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首 長 國 際 企 業 有 限 公 司

SHOUGANG CONCORD INTERNATIONAL ENTERPRISES COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 697)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

– Profit attributable to shareholders was HK$71.7 million.

– Consolidated turnover from continuing operations was HK$11.36 billion, down 35% from that of last year.

– Heavy plate sales was 1.9 million tonnes in the current year, down 13% from that of last year.

– EPS at HK0.9 cent.

The board of directors (the "Board") of Shougang Concord International Enterprises Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 with comparative figures for the year ended 31 December 2008. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTES	**2009** **HK$'000**	2008 *HK$'000*
Continuing operations			
Revenue	3	**11,357,623**	17,464,705
Cost of sales		**(12,089,157)**	(14,024,858)
Gross (loss) profit		**(731,534)**	3,439,847
Other income	4	**68,103**	138,826
Other gains and losses	5	**1,007,153**	(22,684)
Change in fair value of derivative financial instruments		**95,136**	(208,730)
Impairment loss on available-for-sale investments		**–**	(91,143)
Distribution and selling expenses		**(64,723)**	(287,006)
Administrative expenses		**(461,684)**	(643,538)
Finance costs	6	**(392,863)**	(448,748)
Share of result of associates		**402,022**	(22,417)
(Loss) profit before taxation		**(78,390)**	1,854,407
Income tax expense	7	**(142,546)**	(39,002)
(Loss) profit for the year from continuing operations		**(220,936)**	1,815,405
Discontinued operation			
Profit after tax for the year from discontinued operation	8	**–**	11,237
(Loss) profit for the year	9	**(220,936)**	1,826,642
(Loss) profit for the year attributable to:			
Owners of the Company		**71,667**	1,419,463
Minority interests		**(292,603)**	407,179
		(220,936)	1,826,642
Earnings per share	11		
From continuing and discontinued operations:			
– Basic		**0.92 HK cent**	19.67 HK cents
– Diluted		**0.83 HK cent**	19.55 HK cents
From continuing operations:			
– Basic		**0.92 HK cent**	19.57 HK cents
– Diluted		**0.83 HK cent**	19.45 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit for the year	**(220,936)**	1,826,642
Other comprehensive income		
Exchange differences arising on translation		
Exchange gains arising during the year	**7,189**	283,005
Reclassification adjustment relating to disposal of a subsidiary included in profit or loss during the year	**–**	(44,357)
	7,189	238,648
Available-for-sale financial assets		
Gains (losses) arising during the year	**3,476,917**	(247,905)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	**(1,610,136)**	–
Reversal of cumulative gain of an associate previously classified as available-for-sale investment	**(1,963,500)**	–
Share of result of an associate previously classified as available-for-sale investment	**95,726**	–
Reclassification adjustment upon impairment	**–**	91,143
Deferred tax charge arising on fair value gains on available-for-sale investments	**(170,816)**	–
Reclassification adjustment for deferred tax charge included in profit or loss upon disposal	**170,816**	–
	(993)	(156,762)
Share of other comprehensive income of associates		
Exchange differences arising on translation	**6,503**	27,618
Fair value gain (loss) on available-for-sale financial assets	**16,419**	(70,538)
Others	**–**	3,116
	22,922	(39,804)
Gains on revaluation of properties	**800**	1,332
Total comprehensive income and expense for the year	**(191,018)**	1,870,056
Total comprehensive income and expense attributable to:		
Owners of the Company	**99,588**	1,397,981
Minority interests	**(290,606)**	472,075
	(191,018)	1,870,056

