The Group operates in three principal geographical areas – the PRC, excluding Hong Kong (country of domicile), Australia and Hong Kong.

The Group's revenue from external customers by geographical location at which the goods were delivered and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
PRC, excluding Hong Kong (country of domicile)	**12,744,884**	7,660,738	**13,016,467**	11,726,548
Hong Kong	**200,564**	1,632,333	**6,739,937**	6,210,147
Australia	**2,837,647**	1,890,191	**–**	–
Korea	**67,074**	146,425	**–**	–
Others	**107**	27,936	**–**	–
	15,850,276	11,357,623	**19,756,404**	17,936,695

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 December 2010 and 2009, the customer which accounted for 10% or more of the Group's sales is Shougang Group. Sales to Shougang Group under the segments of steel manufacturing, steel and iron ore trading and mineral exploration contributed HK$3,642,508,000 (2009: HK$2,443,582,000) to the Group's revenue.

7. OTHER INCOME

	2010 HK$'000	2009 HK$'000
Interest income on bank deposits	26,966	47,472
Scrap sales income	3,288	7,353
Compensation income	679	1,647
Refund of value added tax	18,028	–
Sundry income	12,835	11,631
	61,796	68,103

8. OTHER GAINS AND LOSSES

	2010 HK$'000	2009 HK$'000
Gain on disposal of available-for-sale investment (note)	–	1,245,923
Reversal of provision for impairment of trade receivables	5,641	3,547
Gain from changes in fair value of investment property	1,910	3,558
Gain on disposal of property, plant and equipment	131	298
Net foreign exchange loss	(33,216)	(6,496)
Loss on dilution of interest in associates	(1,680)	(19,177)
Impairment loss on goodwill	–	(50,000)
Loss arising from fair value adjustments on consideration paid and the available-for-sale investments acquired (note 22)	–	(170,500)
	(27,214)	1,007,153

Note: During the year ended 31 December 2009, cumulative gain of an available-for-sale investment amounted to HK$1,610,136,000 has been reclassified from security investment reserve upon disposal to an associate, of which HK$364,213,000 represents unrealised gain on disposal and has been eliminated against interest in associates, resulting a net gain of HK$1,245,923,000 recognised as gain on disposal in the profit or loss as disclosed in note 22.

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**487,516**	395,161
Other borrowings wholly repayable within five years	**43,540**	44,734
Total borrowing costs	**531,056**	439,895
Less: Amounts capitalised	**(86,529)**	(47,032)
	444,527	392,863

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 4.57% (2009: 4.73%) per annum to expenditure on qualifying assets.

10. INCOME TAX (CREDIT) EXPENSE

	2010 HK$'000	2009 HK$'000
Current tax:		
– PRC Enterprise Income Tax	**3,883**	11,387
– Other jurisdictions	**–**	170,816
	3,883	182,203
Underprovision in prior year – Hong Kong	**–**	870
Deferred tax (note 35):		
Current year	**(37,500)**	(40,527)
Income tax (credit) expense	**(33,617)**	142,546

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Current tax in other jurisdictions represents an one-off tax provision in connection with gain on disposal of equity securities.

10. INCOME TAX (CREDIT) EXPENSE (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The EIT Law provides a five-year transition period from 1 January 2008 for those subsidiaries which were established before the promulgation date of the EIT Law and which are entitled to a preferential lower tax rate under the effective tax laws or regulations and hence the 25% tax rate is only applicable to certain subsidiaries after the expiry of tax holidays and concessions.

The charge for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	2010	2009
	HK$'000	HK$'000
Profit (loss) before taxation	**399,566**	(78,390)
Taxation at the income tax rate of 25% (2009: 25%) (Note)	**99,891**	(19,598)
Tax effect of share of results of associates	**(119,157)**	(100,506)
Tax effect of expenses not deductible for tax purposes	**31,507**	102,836
Tax effect of income not taxable for tax purposes	**(140,006)**	(229,968)
Underprovision in respect of prior years	**–**	870
Tax effect of tax loss not recognised	**155,627**	352,638
Tax effect of deductible temporary differences not recognised	**689**	52,653
Tax effect of utilisation of tax losses previously not recognised	**(8,244)**	(11,022)
Tax effect of utilisation of deductible temporary differences previously not recognised	**(53,924)**	(34,476)
Tax effect of withholding tax on distributed profits of a subsidiary	**–**	7,086
Effect of different tax rates of subsidiaries and the capital gain tax on listed Australia equity investments	**–**	22,033
Tax (credit) expense for the year	**(33,617)**	142,546

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

11. PROFIT (LOSS) FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**359,886**	361,390
– retirement benefits scheme contributions	**44,229**	39,256
– share-based payments	**35,382**	59,372
	439,497	460,018
Amortisation of mining assets, included in cost of sales	**1,888**	2,963
Depreciation of property, plant and equipment	**684,567**	659,197
Total depreciation and amortisation	**686,455**	662,160
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**(191)**	(29,382)
– change in fair value of option to subscribe for shares of a listed company in Australia	**117**	3,183
– change in fair value of commodity forward contracts	**(147,000)**	(68,937)
	(147,074)	(95,136)
Auditor's remuneration	**2,652**	3,449
Cost of inventories recognised as expenses (including reversal of allowance for inventories of HK$201,751,000 (2009: including allowance for inventories of HK$210,395,000))	**14,843,440**	11,927,416
Minimum lease payments under operating leases in respect of land and buildings	**3,267**	4,484
Amortisation of prepaid lease rentals	**7,871**	6,982
Rental income from investment properties under operating leases, less outgoings of HK$209,000 (2009: HK$258,000)	**(1,147)**	(1,374)
Impairment loss on goodwill (included in other gains and losses)	**–**	50,000

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven (2009: ten) Directors were as follows:

	Wang Qinghai HK$'000	Cao Zhong HK$'000 (Note b)	Li Shaofeng HK$'000 (Note c)	Zhang Wenhui HK$'000	Chen Zhouping HK$'000	Luo Zhenyu HK$'000 (Note c)	Ip Tak Chuen, Edmond HK$'000	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2010 HK$'000
2010												
Fees	150	100	–	–	–	–	150	230	330	330	330	1,620
Other emoluments												
Salaries and other benefits	–	1,858	2,854	2,411	3,173	796	–	–	–	–	–	11,092
Contributions to retirement benefits schemes	–	93	318	263	283	40	–	–	–	–	–	997
Performance related incentive payments (Note a)	–	–	3,500	2,850	2,500	–	–	–	–	–	–	8,850
Share-based payments	–	10,115	2,920	5,447	7,003	3,890	–	–	–	–	–	29,375
Total emoluments	150	12,166	9,592	10,971	12,959	4,726	150	230	330	330	330	51,934

	Wang Qinghai HK$'000	Cao Zhong HK$'000	Zhang Wenhui HK$'000	Chen Zhouping HK$'000	Luo Zhenyu HK$'000	Ip Tak Chuen, Edmond HK$'000	Leung Shun Sang, Tony HK$'000	Kan Lai Kuen, Alice HK$'000	Wong Kun Kim HK$'000	Leung Kai Cheung HK$'000	Total 2009 HK$'000
2009											
Fees	150	–	–	–	–	150	230	330	330	330	1,520
Other emoluments											
Salaries and other benefits	–	3,730	2,114	2,735	1,731	–	–	–	–	–	10,310
Contributions to retirement benefits schemes	–	587	233	302	164	–	–	–	–	–	1,286
Performance related incentive payments (Note a)	–	8,000	2,550	3,300	1,540	–	–	–	–	–	15,390
Share-based payments	–	18,509	9,966	12,814	7,119	–	–	–	–	–	48,408
Total emoluments	150	30,826	14,863	19,151	10,554	150	230	330	330	330	76,914

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Notes:

(a) The performance related incentive payments are determined by the Remuneration Committee of the Board of Directors taking into consideration the market practice, competitive market position and individual performance.

(b) According to the announcement of the Company, Mr. Cao Zhong has ceased to act as an Executive Director and the Managing Director of the Company effective from 10 May 2010, and has been redesignated as a Non-executive Director and the Vice Chairman of the Company from the same day.

(c) According to the announcement of the Company, Mr. Li Shaofeng has been appointed as an Executive Director and Managing Director of the Company effective from 10 May 2010; and Mr. Luo Zhenyu has resigned as an Executive Director and the Deputy Managing Director of the Company from the same day.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: four) were Directors of the Company whose emoluments are included in the disclosures in note 12(a) above. The emoluments of the remaining one (2009: one) individual are as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**1,040**	910
Contributions to retirement benefits scheme	**120**	77
Performance related incentive payments (Note)	**560**	620
Share-based payments	**778**	1,424
	2,498	3,031

Note: The performance related incentive payments are determined by the Remuneration Committee of the Board of Directors taking into consideration of the market practice, competitive market position and individual performance.

13. DIVIDENDS

	2010 HK$'000	2009 HK$'000
Dividends recognised as distribution during the year:		
Final – nil (2009: HK3 cents) per ordinary share	–	231,762

The final dividend of HK1 cent in respect of the year ended 31 December 2010 (2009: nil) per ordinary share has been proposed by the directors and is subject to approval by shareholders in the forthcoming annual general meeting of the Company,

The proposed dividends for 2010 are payable to all shareholders whose names appear on the register of members on 19 May 2011.

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:

	2010 HK$'000	2009 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	499,576	71,667
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of associates based on dilution of their earnings per share	(4,250)	(6,909)
Earnings for the purpose of diluted earnings per share	495,326	64,758

	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,175,381,214	7,782,093,543
Effect of dilutive potential ordinary shares on share options	10,029,480	9,726,492
Weighted average number of ordinary shares for the purpose of diluted earnings per share	8,185,410,694	7,791,820,035

The computation of diluted earnings per share does not assume the exercise of certain options as the relevant exercise price was higher than the average market price for shares for both 2010 and 2009.

15. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 January 2009	37,102
Transfer from prepaid lease rentals	1,479
Exchange adjustments	30
Changes in fair value recognised in profit or loss	3,558
Disposals	(10,692)
At 31 December 2009	31,477
Exchange adjustments	847
Changes in fair value recognised in profit or loss	1,910
At 31 December 2010	34,234

The fair value of the Group's investment properties at 31 December 2010 and 2009 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, independent qualified professional valuers not connected with the Group. AA Property Services Limited is a member of the Royal Institution of Chartered Surveyors. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions and where appropriate by the capitalisation of the rental income from the properties.

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

The investment properties shown above are situated in:

	2010 HK$'000	2009 HK$'000
Hong Kong and held under long-term lease	**12,690**	12,290
The PRC and held under medium-term lease	**21,544**	19,187
	34,234	31,477

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structure HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$000	Plant and machinery HK$'000	Motor vehicles HK$'000	Vessels HK$000	Construction in progress HK$'000	Total HK$'000
THE GROUP								
COST								
At 1 January 2009	3,436,985	62,825	79,451	6,337,381	192,474	30,893	1,029,505	11,169,514
Exchange adjustments	5,470	87	121	10,081	300	68	1,648	17,775
Additions	32,890	–	7,809	25,005	48,442	–	1,707,146	1,821,292
Transfer from construction in progress	511,811	–	9,779	534,148	1,204	–	(1,056,942)	–
Reclassification (note)	(590,883)	–	1,400	538,179	51,304	–	–	–
Disposals	–	(2,128)	(490)	–	(1,041)	–	–	(3,659)
At 31 December 2009	3,396,273	60,784	98,070	7,444,794	292,683	30,961	1,681,357	13,004,922
Exchange adjustments	138,443	2,334	3,998	312,838	12,128	858	70,892	541,491
Additions	1,704	94	8,795	17,802	6,463	–	2,086,746	2,121,604
Transfer from construction in progress	28,399	–	17,110	1,562,181	5,554	–	(1,613,244)	–
Disposals	–	–	(253)	(69)	(1,264)	–	–	(1,586)
At 31 December 2010	3,564,819	63,212	127,720	9,337,546	315,564	31,819	2,225,751	15,666,431
DEPRECIATION, AMORTISATION AND IMPAIRMENT								
At 1 January 2009	332,615	38,088	38,031	1,590,360	67,965	24,055	–	2,091,114
Exchange adjustments	587	59	70	3,087	147	49	–	3,999
Provided for the year	128,980	469	9,976	487,155	31,379	1,238	–	659,197
Reclassification (note)	(73,498)	–	314	60,069	13,115	–	–	–
Eliminated on disposals	–	(125)	(120)	–	(935)	–	–	(1,180)
At 31 December 2009	388,684	38,491	48,271	2,140,671	111,671	25,342	–	2,753,130
Exchange adjustments	18,653	1,564	2,221	104,641	5,747	664	–	133,490
Provided for the year	87,145	394	10,075	541,066	44,607	1,280	–	684,567
Eliminated on disposals	–	–	(182)	(58)	(630)	–	–	(870)
At 31 December 2010	494,482	40,449	60,385	2,786,320	161,395	27,286	–	3,570,317
CARRYING VALUES								
At 31 December 2010	3,070,337	22,763	67,335	6,551,226	154,169	4,533	2,225,751	12,096,114
At 31 December 2009	3,007,589	22,293	49,799	5,304,123	181,012	5,619	1,681,357	10,251,792

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The properties shown above are situated in PRC and located on land held under medium-term lease.

Note: These represented reclassification of property, plant and equipment that were constructed in prior years as a result of an independent construction completion report received during the year ended 31 December 2009.

17. PREPAID LEASE RENTALS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
The Group's prepaid lease rentals comprise:		
Medium-term leasehold land outside Hong Kong	**363,825**	332,753
Medium-term leasehold land in Hong Kong	**933**	1,022
	364,758	333,775
Analysed for reporting purposes as:		
Current asset	**7,680**	7,459
Non-current asset	**357,078**	326,316
	364,758	333,775

18. INTANGIBLE ASSET/MINING ASSETS

	THE GROUP		
	Mining assets	**Intangible asset – deferred product design fees**	**Total**
	HK$'000	HK$'000	HK$'000
COST			
At 1 January 2009	176,897	9,615	186,512
Additions	–	–	–
Exchange adjustments	281	15	296
At 31 December 2009	177,178	9,630	186,808
Exchange adjustments	7,321	–	7,321
At 31 December 2010	184,499	9,630	194,129
AMORTISATION			
At 1 January 2009	–	9,615	9,615
Exchange adjustments	3	15	18
Charge for the year	2,963	–	2,963
At 31 December 2009	2,966	9,630	12,596
Exchange adjustments	52	–	52
Charge for the year	1,888	–	1,888
At 31 December 2010	4,906	9,630	14,536
CARRYING VALUES			
At 31 December 2010	179,593	–	179,593
At 31 December 2009	174,212	–	174,212

18. INTANGIBLE ASSET/MINING ASSETS (continued)

Details of the Group's mining assets are as follows:

Mine	Location	Expiry date
Hongda Iron Ore Mine	Qinglong Manchu Autonomous County, Hebei Province	December 2011
Chagou Iron Ore Mine	Qinglong Manchu Autonomous County, Hebei Province	June 2011

The mining activities of Hongda Iron Ore Mine commenced in September 2009 and amortisation was charged by using the units of production method, while Chagou Iron Ore Mine is in the development stage as the construction of infrastructure for mining is in progress and the Directors are of the opinion that mining activities will commence in mid 2011.

The Directors are of the opinion that the expiry date of the mining assets can be extended with minimal cost.

19. GOODWILL

	THE GROUP HK$'000
COST	
At 1 January 2009, 31 December 2009 and 31 December 2010	218,015
IMPAIRMENT	
At 1 January 2009	–
Impairment loss recognised in the year	50,000
At 31 December 2009 and 31 December 2010	50,000
CARRYING VALUES	
At 31 December 2009 and 31 December 2010	168,015

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

20. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, the goodwill set out in note 19 has been allocated to two individual cash generating units (CGUs) in the steel manufacturing business operating segment, which includes the Group's subsidiaries – Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill") and Shouqin. The carrying amounts of goodwill as at 31 December 2010 allocated to these units are as follows:

	Goodwill	
	2010	2009
	HK$'000	HK$'000
Steel manufacturing – Qinhuangdao Plate Mill (Unit A)	**144,489**	144,489
Steel manufacturing – Shouqin (Unit B)	**23,526**	23,526
	168,015	168,015

During the year ended 31 December 2010, the management of the Group determined that there are no impairments of any of its CGUs containing goodwill.

The recoverable amounts of the Units A and B have been determined based on a value in use calculations. Their recoverable amounts are based on certain similar key assumptions. All value in use calculations use cash flow projections based on financial budgets approved by management covering a five-year period and at a discount rate of 15.70% for Unit A and 9.69% for Unit B (2009: 11.43% for both Unit A and B). All sets of cash flows beyond the five-year period are extrapolated with zero growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the budget period which have been determined based on past performance and management's expectations for the market development.

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

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**2,534,483**	2,534,483
Deemed capital contribution (Note)	**978,863**	767,406
Less: Impairment loss recognised	**(654,167)**	(527,844)
	2,859,179	2,774,045
Amounts due from subsidiaries	**5,243,673**	5,331,358
Less: Impairment losses recognised	**(337,889)**	(337,889)
	4,905,784	4,993,469
Amount due to a subsidiary	**151,193**	44,998

Note: Deemed capital contribution represented the imputed interest on the interest-free loans.

Amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repayable in the next 12 months.

Amount due to a subsidiary is unsecured, interest-free and repayable on demand.

Particulars of the Company's principal subsidiaries as at 31 December 2010 are set out in note 48.

22. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investment in associates				
Listed in Hong Kong	**6,173,623**	6,173,623	**4,876**	4,876
Unlisted	**20,448**	20,448	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**913,116**	381,985	**–**	–
	7,107,187	6,576,056	**4,876**	4,876
Unrealised gain transfer from security investment reserve upon disposal of available-for-sale investments	**(364,213)**	(364,213)	**–**	–
	6,742,974	6,211,843	**4,876**	4,876
Fair value of listed investment	**7,646,860**	10,621,393	**5,085**	7,193

22. INTERESTS IN ASSOCIATES (continued)

On 9 February 2009, Excel Bond Investments Limited ("Excel Bond"), a wholly-owned subsidiary of the Company, and the Company entered into a share sale agreement with China Merit Limited ("China Merit") and Mr. Wong Lik Ping, being independent parties, pursuant to which China Merit has conditionally agreed to sell 550,000,000 shares of Fushan International Energy Group Limited ("Fushan International"), which is a company listed on the Main Board of the Stock Exchange, representing approximately 12.05% of the issued share capital of Fushan International as at 9 February 2009, to Excel Bond at a consideration of HK$1,199,000,000 (the "First Acquisition") subject to certain conditions precedent. The consideration of the First Acquisition was determined with reference to the prevailing market price of HK$1.99 per share of Fushan International on 9 February 2009 and was satisfied in full by (a) a cash consideration of HK$715,000,000; and (b) the allotment and issue of 550,000,000 new shares of the Company to China Merit (or its nominees) at an issue price of HK$0.88 per share, which was determined with reference to the prevailing market price of HK$0.88 per share of the Company on 9 February 2009. The First Acquisition was completed on 24 February 2009 (the "First Completion Date") and the investment was initially recognised as available-for-sale investment at HK$979,000,000, which was based on the market price of HK$1.78 per share of Fushan International on the First Completion Date. As aforesaid mentioned, the Company issued 550,000,000 shares as part of the consideration at the market price of HK$0.79 per share on the First Completion Date. Together with the cash consideration of HK$715,000,000, the total consideration for the First Acquisition amounted to HK$1,149,500,000 and thus resulted in a loss of HK$170,500,000 which was included in other gains and losses as disclosed in note 8.

On 3 July 2009, the Company and Shougang HK entered into an agreement, pursuant to which Shougang HK has conditionally agreed to sell the entire issued share capital of Fine Power Group Limited ("Fine Power") to the Company at a consideration of HK$1,930,500,000 (the "Second Acquisition"), which was satisfied in full by a cash consideration of HK$1,350,000,000; and the allotment and issue of the 450,000,000 shares of the Company to Shougang HK or its wholly owned subsidiary at an issued price of HK$1.29 per share of the Company, representing the closing price of the Company's shares on 3 July 2009. The consideration was determined by reference to the prevailing market price per share of Fushan International on 3 July 2009 as the main asset held by Fine Power is the holding of 450,000,000 shares of Fushan International. The Second Acquisition was completed on 11 September 2009 (the "Second Completion Date"). Upon completion of the Second Acquisition, together with the aforesaid mentioned 550,000,000 shares of Fushan International held by the Group, the Group held approximately 20.02% of the issued share capital of Fushan International and has significant influence in the financial and operating policy decision of Fushan International, and since then being accounted for as an associate in accordance with HKAS 28. On the Second Completion Date, the Company issued 450,000,000 shares with the market price of HK$1.46 per share, as part of the consideration and together with the cash consideration of HK$1,350,000,000, the total consideration for the Second Acquisition amounted to HK$2,007,000,000.