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2009

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
NON-CURRENT ASSETS			
Investment properties		**31,477**	37,102
Property, plant and equipment		**10,251,792**	9,078,400
Prepaid lease rentals		**326,316**	332,945
Intangible assets		**174,212**	176,897
Goodwill		**168,015**	218,015
Interests in associates		**6,211,843**	667,905
Available-for-sale investments		**231,688**	342,426
Deferred tax assets		**38,639**	–
Other financial assets		**275,140**	235,540
Deposits for acquisition of property, plant and equipment		**773,040**	311,470
		18,482,162	11,400,700
CURRENT ASSETS			
Inventories		**1,619,661**	1,886,251
Trade and bill receivables	12	**783,869**	920,131
Trade receivables from related companies	13	**722,395**	1,722,235
Prepayments, deposits and other receivables		**338,184**	331,641
Prepaid lease rentals		**7,459**	5,714
Tax recoverable		**–**	1,317
Amounts due from related companies	13	**301,007**	508,399
Amount due from a minority shareholder of a subsidiary		**3,407**	3,398
Amount due from ultimate holding company of a shareholder	14	**185,784**	412
Other financial assets		**149,706**	214,131
Restricted bank deposits		**280,838**	650,619
Bank balances and cash		**1,372,258**	3,382,952
		5,764,568	9,627,200

	NOTES	2009 HK$'000	2008 HK$'000 (restated)
CURRENT LIABILITIES			
Trade and bill payables	15	**1,165,507**	1,373,611
Other payables and accrued liabilities		**1,414,060**	1,377,535
Tax payable		**184,741**	33,403
Amount due to a shareholder		**350,000**	–
Amounts due to related companies	13	**541,708**	694,505
Amount due to ultimate holding company of a shareholder	14	**99,041**	172,531
Bank borrowings – due within one year		**6,010,188**	3,141,658
Other financial liabilities		**–**	56,666
Loans from ultimate holding company of a shareholder		**793,479**	928,320
		10,558,724	7,778,229
NET CURRENT (LIABILITIES) ASSETS		**(4,794,156)**	1,848,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,688,006**	13,249,671
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**3,898,921**	4,138,219
Deferred tax liabilities		**48,267**	50,114
		3,947,188	4,188,333
		9,740,818	9,061,338
CAPITAL AND RESERVES			
Share capital		**1,635,076**	1,435,076
Share premium and reserves		**6,946,160**	6,128,762
Equity attributable to owners of the Company		**8,581,236**	7,563,838
Minority interests		**1,159,582**	1,497,500
		9,740,818	9,061,338

NOTES:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company and its subsidiaries (the "Group") had net current liabilities of approximately HK$4,794,156,000 as at 31 December 2009. The Directors of the Company are of the opinion that, by after taking into account the financial resources of the Group, including the financial support from the ultimate holding company of the Company's shareholder, Shougang Corporation, and the availability of marketable securities, that are held by the Group as available-for-sale investments and interest in associates with total market value of HK$10,719,036,000 as at 31 December 2009, can be disposed of, if necessary, the Group has sufficient working capital for at least the next 12 months from the end of the reporting period. Therefore, these consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments in a different approach from the predecessor standard, HKAS 14 *Segment Reporting*. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14 (see note 3).

Improving Disclosures about Financial Instruments
(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk which has no impact of the consolidated financial statements of the Group while the expanded disclosures are applied by the Company retrospectively.

Amendments to HKAS 1 Presentation of Financial Statements

As part of *Improvements to HKFRSs (2008)*, HKAS 1 *Presentation of Financial Statements* has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* should be presented as current or non-current. The amendment requires derivatives that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their settlement date. Prior to the amendment, the Group presented, as current, all derivatives that are classified as held for trading in accordance with HKAS 39. The amendment has had no impact on the Group's results for the reported periods and on the Group's financial position as at 1 January 2008. As such, the consolidated statement of financial position as at 1 January 2008 has not been presented. The amendment has resulted in the commodity forward contracts which entered during the year ended 31 December 2008 and with carrying amounts of approximately HK$235,540,000 as at 31 December 2008 being reclassified from current to non-current. In addition, at 31 December 2009, derivatives with carrying amount of HK$275,140,000 have been presented as non-current based on their maturity dates, that matched with the expected cash outflow of the commodity forward contracts.

In addition, the Group has elected to early adopted certain paragraphs of HKAS 24 (Revised) Related Party Disclosures (in advance of effective date of 1 January 2011) and the amendment to HKFRS 5 as part of Improvements to HKFRSs 2009 (in advance of effective date of 1 January 2010).