22. INTERESTS IN ASSOCIATES (continued)

For the First Acquisition, by applying the accounting policy on acquisition of an associate with successive share purchases, there is a discount on acquisition of approximately HK$307,358,000 on the First Acquisition Date which has been included in the Group's share of result of associates. Share of result in Fushan International from the date the First Acquisition was recognised as available-for-sale investment up to the Second Acquisition was recognised in other comprehensive income amounted to approximately HK$95,726,000.

For the Second Acquisition, there is a goodwill of approximately HK$739,430,000 which has been included in the cost of investment in the associate.

On 22 September 2009, the Group entered into an agreement with Fushan International, pursuant to which the Group has agreed to sell the investment in equity securities of Mount Gibson Iron Limited ("MGI"), which was previously recognised as available-for-sale investments, to Fushan International for a consideration of approximately HK$1,188,531,000. The total number of MGI shares held and disposed by the Group was approximately 154,167,000 and the consideration was based on the market price of MGI on 22 September 2009, which is 1.14 Australian Dollar ("AUD") (equivalent to approximately HK$7.72 per share). The consideration was satisfied in full by the allotment and issue of approximately 213,918,000 shares of Fushan International to the Group at HK$5.556 per share (the "Third Acquisition"), which was determined by reference to the prevailing market price of Fushan International on the same date.

The Third Acquisition was completed on 1 December 2009 (the "Third Completion Date"). The market value of MGI's share on that date was AUD1.61 each (equivalent to approximately HK$11.54 per share). The total fair value of the investment in MGI and the security investment reserve accumulated in relation to the fair value increase were approximately HK$1,778,887,000 and HK$1,610,136,000 respectively. By using such fair value as the cost of acquisition of the 213,918,000 shares of Fushan International, the Third Acquisition resulted in a goodwill of approximately HK$916,196,000 which has been included in the cost of investment in the associate. Upon completion, the Group held approximately 22.63% equity interest in Fushan International and cumulative gain of an available-for-sale investment amounted to HK$1,610,136,000 has been reclassified from security investment reserve upon disposal to an associate, of which HK$364,213,000 represents unrealised gain on disposal and has been eliminated against interest in associates, resulting a net gain of HK$1,245,923,000 recognised as gain on disposal in the profit or loss as disclosed in note 8.

22. INTERESTS IN ASSOCIATES (continued)

On 30 December 2009, the Group further acquired 100,000,000 shares of Fushan International from China Merit (the "Fourth Acquisition") at HK$7.2 per share, which was determined by reference to the prevailing market price on 30 December 2009. The total consideration was HK$720,000,000 and was satisfied in full by cash. The Fourth Acquisition resulted in a goodwill of approximately HK$436,756,000 which has been included in the cost of investment in the associate. Upon completion of the Fourth Acquisition, the Group held approximately 24.48% equity interest in Fushan International.

Included in the cost of investment in associates is goodwill of HK$2,092,382,000 (2009: HK$2,092,382,000) arising on acquisition of associates during the year ended 31 December 2009. The movement of goodwill is set out below:

	HK$'000
COST	
At 1 January 2009	–
Arising on acquisitions of an associate	2,092,382
At 31 December 2009 and 31 December 2010	2,092,382

The summarised financial information in respect of the Group's associates is set out below:

	2010 **HK$'000**	2009 HK$'000
Total assets	**32,523,609**	28,327,326
Total liabilities	**(9,046,614)**	(8,728,501)
Net assets	**23,476,995**	19,598,825
Group's share of net assets of associates	**5,014,805**	4,483,674
Revenue	**7,222,752**	5,569,403
Profit for the year	**1,894,340**	1,267,165
Other comprehensive income	**1,111,105**	37,745
Group's share of profits and other comprehensive income of associates for the year	**759,599**	424,944

Details of the associates are set out in note 48.

23. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2010	2009
	HK$'000	HK$'000
Equity securities listed in Australia, at fair value (Note a)	**122,252**	97,643
Unlisted equity securities, at cost (Note b)	**139,679**	134,045
Total	**261,931**	231,688

Notes:

a. On 20 March 2007, Timefull Investments Limited ("Timefull"), a subsidiary of the Company entered into a share and option subscription agreement with Australasian Resources Limited ("ARH"), a company listed in Australia, whereby Timefull subscribed 28,000,000 newly-issued shares of ARH ("ARH Shares") at AUD1 each, representing approximately 6.4% of the enlarged issued share capital of ARH and 14 million call options were granted to Timefull at an exercise price of AUD1.5 ("ARH Option") at a consideration of AUD28 million (equivalent to approximately HK$187 million). The ARH Shares acquired was recognised as available-for-sale investments and the ARH Option was recognised as other financial asset and expired in 2010 as disclosed in note 29.

b. The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balances represent deposits paid for acquisition of property, plant and equipment. Included in the amount, approximately HK$108,513,000 (2009: HK$131,878,000) was paid to the Shougang Group.

25. INVENTORIES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Raw materials	**2,146,671**	1,024,543
Work in progress	**627,754**	453,383
Finished goods	**716,765**	141,735
	3,491,190	1,619,661

26. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Trade and bill receivables	**1,783,474**	950,097
Less: Provision for impairment	**(161,101)**	(166,228)
	1,622,373	783,869
Prepayments and deposits	**415,069**	225,940
Other receivables	**599,631**	119,727
Less: Provision for impairment	**(8,019)**	(7,483)
	1,006,681	338,184
	2,629,054	1,122,053

26. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

For most customers, in particular in the business of steel manufacturing, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The Group allows a range of credit period to its customers normally not more than 30 days, except for certain well established customers, where the terms are extended to 60 days. The following is an aged analysis of trade and bill receivables net of provision for impairment presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 60 days	**1,514,457**	769,756
61 – 90 days	**10,127**	4,838
91 – 180 days	**64,368**	9,255
181 – 365 days	**33,421**	20
	1,622,373	783,869

Before accepting any new customer, the Group assesses the credit quality of each potential customer and defines a credit rating and limit for each customer. In addition, the Group reviews the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of Directors, the trade and bill receivables that are not past due nor impaired were of good credit quality at the end of the reporting period.

Included in the Group's trade and bill receivable balance are debtors with an aggregate carrying amount of HK$107,916,000 (2009: HK$14,113,000) which are past due at the reporting date for which the Group has not provided for provision for impairment loss as continuous repayment was noted subsequent to the end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 172 days (2009: 115 days).

26. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 60 days	**–**	–
61 – 90 days	**10,127**	4,838
91 – 180 days	**64,368**	9,255
181 – 365 days	**33,421**	20
Total	**107,916**	14,113

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
At 1 January	**166,228**	191,999
Impairment losses recognised on receivables	**41**	141
Amounts written off as uncollectible	**–**	(21,675)
Impairment losses reversed	**(6,029)**	(4,275)
Exchange adjustments	**861**	38
At 31 December	**161,101**	166,228

26. TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the financial statements approval dates. In order to minimise credit risk, the management of the Group 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 reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate provision are made for irrecoverable amounts. Accordingly, the Directors believe that no further provision is required in excess of the provision for impairment.

Other receivables of the Group and the Company are unsecured, interest-free and repayable on demand.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM AN ASSOCIATE, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT DUE TO A SHAREHOLDER

The amounts due from (to) related companies represent amounts due from (to) the members of the Shougang Group. The trade receivables/payables from (to) related companies are unsecured, interest-free and repayable within 60 days. As at 31 December 2009, the non-trade receivables included a consideration receivable arising from the disposal of the entire interest in Ultra Result Limited during the year ended 31 December 2008 and such amount was fully settled in March 2010. The remaining non-trade receivables/payables from (to) related companies are unsecured, interest-free and are repayable on demand.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM AN ASSOCIATE, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT DUE TO A SHAREHOLDER (continued)

The trade receivables from related companies and an aged analysis of such balances net of allowance of doubtful debts presented based on the invoice date at the end of the reporting period are as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 60 days	**734,527**	73,065
61 – 90 days	**1,198**	627,432
91 – 180 days	**1,104**	133
181 – 365 days	**7,601**	–
1 – 2 years	**5,542**	21,765
	749,972	722,395

The Group allows a range of a credit period normally not more than 60 days for sales to its related companies. In the opinion of Directors, the trade receivables from related companies that are not past due nor impaired were of good credit quality at the end of the reporting period.

Included in these trade receivables from related companies are receivables with an aggregate carrying amount of HK$15,445,000 (2009: HK$649,330,000) which are past due at the reporting date but for which an impairment loss has not been provided. The Group does not hold any collateral over these balances. The average age of these receivables is 342 days (2009: 85 days).

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM AN ASSOCIATE, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT DUE TO A SHAREHOLDER (continued)

The aged analysis of trade receivables from related companies which are past due but not impaired are as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
61 – 90 days	**1,198**	627,432
91 – 180 days	**1,104**	133
181 – 365 days	**7,601**	–
1 – 2 years	**5,542**	21,765
Total	**15,445**	649,330

The Group has provided fully for all receivables with related companies over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable.

Movement in the allowance for doubtful debts of trade receivables from related companies

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
At 1 January	**26,012**	25,971
Impairment losses recognised on receivables	**130**	–
Exchange adjustments	**1,138**	41
At 31 December	**27,280**	26,012

In determining the recoverability of trade and non-trade receivables from related companies, the Group considers any change in credit quality of the trade and non-trade receivables from the date credit was initially granted up to the financial statements approval dates. Accordingly, the Directors believe that no further provision is required in excess of the allowance of doubtful debts of trade receivables from related companies.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES, AMOUNT DUE FROM AN ASSOCIATE, AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND AMOUNT DUE TO A SHAREHOLDER (continued)

The trade payables to related companies and an aged analysis of such balances are presented based on the invoice date at the end of the reporting period as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**694,076**	107,160
91 – 180 days	**8,276**	59,890
181 – 365 days	**836**	37,232
1 – 2 years	**18,541**	30,920
Over 2 years	**38,316**	36,710
	760,045	271,912

The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest bearing at 3.25% per annum and is repayable on demand.

The amount due from an associate is unsecured, interest-free and repayable on demand.

The Group's and the Company's amount due to a shareholder is unsecured, interest-free and repayable on demand.

The Company's amount due from a related company is unsecured, interest-free and repayable on demand.

28. AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

As at 31 December 2010 and 2009, the amount due from the ultimate holding company of a shareholder are non-trade in nature, unsecured, interest free and are repayable on demand.

The trade payables to the ultimate holding company of a shareholder are unsecured, interest-free and repayable within 60 days. The non-trade payables to the ultimate holding company of a shareholder are unsecured, interest-free and are repayable on demand.

28. AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF A SHAREHOLDER (continued)

In determining the recoverability of the receivables from the ultimate holding company of a shareholder, the Group considers any change in credit quality of the receivables from the date credit was initially granted up to the financial statements approval dates. No impairment is considered necessary as the counterparty has good credit rating and majority of the balance has been repaid subsequent to the end of the reporting period.

The trade payables to the ultimate holding company of a shareholder and an aged analysis of such balance are presented based on the invoice date at the end of the reporting period as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**1,074,108**	–
91 – 180 days	**–**	129
	1,074,108	129

29. OTHER FINANCIAL ASSETS/LIABILITIES

Other financial assets

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Commodity forward contracts (Note a)	**570,137**	423,137	**570,137**	423,137
Foreign currency forward contracts (Note b)	**–**	1,592	**–**	1,167
Option to subscribe for shares of a listed company in Australia (Note c)	**–**	117	**–**	–
	570,137	424,846	**570,137**	424,304

29. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial assets (continued)

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysed as:				
Non-current	**367,942**	275,140	**367,942**	275,140
Current	**202,195**	149,706	**202,195**	149,164
	570,137	424,846	**570,137**	424,304

Notes:

a. In November 2008, the Company entered into certain commodity forward contracts with MGI to purchase iron ore for which the forward price was determined with reference to Hamersley Benchmark Prices. In November 2010, the commodity forward contracts were revised as the Hamersley Benchmark Prices were not available in the market and the iron ore forward price has then been revised to be determined with reference to Platts Iron Ore Price.

At 31 December 2010 and 2009, the major terms of the outstanding commodity forward contracts entered by the Company with MGI are as follows:

2010

Notional amount	Period	Forward price
Purchase approximately 50% of total production of the relevant mines in Australia	01.11.2010 to the lives of the relevant mines	Platts Iron Ore Prices less operating adjustments and marketing commission for lump and fines ore products per dead weight metric tonne

2009

Notional amount	Period	Forward price
Purchase approximately 50% of total production of the relevant mines in Australia	01.07.2009 to the lives of the relevant mines	10% discount on Hamersley Benchmark Prices for lump and fines ore products per dead weight metric tonne

As at 31 December 2010, the fair value of the commodity forward contracts were determined by the Directors with reference to a valuation report carried out by Greater China Appraisal Limited, independent and recognised international business valuers and the fair value is approximately HK$570,137,000 (2009: HK$423,137,000). For the year ended 31 December 2010, a gain of HK$147,000,000 (2009: HK$68,937,000) has been recognised in the consolidated statement of comprehensive income.

Discounted cashflow model is used for valuation of the commodity forward contracts. The fair value are based on certain assumptions including the risk free rate in Australia of 5.582% (2009: 5.48%), the life of the Mines of 8 years and a range of iron ore market prices throughout the contract period based on management's best estimate.

29. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial assets (continued)

Notes: (continued)

b. At 31 December 2010, the Group and the Company does not have any outstanding foreign currency forward contract.

At 31 December 2009, the Group and the Company entered into non-deliverable foreign currency forward contracts with banks, the major terms of the outstanding contracts are as follows:

Notional amount	Maturity	Forward exchange rates
THE GROUP		
Buy United States Dollar ("USD") 2 million for each maturity date and total notional amount is USD12 million	From 21.06.2010 to 19.11.2010	Ranged from RMB6.63 to USD1 to RMB6.73 to USD1
Sell USD2 million for each maturity date and total notional amount is USD12 million	From 21.06.2010 to 19.11.2010	Ranged from RMB6.74 to USD1 to RMB6.80 to USD1
THE COMPANY		
Buy USD 2 million for each maturity date and total notional amount is USD12 million	From 21.06.2010 to 19.11.2010	Ranged from RMB6.63 to USD1 to RMB6.73 to USD1

The fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

c. The ARH Option with exercise period starting from 7 June 2007 to 7 June 2010 was deemed as held for trading on initial recognition and the Directors consider that the fair value of the ARH Option is insignificant at the date of acquisition. As at 31 December 2010, the share option expired, and the Group had derecognised the financial instrument, that resulted a loss of HK$117,000 recognised in the consolidated statement of comprehensive income. As at 31 December 2009, the fair value of the ARH Option was determined by the Directors. The valuation performed by the Directors was arrived at by using the Binomial Option Pricing model with reference to recent market observable data as inputs. The fair value of each ARH Option was AUD0.0012. For the year ended 31 December 2009, a loss of HK$3,183,000 has been recognised in the consolidated statement of comprehensive income.

Binomial Option Pricing model is used for valuation of the ARH Option. The inputs into the model were as follows:

	31 December 2009
Stock price	AUD0.50
Exercise price	AUD1.50
Volatility	70.27%
Dividend yield	0%
Option life	0.43 year
Risk free rate (Australia)	4.219%

29. OTHER FINANCIAL ASSETS/LIABILITIES (continued)

Other financial liabilities

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial guarantee contracts	**–**	–	**162,518**	149

30. RESTRICTED BANK DEPOSITS

The amounts represent the bank deposits restricted to certain banks to secure the issuance of letters of credit. The deposits carry fixed interest ranged from 0.36% to 1.17% (2009: 0.36% to 1.98%) per annum.

The deposits will be released upon the settlement of the letters of credit.

31. BANK BALANCES AND CASH

Bank balances and time deposits carry interest at market rates which range from 0.05% to 4.92% (2009: 0.01% to 3.85%) per annum.

32. TRADE AND BILL PAYABLES, OTHER PAYABLES AND ACCRUED LIABILITIES

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**2,456,267**	844,018
91 – 180 days	**447,981**	317,010
181 – 365 days	**57,217**	702
1 – 2 years	**1,551**	2,858
Over 2 years	**3,119**	919
	2,966,135	1,165,507

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

Other payables are unsecured, interest-free and are repayable on demand.

33. BANK BORROWINGS

Bank borrowings are repayable as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**6,400,687**	6,010,188	**–**	384,833
In the second year	**1,009,706**	1,677,956	**–**	772,583
In the third to fifth years inclusive	**878,906**	2,198,245	**–**	1,317,864
More than five years	**–**	22,720	**–**	–
	8,289,299	9,909,109	**–**	2,475,280
Carrying amount of bank loans that are repayable on demand (shown under current liabilities)	**2,444,652**	–	**2,444,652**	–
Less: Amount due within one year shown under current liabilities	**(8,845,339)**	(6,010,188)	**(2,444,652)**	(384,833)
Amount due after one year	**1,888,612**	3,898,921	**–**	2,090,447
Secured	**2,655,355**	2,543,439	**2,444,652**	2,475,280
Unsecured	**8,078,596**	7,365,670	**–**	–
	10,733,951	9,909,109	**2,444,652**	2,475,280

As at 31 December 2010, bank borrowings of HK$2,444,652,000 are repayable on demand. As at the date of report, the lenders and the Company have come into agreement that the amount will have to be fully repaid by May 2013.

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fixed-rate borrowings				
Within one year	**1,670,810**	1,486,993	**–**	–

33. BANK BORROWINGS (continued)

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

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Variable-rate borrowings				
Within one year or repayable on demand	**7,174,529**	4,523,195	**2,444,652**	384,833
In more than one year but not more than two years	**1,009,706**	1,677,956	**–**	772,583
In more than two years but not more than five years	**878,906**	2,198,245	**–**	1,317,864
More than five years	**–**	22,720	**–**	–
	9,063,141	8,422,116	**2,444,652**	2,475,280

The effective interest rates (which are also equal to contracted interest rates) on the Group's fixed-rate borrowings are ranged from 4.779% to 5.56% (2009: from 4.374% to 5.0445%) per annum.

The variable-rate bank borrowings of approximately HK$2,098 million (2009: HK$2,475 million) which carry interest at the London Interbank Offered Rates ("LIBOR") plus 0.52% (2009: LIBOR plus 0.52%) per annum, which are ranged from 0.77% to 0.895% (2009: from 0.83% to 2.02%) per annum. Approximately HK$347 million (2009: Nil) of the variable-rate borrowings carry interest at the Hong Kong Interbank Offered Rates ("HIBOR") plus 0.8% per annum, which are ranged from 0.94% to 1.23%. The remaining variable-rate borrowings carry interest at the People's Bank of China's lending rate ("lending rate"), or with a 5% to 10% reduction on the lending rate, which are ranged from 4.78% to 5.81% (2009: from 4.37% to 5.64%) per annum.

In 2010 and 2009, the Group's borrowings were secured by certain assets and are guaranteed by the ultimate holding company of a shareholder. Details are set out in notes 46 and 47 respectively.

In 2010 and 2009, the Company's borrowings were secured by certain assets of subsidiaries (details are set out in note 46), and certain loans are guaranteed by a wholly-owned subsidiary.

33. BANK BORROWINGS (continued)

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

	THE GROUP	THE COMPANY
	HK$'000	HK$'000
As at 31 December 2010	2,098,088	2,098,088
As at 31 December 2009	2,475,280	2,475,280

34. LOANS FROM ULTIMATE HOLDING COMPANY OF A SHAREHOLDER

The amounts are unsecured, interest bearing at fixed-rates ranged from 5.31% to 5.56% (2009: 5.76% to 7.47%) per annum, except for HK$142,045,000 which are non-interest bearing as at 31 December 2010 (2009: nil). The amounts are repayable within twelve months from the end of the reporting period.

35. DEFERRED TAX

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**(46,827)**	(38,639)
Deferred tax liabilities	**12,139**	48,267
	(34,688)	9,628

35. DEFERRED TAX (continued)

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

	Accelerated tax depreciation HK$'000	Fair value adjustment and revaluation of properties HK$'000	Fair value adjustment of available-for-sale investments HK$'000	Tax losses HK$'000	Total HK$'000
THE GROUP					
At 1 January 2009	27,341	23,478	–	(705)	50,114
Exchange differences	41	–	–	–	41
Charge to security investment reserve	–	–	170,816	–	170,816
Credit to profit or loss upon disposal of available-for-sale investments	–	–	(170,816)	–	(170,816)
(Credit) charge to profit or loss (note 10)	(2,302)	(44)	(38,639)	458	(40,527)
At 31 December 2009	25,080	23,434	(38,639)	(247)	9,628
Exchange differences	1,308	–	(7,187)	(937)	(6,816)
Credit to profit or loss (note 10)	(2,348)	(463)	–	(34,689)	(37,500)
At 31 December 2010	24,040	22,971	(45,826)	(35,873)	(34,688)

At the end of the reporting periods, the Group has unused tax losses of approximately HK$1,962 million, of which HK$285 million is subject to IRD's confirmation and HK$479 million is subject to SAT's confirmation (2009: HK$1,230 million of which HK$263 million was subject to IRD's confirmation and HK$884 million was subject to SAT's confirmation) available to offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$143 million (2009: HK$1 million) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$1,819 million (2009: HK$1,229 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses are losses of which HK$959 million will expire in 2014 and HK$479 million will expire in 2015, while the remaining tax losses may be carried forward indefinitely. These deferred tax assets have not been recognised due to the unpredictability of future profit streams.