HKAS 24 (Revised) Related Party Disclosures

The amendments to HKAS 24 (Revised) *Related Party Disclosures* modify the definition of a related party and simplify related party disclosures for government-related entities. HKAS 24 provides a partial exemption from the disclosure requirements for government-related entities. The Group has early partially adopted the paragraphs 25 to 27 of HKAS 24 (Revised) in the current year in advance of its effective date.

Amendment to HKFRS 5 as part of Improvements to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 5[2]
HKAS 24 (Revised)	Related Party Disclosures, except for partial exemption of paragraph 25-27[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease rentals in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. 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 for continuing operations is as follows:

	2009	2008
	HK$'000	*HK$'000*
Sale of steel products	**9,129,186**	16,921,189
Vessel chartering and floating cranes leasing income	**197,127**	499,113
Sales of iron ore	**2,026,013**	42,171
Management services income	**5,297**	2,232
	11,357,623	17,464,705

Segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating division. The Group is currently organised into five operating divisions – steel manufacturing, shipping operations, steel and iron ore trading, mineral exploration and others. The information reported to the Group's chief operating decision maker (i.e. Directors) for the purposes of resource allocation and assessment of performance is focused on these operating divisions. The Group's continuing operating segments under HKFRS 8 are therefore 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.

During the year ended 31 December 2008, the Group was involved in the electricity generation operation, which was reported as a separate business segment under HKAS 14. That operation was discontinued with effect from 12 June 2008 and the respective segment disclosure are included in note 8.

(a) Segment revenues and results

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

For the year ended 31 December 2009

Continuing operations

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel and iron ore trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Elimination *HK$'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)**	**–**
Total	**8,977,372**	**197,127**	**2,419,265**	**324,753**	**5,297**	**(566,191)**	**11,357,623**

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing	Shipping operations	Steel and iron ore trading	Mineral exploration	Others	Elimination	Total
Segment (loss) profit	**(1,183,722)**	**28,808**	**114,355**	**(61,394)**	**6,010**	**–**	**(1,095,943)**
Interest income							**47,472**
Central administration costs							**(121,524)**
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							**1,245,924**
Share of result of associates *(Note)*							**402,022**
Loss before taxation (continuing operations)							**(78,390)**

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

For the year ended 31 December 2008

Continuing operations

	Steel manufacturing *HK$'000*	Shipping operations *HK$'000*	Steel and iron ore trading *HK$'000*	Mineral exploration *HK$'000*	Others *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue							
External sales	14,076,252	499,113	2,887,108	–	2,232	–	17,464,705
Inter-segment sales	1,643,365	–	–	–	–	(1,643,365)	–
Total	15,719,617	499,113	2,887,108	–	2,232	(1,643,365)	17,464,705

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$'000*	Elimination *HK$'000*	Total *HK$'000*
Segment profit (loss)	2,375,810	322,333	51,781	(5,651)	(38,671)	–	2,705,602
Interest income							102,678
Central administration costs							(174,210)
Finance costs							(448,748)
Loss from change in fair value of derivative financial instruments							(233,769)
Impairment loss on available-for-sale investments							(91,143)
Discount on acquisition of partial interest in an associate							12,840
Gain on dilution of interest in associates							3,574
Share of result of an associate							(22,417)
Profit before taxation (continuing operations)							1,854,407

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit generated by each segment without allocation of interest income, central administration costs, finance costs, gain (loss) 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, impairment loss on available-for-sale investments, (loss) gain on dilution of interest in associates, discount on acquisition of partial interest in an associate 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:

	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Steel manufacturing	**13,686,624**	14,342,481
Shipping operations	**17,762**	23,568
Steel and iron ore trading	**535,508**	580,715
Mineral exploration	**1,561,955**	416,057
Others	**6,899**	15,578
Total segment assets	**15,808,748**	15,378,399
Interests in associates	**6,211,843**	667,905
Available-for-sale investments	**231,688**	342,426
Deferred tax assets	**38,639**	–
Amounts due from related companies – non-trade	**301,007**	508,399
Foreign currency forward contracts	**1,592**	44,718
Option to subscribe for shares of a listed company in Australia	**117**	3,300
Underwriting agreement	**–**	47,453
Restricted bank deposits	**280,838**	650,619
Bank balances and cash	**1,372,258**	3,382,952
Other unallocated assets	**–**	1,729
Consolidated assets	**24,246,730**	21,027,900