35. DEFERRED TAX (continued)

At the end of the reporting periods, the Group has deductible temporary differences, which mainly represents allowance for trade receivables and allowance for inventories of approximately HK$114 million (2009: HK$326 million) and tax credit of approximately HK$390 million (2009: HK$375 million), which represents tax credit granted by the PRC Tax Authority for purchase of plants and machineries manufactured domestically in the PRC. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2010, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$2 million as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As at 31 December 2009, the Group has no such temporary differences.

THE COMPANY

At the end of the reporting period, the Company has unused tax losses of approximately HK$58 million of which HK$57 million was subject to IRD’s confirmation (2009: HK$33 million of which HK$32 million was subject to IRD’s confirmation) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

36. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.20 each		
Authorised:		
At 1 January 2009, 31 December 2009 and 31 December 2010	10,000,000,000	2,000,000
Issued and fully paid:		
At 1 January 2009	7,175,381,214	1,435,076
Issue for the acquisition of interest in an associate (Note)	1,000,000,000	200,000
At 31 December 2009 and 31 December 2010	8,175,381,214	1,635,076

Note:

During the year ended 31 December 2009, 550,000,000 shares were issued as consideration for the First Acquisition of Fushan International at HK$0.79 per share, which is based on the market price per share on the First Completion Date, and 450,000,000 shares were issued as consideration for the Second Acquisition of Fushan International at HK$1.46 per share, which is based on the market price per share on the Second Completion Date as disclosed in note 22.

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

37. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 7 June 2002.

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

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

The exercise price in relation to each share option will be determined by the Directors at their discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of a grant of share options must be accepted within 60 days from the date of the offer. All share options except for 41,600,000 share options granted during the year ended 31 December 2007 and 16,000,000 share options granted during the year ended 31 December 2010 are vested as at 31 December 2010.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5 million (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Pursuant to the Scheme, share options held by any participants will lapse automatically upon their resignations but the Board of Directors 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 of Directors. Such change does not constitute modification of the Scheme.

37. SHARE OPTION SCHEME (continued)

The following tables disclose details of the share options held by Directors, employees and other eligible participants and movements in such holdings during the year ended 31 December 2010:

Grantees	Number of share options							
	At 1.1.2010	Granted during the year (Note 1)	Transferred to other category during the year (Note 2)	Lapsed due to resignation (Note 3)	At 31.12.2010	Date of grant	Exercise period	Exercise price per share HK$
Directors of the Company	8,000,000	–	–	–	8,000,000	23.8.2002	23.8.2002 to 22.8.2012	0.295
	4,590,000	–	–	–	4,590,000	12.3.2003	12.3.2003 to 11.3.2013	0.280
	38,500,000	–	(5,000,000)	–	33,500,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	34,000,000	–	(5,000,000)	–	29,000,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	34,000,000	–	(5,000,000)	–	29,000,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	34,000,000	–	(5,000,000)	–	29,000,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	34,000,000	–	(5,000,000)	–	29,000,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	–	4,000,000	–	–	4,000,000	14.12.2010	14.12.2010 to 13.12.2017	1.180
	–	4,000,000	–	–	4,000,000	14.12.2010	14.12.2011 to 13.12.2017	1.180
	–	4,000,000	–	–	4,000,000	14.12.2010	14.12.2012 to 13.12.2017	1.180
	–	4,000,000	–	–	4,000,000	14.12.2010	14.12.2013 to 13.12.2017	1.180
	–	4,000,000	–	–	4,000,000	14.12.2010	14.12.2014 to 13.12.2017	1.180
	187,090,000	20,000,000	(25,000,000)	–	182,090,000			

37. SHARE OPTION SCHEME (continued)

	Number of share options							
Grantees	At 1.1.2010	Granted during the year (Note 1)	Transferred to other category during the year (Note 2)	Lapsed due to resignation (Note 3)	At 31.12.2010	Date of grant	Exercise period	Exercise price per share HK$
Other employees of the Group	2,500,000	–	200,000	(100,000)	2,600,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	2,500,000	–	200,000	(100,000)	2,600,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	2,500,000	–	200,000	(100,000)	2,600,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	2,500,000	–	200,000	(100,000)	2,600,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	2,500,000	–	200,000	(100,000)	2,600,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	12,500,000	–	1,000,000	(500,000)	13,000,000			
Other eligible participants (Note 4)	50,000	–	–	–	50,000	23.8.2002	23.8.2002 to 22.8.2012	0.295
	5,200,000	–	4,800,000	–	10,000,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	5,200,000	–	4,800,000	–	10,000,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	5,200,000	–	4,800,000	–	10,000,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	5,200,000	–	4,800,000	–	10,000,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	5,200,000	–	4,800,000	–	10,000,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	26,050,000	–	24,000,000	–	50,050,000			
	225,640,000	20,000,000	–	(500,000)	245,140,000			
Exercisable at the end of the year					187,540,000			

37. SHARE OPTION SCHEME (continued)

Notes:

1. The Company granted 20,000,000 new share options to a Director of the Company on 14 December 2010 and these options will expire on 13 December 2017.

2. The 25,000,000 shares options were held by a Director of the Company who resigned as a Director of the Company during the year. In accordance with the Scheme, the 25,000,000 share options should lapse on the date of cessation as a Director of the Company, the Board of Directors of the Company approved the extension of the exercise period for such share options up to 19 December 2014 and such share options were reclassified from the category of "Directors of the company" to "Other eligible participants" during the year. The other 1,000,000 shares option were held by grantees who were employed by the Group during the year and such share options were reclassified from the category of "Other eligible participants" to "Other employees of the Group". The above share options will be lapsed upon the expiration of the exercise period on 19 December 2014.

3. The share options were held by a grantee who ceased to be an employee of the Group. Pursuant to the Scheme, the share options were lapsed due to the cease of the employment.

4. Other eligible participants include the Group's resigned or retired employees.

The following tables disclose details of the share options held by Directors, employees and other eligible participants and movements in such holdings during the year ended 31 December 2009:

	Number of share options					
Grantees	At 1.1.2009	Transferred to other category during the year (Note 1)	At 31.12.2009	Date of grant	Exercise period	Exercise price per share HK$
Directors of the Company	8,000,000	–	8,000,000	23.8.2002	23.8.2002 to 22.8.2012	0.295
	4,590,000	–	4,590,000	12.3.2003	12.3.2003 to 11.3.2013	0.280
	38,500,000	–	38,500,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	34,000,000	–	34,000,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	34,000,000	–	34,000,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	34,000,000	–	34,000,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	34,000,000	–	34,000,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	187,090,000	–	187,090,000			

37. SHARE OPTION SCHEME (continued)

Grantees	Number of share options: At 1.1.2009	Number of share options: Transferred to other category during the year (Note 1)	Number of share options: At 31.12.2009	Date of grant	Exercise period	Exercise price per share HK$
Other employees of the Group	7,500,000	(5,000,000)	2,500,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	7,500,000	(5,000,000)	2,500,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	7,500,000	(5,000,000)	2,500,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	7,500,000	(5,000,000)	2,500,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	7,500,000	(5,000,000)	2,500,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	37,500,000	(25,000,000)	12,500,000			
Other eligible participants (Note 2)	50,000	–	50,000	23.8.2002	23.8.2002 to 22.8.2012	0.295
	200,000	5,000,000	5,200,000	20.12.2007	20.12.2007 to 19.12.2014	2.944
	200,000	5,000,000	5,200,000	20.12.2007	20.12.2008 to 19.12.2014	2.944
	200,000	5,000,000	5,200,000	20.12.2007	20.12.2009 to 19.12.2014	2.944
	200,000	5,000,000	5,200,000	20.12.2007	20.12.2010 to 19.12.2014	2.944
	200,000	5,000,000	5,200,000	20.12.2007	20.12.2011 to 19.12.2014	2.944
	1,050,000	25,000,000	26,050,000			
	225,640,000	–	225,640,000			
Exercisable at the end of the year			142,240,000			

Notes:

1. The share options were held by a grantee who ceased to be an employee of the Group during the year. In accordance with the Scheme, the share options should lapse on the date of cessation of employment, the Board of Directors of the Company approved the extension of the exercise period for share options granted to this employee up to 19 December 2014 and such share options were re-classified from the category of "Other employees of the Group" to "Other eligible participants" during the year. Such share options will be lapsed upon the expiration of the exercise period on 19 December 2014.

2. Other eligible participants include the Group's resigned or retired employees.

37. SHARE OPTION SCHEME (continued)

During the year ended 31 December 2010 and 2009, no share options were exercised.

During the year ended 31 December 2010, options were granted on 14 December 2010. The estimated fair values of the options granted on this date is approximately HK$ 13,272,000 and was calculated using the Binominal Option Pricing Model. The inputs into the model were as follows:

	2010
Share price on grant date	**HK$1.18**
Exercise price	**HK$1.18**
Expected volatility	**68.325%**
Contractual life	**7 years**
Risk-free rate	**2.692%**
Expected dividend yield	**2.54%**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The Group recognised the total expense of HK$35,382,000 for the year ended 31 December 2010 (2009: HK$59,372,000) in relation to share options granted by the Company.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

38. RESERVES

	Share premium HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2009	2,242,475	170,603	22,611	896,363	3,332,052
Profit for the year and total comprehensive income	–	–	–	128,723	128,723
Share issued at premium	891,500	–	–	–	891,500
Share issue expenses	(60)	–	–	–	(60)
Recognition of equity-settled share based payments	–	59,372	–	–	59,372
Dividends recognised as distribution	–	–	–	(231,762)	(231,762)
At 31 December 2009	3,133,915	229,975	22,611	793,324	4,179,825
Profit for the year and total comprehensive income	–	–	–	155,316	155,316
Recognition of equity-settled share based payments	–	35,382	–	–	35,382
At 31 December 2010	3,133,915	265,357	22,611	948,640	4,370,523

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 33, loans from ultimate holding company of a shareholder disclosed in note 34, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

39. CAPITAL RISK MANAGEMENT (continued)

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 associates 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 debt.

40. FINANCIAL INSTRUMENTS

40a. Categories of financial instruments

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Financial assets		
Held for trading	**570,137**	424,846
Loans and receivables (including cash and cash equivalents)	**5,087,371**	3,769,285
Available-for-sale financial assets	**261,931**	231,688
Financial liabilities		
Amortised cost	**17,514,863**	13,405,540

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Financial assets		
Held for trading	**570,137**	424,304
Loans and receivables (including cash and cash equivalents)	**5,332,068**	5,488,445
Financial liabilities		
Amortised cost	**2,596,506**	2,874,521
Financial guarantee contracts	**162,518**	149

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, restricted bank deposits, trade and bill receivables, other receivables, amounts due from (to) related companies, loans from ultimate holding company of a shareholder, bank balances and deposits, amount due from (to) ultimate holding company of a shareholder, amount due to a shareholder, amount due from a non-controlling shareholder of a subsidiary, amount due from an associate, trade and bill payables, other payables, bank borrowings and derivative financial instruments.

The Company's major financial instruments include amounts due from (to) subsidiaries, other receivables, bank balances, other payables, amount due from a related company, amount due to a shareholder, bank borrowings and derivative financial instruments. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise the impact of exchange rate and interest rate fluctuations on the Group's financial performance and price fluctuations on the Group's available-for-sale investments. Risk management for the Group's operations is carried out under the guidance of the Board of Directors. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases. Certain trade receivables, amount due from (to) related companies, bank balances, trade payables and bank borrowings of the Group are denominated in foreign currencies other than the functional currencies of the relevant group entities, which expose the Group to foreign currency risk. Approximately 22% (2009: 23%) of the Group's sales and 21% (2009: 18%) of the Group's costs are denominated in currencies other than the functional currency of the group entity making the sale.

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

	THE GROUP			
	Liabilities		Assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
AUD	**–**	–	**25,094**	28,358
USD	**2,742,145**	2,504,829	**584,899**	668,636
HKD	**357,120**	358,873	**323,738**	205,320

	THE COMPANY			
	Liabilities		Assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
AUD	**–**	–	**25,094**	28,358
USD	**2,096,848**	2,485,630	**78,452**	420,445
HKD	**348,465**	350,212	**322,739**	46,174

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Market risk *(continued)*

(i) Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to exchange rate fluctuations of AUD, USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The negative number below indicates a decrease in post-tax profit (2009: increase in post-tax loss) where RMB strengthens 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit or loss for the year.

	THE GROUP								
	AUD			USD			HKD		
	2010	2009		2010	2009		2010	2009	
	HK$'000	HK$'000		HK$'000	HK$'000		HK$'000	HK$'000	
(Loss) profit for the year	(1,048)	(1,184)	(i)	90,065	85,652	(ii)	1,394	6,086	(iii)

	THE COMPANY								
	AUD			USD			HKD		
	2010	2009		2010	2009		2010	2009	
	HK$'000	HK$'000		HK$'000	HK$'000		HK$'000	HK$'000	
(Loss) profit for the year	(1,048)	(1,184)	(i)	84,267	85,652	(ii)	1,074	6,086	(iii)

(i) This is mainly attributable to the exposure outstanding on AUD bank balances, receivables and payables at year end in the Group and the Company.

(ii) This is mainly attributable to the exposure outstanding on USD bank balances, receivables and payables at year end in the Group and the Company.

(iii) This is mainly attributable to the exposure outstanding on HKD bank balances, receivables and payables at the year end in the Group and the Company.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, bank borrowings (see note 33 for details of these borrowings) and loans from ultimate holding company of a shareholder (see note 34 for details of these loans).

The Group and the Company is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Group currently does not enter into any interest rate swaps to convert floating rate to fixed rate obligations. However, the management closely monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

The sensitivity analysis below presents the effects on the Group's and the Company's post-tax profit for the year as a result of change in interest expense on variable-rate borrowings, restricted bank deposits and bank balances. The sensitivity to interest rate used is considered reasonable given the market forecasts available at end of the reporting period and under the economic environments in which the Group operates, with all other variables held constant.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings, restricted bank deposits and bank balances at the end of the reporting period only as the Directors of the Company consider that other non-derivative instruments may not have significant exposure to change in interest rates. For variable-rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2010 would decrease/increase by HK$54,115,000 (2009: post-tax loss would increase/decrease by HK$52,097,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings, restricted bank deposits and bank balances.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's post-tax profit for the year ended 31 December 2010 would increase/decrease by HK$16,855,000 (2009: HK$16,536,000). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings and bank balances.

The Group's and the Company's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

(iii) Other price risk

The Group is exposed to foreign currency risk, equity and commodity prices risk through its investments in listed equity securities, commodity forward contracts to purchase iron ore and foreign currency forward contracts. The directors considered that the exposure to foreign currency risk on foreign currency forward contracts and the exposure to equity price risk on option to subscribe for shares of ARH as at 31 December 2009 are insignificant.

Sensitivity analysis

The sensitivity analysis (including listed equity securities, ARH option and commodity forward contracts) have been determined based on the exposure to equity and commodity prices risk by reference to the movements of the share price and commodity price quoted up till the reporting date.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

(iii) Other price risk (continued)

Sensitivity analysis of listed equity securities

If the price had been 35% higher/lower, security investment reserve would increase/decrease by HK$42,789,000 (2009: increase/decrease by HK$34,175,000) for the Group as a result of the changes in fair value of available for sale investments. In addition, if there is a 5% increase/decrease in HKD against AUD, security investment reserve would decrease/increase by HK$6,113,000 (2009: decrease/increase by HK$4,882,000) for the Group.

Sensitivity analysis of commodity forward contracts

In addition, the Group is required to estimate the fair value of commodity forward contracts to purchase iron ore at the end of the reporting period with change in fair value to be recognised in consolidated statement of comprehensive income. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk free rate and the iron ore market price.

The sensitivity analysis below have been determined based on the exposure to the iron ore market price risks at the reporting date only as the Directors of the Company consider that change in market interest rate may not have significant financial impact on the fair value of the commodity forward contract.

Based on discounted cash flow analysis, if the price of the iron ore had been 5% higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK$12,253,000 (2009: the Group's loss would decrease/increase by HK$42,218,000) as a result of the change in fair value of commodity forward contracts to purchase iron ore. In addition, if there is a 5% increase/decrease in RMB against USD and all other variables were held constant, the Group's profit for the year would decrease/increase by HK$29,298,000 (2009: the Group's loss would increase/decrease by HK$24,157,000).

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2010, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Company as disclosed in note 45.

In order to minimise the credit risk, the management of the Group 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 reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Besides, the Group has reduced credit risk on trade receivables by requesting trade deposits to be made or settlement by bank bills before delivery, especially in the steel manufacturing and shipping operations. The Group mainly deals with companies with a successful track record and reputation and also has policies in place to assess the credit worthiness of customers.

The Company has credit risk on amounts due from subsidiaries and other financial liabilities recognised for financial guarantee contracts. Management periodically monitors the financial position of each of its subsidiaries to ensure each subsidiary is financially viable to settle the debts due to the Company and the banking facilities drawn from financial institutions. Adequate impairment losses are made for irrecoverable amounts.

The Group and the Company has limited credit risk on liquid funds as the counterparties are banks and financial institutions which are reputable and/or with high credit ratings assigned by international credit-rating agencies.

The Group and the Company has no significant concentration of credit risk for its trade and other receivables and amounts due from subsidiaries and related companies, with exposure spread over a large number of counterparties and customers.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

***Credit risk** (continued)*

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 76% (2009: 93%) of the total trade receivables as at 31 December 2010.

Liquidity risk

The Group and the Company manages its liquidity risk by ensuring it has sufficient liquid cash balances and credit facilities to meet its payment obligations as they fall due. The Group and the Company believes it has a good working relationship with its lending banks and ensures compliance with the covenants as stipulated in the loan agreements.

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. A monthly report on forecasted inflow and outflow of cash is compiled for the Directors' review. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group and the Company rely on bank borrowings as a significant source of liquidity. As at 31 December 2010, the Group has available unutilised short-term and long-term bank loan facilities of approximately HK$1,786 million (2009: HK$1,631 million). The Directors of the Company are of the view that the banking facilities could be renewed as the Group is in compliance with the respective loan covenants and historical experience is such that the Group has no difficulty to obtain the renewal. In addition, the Group is financially supported by the ultimate holding company of the major shareholder of the Company and can dispose of the marketable securities held by the Group, if necessary, to maintain the Group's and the Company's liquidity.

The following tables detail 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. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment date. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

In addition, the following tables detail the Group's and the Company's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been derived from interest rate and foreign currency exchange rates at the end of the reporting period. The liquidity analysis for the Group's and the Company's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

Liquidity tables

		THE GROUP							
	Weighted average interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2010
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010									
Non-derivative financial liabilities									
Trade and bill payables		2,966,135	–	–	–	–	–	2,966,135	2,966,135
Other payables		616,743	–	–	–	–	–	616,743	616,743
Amount due to ultimate holding company of a shareholder		1,172,981	–	–	–	–	–	1,172,981	1,172,981
Amounts due to related companies		1,056,185	–	–	–	–	–	1,056,185	1,056,185
Loans from ultimate holding company of a shareholder	5.56	11,493	163,271	832,211	–	–	–	1,006,975	968,868
Bank loans									
– fixed rate	5.20	195,359	337,384	1,202,118	–	–	–	1,734,861	1,670,810
– variable rate	3.78	3,902,007	1,503,811	1,994,301	1,079,008	940,544	–	9,419,671	9,063,141
		9,920,903	2,004,466	4,028,630	1,079,008	940,544	–	17,973,551	17,514,863
Derivatives – gross settlement									
Commodity forward contracts									
– outflow (Note)		904,023	904,023	1,808,137	3,269,889	4,091,105	1,994,260	12,971,437	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	THE GROUP								
	Weighted average interest rate	Less than 3 months	3-6 months	6 months to 1 year	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2009									
Non-derivative financial liabilities									
Trade and bill payables		1,165,507	–	–	–	–	–	1,165,507	1,165,507
Other payables		546,696	–	–	–	–	–	546,696	546,696
Amount due to ultimate holding company of a shareholder		99,041	–	–	–	–	–	99,041	99,041
Amounts due to related companies		541,708	–	–	–	–	–	541,708	541,708
Amount due to a shareholder		350,000	–	–	–	–	–	350,000	350,000
Loans from ultimate holding company of a shareholder	6.80	13,640	194,868	627,559	–	–	–	836,067	793,479
Bank loans									
– fixed rate	4.89	165,336	784,633	573,443	–	–	–	1,523,412	1,486,993
– variable rate	3.78	1,018,282	1,128,349	2,602,113	1,757,609	2,308,215	22,923	8,837,491	8,422,116
		3,900,210	2,107,850	3,803,115	1,757,609	2,308,215	22,923	13,899,922	13,405,540
Derivatives – gross settlement									
Commodity forward contracts – outflow (Note)		441,384	441,384	882,767	3,544,593	7,192,772	3,292,492	15,795,392	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