	2009	2008
	HK$'000	*HK$'000*
Segment liabilities		
Steel manufacturing	**2,542,688**	3,121,370
Shipping operations	**45,683**	45,347
Steel and iron ore trading	**58,883**	71,158
Mineral exploration	**193,463**	14,664
Others	**10,891**	19,868
Total segment liabilities	**2,851,608**	3,272,407
Amount due to a shareholder	**350,000**	–
Amounts due to related companies – non-trade	**269,796**	251,412
Amount due to ultimate holding company of a shareholder – non-trade	**98,912**	94,363
Bank borrowings	**9,909,109**	7,279,877
Foreign currency forward contracts	**–**	56,666
Tax payable	**184,741**	33,403
Deferred tax liabilities	**48,267**	50,114
Loans from ultimate holding company of a shareholder	**793,479**	928,320
Consolidated liabilities	**14,505,912**	11,966,562

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.

Revenue from major products and services

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

	2009	2008
	HK$'000	*HK$'000*
Steel plates	**8,421,651**	16,808,245
Iron ore	**2,026,013**	42,171
Steel slabs	**707,535**	112,944
Vessel chartering and floating cranes leasing	**197,127**	499,113
Management services	**5,297**	2,232
	11,357,623	17,464,705

(b) Geographical information

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

The Group's revenue from continuing operations from external customers by geographical location at which the goods were delivered is detailed below:

	Revenue from external customers	
	2009	2008
	HK$'000	*HK$'000*
PRC, excluding Hong Kong	**7,660,738**	12,639,939
Hong Kong (country of domicile)	**1,632,333**	3,582,645
Australia	**1,890,191**	42,171
Korea	**146,425**	1,164,144
Others	**27,936**	35,806
	11,357,623	17,464,705

Information about major customers

During the years ended 31 December 2009 and 2008, 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, mineral exploration and steel and iron ore trading contributed HK$2,443,582,000 (2008: HK$3,734,577,000) to the Group's revenue.

4. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest income on bank deposits	**47,472**	102,678
Scrap sales income	**7,353**	5,392
Compensation income	**1,647**	222
Refund of value added tax	**–**	7,893
Sundry income	**11,631**	22,641
	68,103	138,826

5. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Gain on disposal of available-for-sale investment *(note)*	**1,245,923**	–
Reversal of allowance of trade receivables	**3,547**	3,833
Gain (loss) from changes in fair value of investment property	**3,558**	(1,642)
Gain (loss) on disposal of property, plant and equipment	**298**	(3,594)
Net foreign exchange loss	**(6,496)**	(37,695)
(Loss) gain on dilution of interest in associates	**(19,177)**	3,574
Impairment loss on goodwill	**(50,000)**	–
Loss arising from fair value adjustments on consideration paid and the available-for-sale investments acquired	**(170,500)**	–
Discount on acquisition of partial interest in an associate	**–**	12,840
	1,007,153	(22,684)

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, 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.

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**395,161**	406,742
Other borrowings wholly repayable within five years	**44,734**	51,976
Total borrowing costs	**439,895**	458,718
Less: Amounts capitalised	**(47,032)**	(9,970)
	392,863	448,748

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate at 4.73% (2008: 7.20%) per annum to expense on qualifying assets.

7. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
– PRC Enterprise Income Tax	**11,387**	40,790
– Other jurisdictions	**170,816**	–
	182,203	40,790
Underprovision in prior year – Hong Kong	**870**	–
Deferred tax:		
Current year	**(40,527)**	(1,760)
Attributable to change in tax rate	**–**	(28)
	(40,527)	(1,788)
Income tax expense	**142,546**	39,002

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. Current tax in other jurisdictions mainly represents an one-off tax provision in connection with gain on disposal of equity securities.