THE COMPANY

	Weighted average interest rate %	Less than 3 months HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
2010									
Non-derivative financial liabilities									
Other payables		661	–	–	–	–	–	661	661
Amount due to a subsidiary		151,193	–	–	–	–	–	151,193	151,193
Bank loans									
– variable rate	0.87	2,444,652	–	–	–	–	–	2,444,652	2,444,652
Financial guarantee contracts		1,930,991	–	–	–	–	–	1,930,991	162,518
		4,527,497	–	–	–	–	–	4,527,497	2,759,024
Derivatives – gross settlement									
Commodity forward contracts									
– outflow (Note)		904,023	904,023	1,808,137	3,269,889	4,091,105	1,994,260	12,971,437	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

40. FINANCIAL INSTRUMENTS (continued)

40b. Financial risk management objectives and policies (continued)

***Liquidity risk** (continued)*

Liquidity tables (continued)

THE COMPANY

	Weighted average interest rate %	Less than 3 months HK$'000	3-6 months HK$'000	6 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009									
Non-derivative financial liabilities									
Other payables		4,243	–	–	–	–	–	4,243	4,243
Amount due to a subsidiary		44,998	–	–	–	–	–	44,998	44,998
Amount due to a shareholder		350,000	–	–	–	–	–	350,000	350,000
Bank loans – variable rate	0.83	5,182	5,182	397,146	789,164	1,320,130	–	2,516,804	2,475,280
Financial guarantee contracts		1,280,368	–	–	–	–	–	1,280,368	149
		1,684,791	5,182	397,146	789,164	1,320,130	–	4,196,413	2,874,670
Derivatives – gross settlement									
Commodity forward contracts – outflow (Note)		441,384	441,384	882,767	3,544,593	7,192,772	3,292,492	15,795,392	–

Note: Cash outflow represents purchase of iron ore under the commodity forward contracts.

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.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

40. FINANCIAL INSTRUMENTS (continued)

40c. Fair value

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

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

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis;

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and

- the fair value of foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- the fair value of financial guarantee contracts are determined using option pricing models where the main assumptions are the probability of default by the specified counterparties extrapolated from market-based credit information and the amount of losses, given the default.

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

40. FINANCIAL INSTRUMENTS (continued)

40c. Fair value (continued)

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THE GROUP

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	570,137	570,137
Available-for-sale financial assets				
Listed equity securities	122,252	–	–	122,252
Total	122,252	–	570,137	692,389

40. FINANCIAL INSTRUMENTS (continued)

40c. Fair value (continued)

Fair value measurements recognised in the statement of financial position (continued)

THE COMPANY

	As at 31 December 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	–	570,137	570,137

THE GROUP

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	1,592	423,254	424,846
Available-for-sale financial assets				
Listed equity securities	97,643	–	–	97,643
Total	97,643	1,592	423,254	522,489

THE COMPANY

	As at 31 December 2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Derivative financial assets	–	1,167	423,137	424,304

There were no transfers between Level 1 and 2 during the year ended 31 December 2010 and 2009.

40. FINANCIAL INSTRUMENTS (continued)

40c. Fair value (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	THE GROUP	THE GROUP AND THE COMPANY
	ARH Option	Commodity forward contracts
	HK$'000	HK$'000
At 1 January 2009	3,300	354,200
Total unrealised gains or losses:		
– to profit or loss	(3,183)	68,937
At 31 December 2009	117	423,137
Total unrealised gains or losses:		
– to profit or loss	(117)	147,000
At 31 December 2010	–	570,137

Of the total gains or losses for the year included in profit or loss, loss of approximately HK$117,000 (2009: HK$3,183,000) relates to ARH Option and profit of approximately HK$147,000,000 (2009: HK$68,937,000) relates to commodity forward contracts are included in "change in fair value of derivative financial instruments" in the consolidated statement of comprehensive income.

Included in other comprehensive income is an amount of HK$24,609,000 gain related to listed equity securities held at the end of the reporting period and is reported as changes of 'Security Investment Reserve' (2009: HK$3,476,917,000).

41. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2010, an amount due to a shareholder of HK$350,000,000 was partially setoff against an amount due from a related company, being a subsidiary of that shareholder, amounted to HK$158,250,000, while the remaining HK$191,750,000 was settled in cash.

(b) During the year ended 31 December 2009, the Company issued 550,000,000 shares at the market price on the First Completion Date, which was HK$0.79 per share, as consideration for the First Acquisition and issued 450,000,000 shares at the market price on the Second Completion Date, which was HK$1.46 per share, as consideration for the Second Acquisition of Fushan International, as disclosed in note 22.

(c) On 22 September 2009, the Group entered into a Share Purchase Agreement with Fushan International to dispose of the available-for-sale investment in MGI to Fushan International. The disposal was completed on 1 December 2009 and the consideration of approximately HK$1,779 million was satisfied in full by the allotment and issue of approximately 214 million shares of Fushan International to the Group as disclosed in note 22.

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year are as follows:		
Land and buildings	**3,267**	4,484
Vessels time charter hire	**138,854**	136,193
	142,121	140,677

42. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessee (continued)

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

	Vessels time charter hire		Land and buildings		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within one year	**149,379**	147,956	**3,323**	2,795	**152,702**	150,751
In the second to fifth years inclusive	**137,980**	287,359	**3,664**	6,007	**141,644**	293,366
	287,359	435,315	**6,987**	8,802	**294,346**	444,117

The Group leases vessels through two time charter hires. The time charter hires commenced on 26 September 1997 and with a lease period of 15 years, plus two months more or less at the Group's option. The daily rates of the time charter hires increase by USD250 every half year until December 2007, and thereafter the daily rates will increase by USD125 every half year.

The Group leases certain of its office premises and staff quarters in Hong Kong under operating lease arrangements. As at 31 December 2010, leases for properties are negotiated for terms ranging from two to three years.

The Company had no non-cancellable operating lease commitments at the end of the reporting period.

42. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Minimum lease payments received under operating leases during the year are as follows:		
Land and buildings	**1,356**	1,632
Vessels time charter hire	**199,033**	194,397
	200,389	196,029

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

	Vessels time charter hire		Land and buildings		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Within one year	**6,378**	43,399	**1,215**	1,215	**7,593**	44,614
In the second to fifth years inclusive	**–**	–	**1,823**	3,220	**1,823**	3,220
	6,378	43,399	**3,038**	4,435	**9,416**	47,834

43. COMMITMENTS

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
CAPITAL COMMITMENTS		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**467,702**	868,928

The Company had no significant commitment at the end of the reporting period.

44. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of the Group, in funds under the control of trustees. The cost charged to the consolidated income statement represented contributions payable to the funds by the Group at rates specified in the rules of the schemes.

In addition to the Mandatory Provident Fund Scheme for the Group's employees in Hong Kong, the Group is required to contribute to central pension schemes for certain Group's employees in the PRC based on applicable rates of monthly salary in accordance with government regulations. The only obligation of the Group with respect to the retirement benefit scheme is to make the specific contributions.

45. CONTINGENT LIABILITIES

THE GROUP

The Group had no significant contingent liabilities at the end of the reporting period.

THE COMPANY

As at 31 December 2010, the financial guarantee given to banks in respect of banking facilities available to subsidiaries of approximately HK$1,931 million (2009: HK$1,280 million), of which approximately HK$306 million (2009: HK$87 million) was utilised by subsidiaries. As at 31 December 2010, HK$162,518,000 (2009: HK$149,000) were recognised in the financial statements for such financial guarantee.

46. PLEDGE OF ASSETS

THE GROUP

At 31 December 2010, the following items were used to secure banking facilities granted to the Group:

(a) Restricted bank deposits amounting to HK$281,486,000 (2009: HK$280,838,000).

(b) Pledge of total assets of Equity Dragon Assets Limited and Pointer Investments Limited, wholly owned subsidiaries of the Company, with total assets amounting to HK$156,315,000 (2009: HK$156,315,000) and HK$183,593,000 (2009: HK$183,593,000) respectively.

(c) Pledge of the Group's plant and machinery with net book value of HK$336,115,000 (2009: HK$33,537,000).

(d) Pledge of the Group's land use rights with net book value of approximately HK$83,362,000 (2009: HK$81,714,000).

(e) Pledge of 170,000,000 shares of the Group's listed associate with a carrying amount of approximately HK$766,941,000, while there was no such pledged assets as at 31 December 2009.

THE COMPANY

(a) At 31 December 2010 and 2009, the Company pledged the total assets of Equity Dragon Assets Limited and Pointer Investments Limited, wholly owned subsidiaries of the Company, with total assets amounting to HK$156,315,000 (2009: HK$156,315,000) and HK$183,593,000 (2009: HK$183,593,000), respectively, to secure banking facilities granted to the Company.

(b) Pledge of 170,000,000 shares of the Group's listed associate with a carrying amount of approximately HK$766,941,000 to secure banking facilities granted to the Company, while there was no such pledged assets as at 31 December 2009.

47. RELATED PARTY DISCLOSURES

The Company is an associate of Shougang Holding (Hong Kong) Limited("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. Accordingly, the Company and the Group are significantly influenced by Shougang Group. Shougang Group is part of a larger group of companies under the PRC government. The transactions and balances with the Shougang Group and other PRC government related entities are disclosed in note 47(I) to 47(III).

(I) Transactions with Shougang Group

	Notes	**2010** HK$'000	2009 HK$'000
THE GROUP			
Shougang Group			
Sales of goods by the Group	(a)	**3,642,508**	2,443,582
Purchases of goods by the Group	(b)	**7,976,437**	6,343,984
Lease rentals charged to the Group	(c)	**2,875**	4,447
Management fee charged to the Group	(d)	**960**	960
Purchases of spare parts by the Group	(e)	**128,466**	122,630
Management fees charged by the Group	(f)	**2,944**	5,009
Rental income charged by the Group	(g)	**151**	151
Interest charged to the Group	(h)	**43,540**	44,734
Service fees charged to the Group	(i)	**110,287**	109,023
Service fees charged by the Group	(j)	**5,397**	12,519
Purchase of property, plant and equipment by the Group	(k)	**299,651**	603,208
THE COMPANY			
Shougang Group			
Management fee charged to the Company	(d)	**960**	960
Management fee charged by the Company	(f)	**2,944**	5,009

47. RELATED PARTY DISCLOSURES (continued)

(I) Transactions with Shougang Group (continued)

Notes:

(a) The Group sold steel products, iron ore and scrap materials to Shougang Group.

(b) The Group purchased materials and steel products from Shougang Group.

(c) The Group entered into various rental agreements with Shougang Group for renting office and residential apartments as staff quarters.

(d) Management fees were paid to Shougang HK, the Company's shareholder, for the provision of management services.

(e) The Group purchased spare parts from Shougang Group.

(f) The Group/the Company provided business and strategic development services to Shougang Group.

(g) The Group entered into rental agreements with Shougang International Trade (Hong Kong) Limited, which is a wholly-owned subsidiary of Shougang HK, for renting office.

(h) The interest expenses were charged by the Shougang Group in respect of loans granted to the Group at interest rates from 5.31% to 5.56% (2009: 5.76% to 7.47%) per annum.

(i) Shougang Group charged the Group service fees in respect of processing, repair and maintenance and transportation services.

(j) The Group charged Shougang Group service fees in respect of processing of steel plates, transportation and administration services provided.

(k) The Group acquired property, plant and equipment from Shougang Group.

In addition, details of share options held by Directors as at 31 December 2010 were disclosed in note 37.

(II) Balances with Shougang Group

Details of deposits for acquisition of property, plant and equipment with the Shougang Group are set out in note 24;

Details of balances with the Group's related companies are set out in note 27;

Details of balances with the Group's ultimate holding company of a shareholder are set out in note 28 and 34;

Shougang Corporation has provided corporate guarantees for certain bank loans granted to the Group for nil consideration. At 31 December 2010, the Group has bank loans guaranteed by Shougang Corporation amounting to approximately HK$6,227,506,000 (2009: HK$5,634,443,000).

47. RELATED PARTY DISCLOSURES (continued)

(III) Transactions/balances with other PRC government controlled entities

In addition, the Group has entered into various 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 are of the opinion that separate disclosure would not be meaningful.

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

Transaction with associate

During the year ended 31 December 2010, the Group purchased coking coal products amounted to approximately HK$5,616,000 (2009: nil) from a subsidiary of an associate, Fushan International.

Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**19,942**	26,870
Post employment benefits	**997**	1,327
Share-based payments	**29,375**	55,528
	50,314	83,725

The remuneration of Directors and key executives is determined by the remuneration committee of the Board of Directors of the Company having regard to the performance of individuals and market trends.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the Company's principal subsidiaries at 31 December 2009 and 2010 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2010 %	2009 %	**2010** %	2009 %	
Central Pro Investments Limited	Samoa/ Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Cheer Source Limited	Samoa	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Equity Dragon Assets Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Standnew Limited	British Virgin Islands/Hong Kong	US$100 Ordinary shares	**–**	–	**100**	100	Investment holding
Profit News Investments Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding
Shougang Concord Steel Holdings Limited	British Virgin Islands/Hong Kong	US$1,000 Ordinary shares	**100**	100	**–**	–	Investment holding
Shougang Concord Steel Group Limited	Hong Kong	HK$25,000,000 Ordinary shares	**–**	–	**100**	100	Investment holding
Shougang Concord Godown Limited	Hong Kong	HK$2 Ordinary shares HK$2,000,000 Non-voting deferred shares	**–**	–	**100**	100	Provision of warehousing services

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2010 %	2009 %	**2010** %	2009 %	
Shougang Concord Management Company Limited	Hong Kong	HK$100,000 Ordinary shares	**–**	–	**100**	100	Provision of management services and investment holding
Shougang Concord Steel (International) Company Limited	British Virgin Islands/Hong Kong	US$1,000 Ordinary shares	**–**	–	**100**	100	Investment holding
Shougang Concord Steel International Trading Co. Ltd.	British Virgin Islands/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Trading of iron ore, coal, coke and steel products and investment holding
Shougang Concord Shipping Holdings Limited	British Virgin Islands/Hong Kong	US$641,025 Ordinary shares	**100**	100	**–**	–	Investment holding
Shougang Concord International Transport Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	**–**	–	**100**	100	Investment holding and chartering of vessels
Ryegar Limited	United Kingdom/ Hong Kong	£2 Ordinary shares	**–**	–	**100**	100	Chartering of vessels
Shougang Concord Shipping Services Limited	Hong Kong	HK$2 Ordinary shares	**–**	–	**100**	100	Provision of management services
SCIT (Chartering) Limited	British Virgin Islands	US$1 Ordinary share	**–**	–	**100**	100	Chartering of vessels

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company Directly 2010 %	Directly 2009 %	Indirectly 2010 %	Indirectly 2009 %	Principal activities
SCIT Services Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	–	–	100	–	Chartering of vessels
SCIT Trading Limited	Hong Kong	HK$1 Ordinary share	–	–	100	–	Trading of iron ore
Centralink International Limited	British Virgin Islands/Hong Kong	US$2,000,000 Ordinary shares	–	–	70	70	Investment holding
舟山首和中轉儲運有限公司 Zhoushan Shouhe Centra-link Co., Ltd.	PRC	US$5,000,000 Registered capital	#	#	#	#	Hiring of floating cranes
Fair Union Holdings Limited	Samoa/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Richson Limited	Samoa/ Hong Kong	US$1 Ordinary share	–	–	100	100	Investment holding
Casula Investments Limited	Samoa/ Hong Kong	US$1 Ordinary share	–	–	100	100	Investment holding
Firstlevel Holdings Limited	Samoa/ Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
秦皇島首鋼板材有限公司 Qinhuangdao Plate Mill Δ	PRC	US$86,000,000 Registered capital	–	–	100	100	Manufacture and sale of steel plates

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2010 %	2009 %	2010 %	2009 %	
秦皇島首秦金屬材料有限公司 Shouqin ΔΔ	PRC	RMB2,700,000,000 Registered capital	–	–	76	76	Manufacture and sale of steel and related products
Pointer Investments Limited	Samoa/ Hong Kong	US$1 Ordinary share	–	–	100	100	Investment holding
Shougang Concord Services Limited	Hong Kong	HK$2 Ordinary shares	100	100	–	–	Provision of management services
Huge Ever Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Froxy Investments Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Host Sun Investments Limited	Hong Kong	HK$1 Ordinary share	–	–	100	100	Investment holding
Shine Tone Group Limited	Hong Kong	HK$100 Ordinary shares	–	–	100	100	Investment holding
Sky Choice International Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Timefull Investments Limited	Samoa/Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding
Excel Bond Investments Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	100	100	–	–	Investment holding

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued and fully paid share/ registered capital	Proportion of issued share/registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2010	2009	**2010**	2009	
			%	%	**%**	%	
Fine Power Group Limited	British Virgin Islands/Hong Kong	US$1 Ordinary share	**100**	100	**–**	–	Investment holding
Ultimate Capital Limited	Hong Kong	HK$1 Ordinary share	**–**	–	**100**	100	Investment holding
秦皇島首秦鋼材加工配送有限公司 Qinhuangdao Shouqin Steels Machining & Delivery Co., Ltd. ΔΔ	PRC	RMB300,000,000 Registered capital	**–**	–	**87.76**	87.76	Value-added services on steel products
秦皇島首秦龍匯礦業有限公司 Shouqin Longhui ΔΔ	PRC	RMB500,000,000 Registered capital	**–**	–	**67.84**	67.84	Mining and sale of iron ore
深圳市首康國際貿易有限公司Δ	PRC	US$6,000,000 Registered capital	**–**	–	**100**	–	Trading of iron ore, coking coal, coke and steel products

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

Δ Foreign investment enterprise established in the PRC.

ΔΔ Sino-foreign equity joint venture established in the PRC.

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (continued)

Details of the Company's principal associates at 31 December 2009 and 2010 are as follows:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group 2010 %	2009 %	Proportion of voting power held 2010 %	2009 %	Principal activities
Shougang Concord Century Holdings Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	**35.72**	35.73	**35.72**	35.73	Manufacturing of steel cords and processing and trading of copper and brass products
秦皇島首秦嘉華建材有限公司 Qinhuangdao Shouqin K. Wah Construction Materials Company Limited	Incorporated	PRC	PRC	Registered capital	**22.8**	22.8	**22.8**	22.8	Production and sales of slag powder
Fushan International	Incorporated	Hong Kong	Hong Kong	Ordinary	**24.44**	24.48	**24.44**	24.48	Coking coal mining, production and sale of coking coal products and side products

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Turnover	6,467,487	10,926,391	17,464,705	11,357,623	**15,850,276**
Profit attributable to owners of the Company	221,618	1,404,196	1,419,463	71,667	**499,576**

ASSETS AND LIABILITIES

	At 31 December				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	11,259,460	16,563,541	21,027,900	24,246,730	**29,628,590**
Total liabilities	(7,997,432)	(8,619,608)	(11,966,562)	(14,505,912)	**(18,931,329)**
	3,262,028	7,943,933	9,061,338	9,740,818	**10,697,261**
Equity attributable to owners of the Company	2,943,594	6,814,731	7,563,838	8,581,236	**9,567,094**
Non-controlling interests	318,434	1,129,202	1,497,500	1,159,582	**1,130,167**
	3,262,028	7,943,933	9,061,338	9,740,818	**10,697,261**

SUMMARY OF INVESTMENT PROPERTIES

Particulars of major investment properties held by the Group as at 31 December 2010 are as follows:

Property	Use	Group interest	Category of the lease
No. 158 Jianguo Lu, Qinhuangdao City, Hebei Province, PRC	Commercial	100%	Medium term lease
No. 27 Zhujiang Dao, Zhong Duan, Kai Fa District, Qinhuangdao City, Hebei Province, PRC	Commercial	100%	Medium term lease
10D Kai Fong Garden, Fanling, New Territories, Hong Kong	Commercial	100%	Long term lease
Flat A2 on 8 Floor, Pearl City Mansion, Nos. 22-36 Paterson Street, Causeway Bay, Hong Kong	Residential	100%	Long term lease