Shouqin and certain other subsidiaries of the Company operating in the PRC are eligible for certain tax holidays and concessions in respect of PRC income tax and are exempted from PRC income taxes for the two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years. The PRC income tax charges are arrived at after taking into account these tax incentives.

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.

8. DISCONTINUED OPERATION

On 30 April 2008, the Group entered into a sale agreement to dispose of the entire interest in Ultra Result Limited ("URL") and its subsidiary, which carried out all of the Group's electricity generation operation, to a subsidiary of the Company's shareholder. The disposal was completed on 12 June 2008 (the "Completion Date"), on which date control of URL and its subsidiary was passed to the acquirer.

The profit for the period from the discontinued operation is analysed as follows:

	2008
	HK$'000
Profit of electricity generation operation for the period	7,008
Gain on disposal of electricity generation operation	4,229
	11,237

The results of the electricity generation operation for the period from 1 January 2008 to 12 June 2008 which have been included in the consolidated income statement, were as follows:

	1 January 2008 to 12 June 2008
	HK$'000
Revenue	209,644
Cost of sales	(162,471)
Other income	21
Distribution costs	–
Administrative expenses	(28,300)
Finance costs	(5,475)
Profit before tax	13,419
Income tax expense	(6,411)
Profit for the period	7,008
Profit for the period attributable to:	
Owners of the Company	3,572
Minority interests	3,436
	7,008

Profit for the period from discontinued operation include the following:

	1 January 2008 to 12 June 2008 *HK$'000*
Depreciation of property, plant and equipment	7,052
Amortisation of prepaid lease rentals	1,945
Cost of inventory recognised as expenses	162,471
Loss on disposal of property, plant and equipment	10,348
Staff costs	8,334

The following is an analysis of the electricity generation segment revenues and results:

	1 January 2008 to 12 June 2008 *HK$'000*
Revenue	
External sales	209,644
Segment profit	18,894
Finance costs	(5,475)
Profit before tax	13,419

The accounting policies of the reportable segment are the same as the Group's accounting policies. Segment profit represents the profit from electricity generation operation without allocating finance costs. This is the measure reported to the Directors.

The net assets of URL and its subsidiary on Completion Date were HK$571,047,000.

9. (LOSS) PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**361,390**	431,568
– retirement benefits scheme contributions	**39,256**	41,962
– share-based payments	**59,372**	110,877
	460,018	584,407
Amortisation of intangible assets, included in:		
– cost of sales	**2,963**	–
– administrative expenses	**–**	80
Depreciation of property, plant and equipment	**659,197**	540,667
Total depreciation and amortisation	**662,160**	540,747
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**(29,382)**	86,660
– change in fair value of option to subscribe for shares of a listed company in Australia	**3,183**	147,109
– change in fair value of commodity forward contracts	**(68,937)**	(25,039)
	(95,136)	208,730
Auditor's remuneration	**3,449**	2,911
Cost of inventories recognised as expenses (including allowance for inventories of HK$210,395,000 (2008: HK$117,319,000))	**11,927,416**	13,855,272
Minimum lease payments under operating leases in respect of land and buildings	**4,484**	5,109
Amortisation of prepaid lease rentals	**6,982**	5,456
Rental income from investment properties under operating leases, less outgoings of HK$258,000 (2008: HK$251,000)	**(1,374)**	(1,161)
Impairment loss on goodwill (included in other gains and losses)	**50,000**	–

10. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim – nil (2008: HK2 cents per ordinary share)	**–**	144,350
Final – HK3 cents (2008: HK4 cents) per ordinary share	**231,762**	291,334
Special – nil (2008: HK4 cents per ordinary share)	**–**	291,334
	231,762	727,018

The Board of Directors did not declare a final dividend for the year ended 31 December 2009 (2008: final dividend of HK3 cents in respect of the year ended 31 December 2008).

11. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**71,667**	1,419,463
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of associates based on dilution of their earnings per share	**(6,909)**	(343)
Earnings for the purpose of diluted earnings per share	**64,758**	1,419,120

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,782,093,543**	7,214,737,209
Effect of dilutive potential ordinary shares on share options	**9,726,492**	42,404,625
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,791,820,035**	7,257,141,834

The computation of diluted earnings per share does not assume the exercise of certain share options as the relevant exercise price was higher than the average market price of shares for both 2009 and 2008.

From continuing operations

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

	2009	2008
	HK$'000	*HK$'000*
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**71,667**	1,419,463
Less: Profit from discontinued operations	**–**	(7,801)
Earnings for the purpose of basic earnings per share from continuing operations	**71,667**	1,411,662
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of associates based on dilution of their earnings per share	**(6,909)**	(343)
Earnings for the purpose of diluted earnings per share from continuing operations	**64,758**	1,411,319

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share from discontinued operations was HK0.10 cent per share and diluted earnings per share from the discontinued operations was HK0.10 cent per share for the year ended 31 December 2008, based on the profit from the discontinued operations of HK$7,801,000 and the denominators detailed above for both basic and diluted earnings per share.

12. TRADE AND BILL RECEIVABLES

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 allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 60 days	**769,756**	920,111
61 – 90 days	**4,838**	20
91 – 180 days	**9,255**	–
181 – 365 days	**20**	–
	783,869	920,131

13. AMOUNTS DUE FROM (TO) RELATED COMPANIES

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 2008 and 2009, the non-trade receivables included a consideration receivable arising from the disposal of the entire interest in URL 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.

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

	2009	2008
	HK$'000	*HK$'000*
Within 60 days	**73,065**	1,486,237
61 – 90 days	**627,432**	–
91 – 180 days	**133**	18,316
181 – 365 days	**–**	217,682
1 – 2 years	**21,765**	–
	722,395	1,722,235

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:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**107,160**	412,911
91 – 180 days	**59,890**	15,005
181 – 365 days	**37,232**	2,634
1 – 2 years	**30,920**	7,387
Over 2 years	**36,710**	5,156
	271,912	443,093

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

As at 31 December 2009 and 2008, 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.

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:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**–**	78,142
91 – 180 days	**129**	–
181 – 365 days	**–**	–
1 – 2 years	**–**	–
Over 2 years	**–**	26
	129	78,168

15. **TRADE AND BILL PAYABLES**

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

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**844,018**	1,151,219
91 – 180 days	**317,010**	202,006
181 – 365 days	**702**	13,977
1 – 2 years	**2,858**	5,015
Over 2 years	**919**	1,394
	1,165,507	1,373,611

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2008: HK$0.03 per share).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL OVERVIEW

We are a vertically integrated heavy plate manufacturing enterprise in the PRC. Currently, our operations are mainly segregated into four segments, namely, steel manufacturing, mineral exploration, steel and iron ore trading and shipping. Apart from having a long-term iron ore offtake agreements with Australia-listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson"), we have established a 68% owned subsidiary –Qinhuangdao Shouqin Longhui Mining Co., Ltd. ("Shouqin Longhui") to explore local iron ore resources in Qinhuangdao city, Hebei, PRC in order to enhance our investment in upstream supply chain. We have, as of end of 2009, held 1.31 billion ordinary shares (equivalent to approximately 24.5% stake) of Fushan International Energy Group Limited ("Fushan International"), a Hong Kong-listed coking coal producer in China. In addition, we have established a deep processing centre to extend our business to the downstream value chain. Such vertical integration strategy is advantageous in enhancing the heavy plate manufacturing operation of the Group.

FINANCIAL OVERVIEW

The Group was impacted by financial crisis in 2009, with the macro environment such as shrinking demand in steel market, diving export and over-capacity; we were facing a very intricate situation, hurting both sales and profit. Profit attributable to shareholders stood at HK$71.7 million[1], a decrease of 95.0% comparing to that of the last year, amongst which Steel manufacturing segment reporting net loss of approximately HK$ 1.18 billion. The Group recorded a consolidated turnover of HK$11,357.6 million[1] in the year, showing a drop of 35.7% comparing with that of last year. Basic and diluted earnings per share was HK0.9 cent and HK0.8 cent respectively.

FINANCIAL REVIEW

Year ended 31 December 2009 compared to year ended 31 December 2008

Turnover and Cost of Sales

For the year under review, the Group recorded a consolidated turnover of HK$11,357.6 million[1], representing a drop of 35.7% from that of last year. The decrease is mainly attributed to lower selling prices and sales volume in the steel manufacturing segment.

Cost of sales for the current year was HK$12,089.2 million, resulting in gross loss, while last year's gross margin was 19.7%.

EBITDA and Core Operating Loss/Profit

In this current year, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$1,269.2 million, which decreased by 48.5% from HK$2,466.9 million of last year.

Note 1: These amounts included turnover and profit attributable to shareholders contributed by certain segments that are presented as discontinued operation in accordance with HKFRS5 in 2008. The respective amounts of the discontinued operation were separately disclosed in the analysis of turnover and profit.

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

In HK$ million	Year ended 31 December	
	2009	2008*
Profit attributable to shareholders	**71.7**	1,419.5
Adjusting for loss/(gain) items:		
Asset realization – Disposal of Mt. Gibson shares, net	**(1,113.7)**	–
Negative goodwill on acquisition of Fushan International shares, net of fair value movement of HK$170.5 million	**(136.9)**	–
Fair value gain on commodity forward contract	**(68.9)**	(25.0)
Impairment of goodwill – Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate")[2]	**50.0**	–
Impairment loss on Australasian Resources Limited ("ARH") shares	**–**	91.1
Fair value loss on ARH options	**3.2**	147.1
Employee share option expenses	**59.4**	110.9
Asset realization – Power plant	**–**	(4.2)
Core operating (loss)/profit	**(1,135.2)**	1,739.4

* as restated

Note 2: Impairment of goodwill was assessed at HK$50 million since deterioration of market condition leads to an unexpected drop of investment returns in one of our subsidiaries, Qinhuangdao Plate. The remaining goodwill of this investment was HK$144 million as of 31 December 2009.

Finance cost

In the global low-interest environment, finance cost reduced by 13.5% to HK$392.9 million[1] when comparing to that of last year although bank borrowings have increased by about 36%.

REVIEW OF OPERATIONS

Manufacture and Sale of Steel Products

The Group operates in this business segment through 76%-owned Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and a wholly-owned subsidiary Qinhuangdao Plate. This segment has contributed 76% of the Group's turnover (2008: 80%). During the first half year under review, steel prices and demand crashed, resulting in losses among almost all industry peers, but the second half has seen slow stabilization, PRC steel price index was slightly higher than that of beginning of the year, but it was insufficient to offset the losses incurred in the first half. This core segment has incurred HK$1.18 billion in net loss, comparing to HK$ 1,489 million in net profit last year. Summary of production and sales quantities of the two manufacturing plants under this segment is as follows:

	In '000 mt.	**Slabs**		**Heavy Plates**	
		2009	2008	**2009**	2008
(i)	Production				
	Shouqin	**2,379**	2,650	**1,290**	1,462
	Qinhuangdao Plate	**–**	–	**701**	825
	Total	**2,379**	2,650	**1,991**	2,287
(ii)	Sales				
	Shouqin#	**936**	985	**1,277**	1,444
	Qinhuangdao Plate	**–**	–	**651**	763
	Total	**936**	985	**1,928**	2,207

substantially all slabs sold by Shouqin were towards Qinhuangdao Plate for its production and were eliminated upon consolidation

Shouqin

The Group has held an effective interest of 76% in Shouqin (52% held by the Group directly and 24% through Qinhuangdao Plate Mill), the remaining 20% and 4% were held by Hyundai Heavy Industries Co., Ltd and Shougang Corporation respectively.

Shouqin is situated in Qinhuangdao City, Hebei, which is one of the largest port cities in Northern China. It is a fully integrated manufacturing facility encompassing the entire process from iron, steel, slab to plate with 4.3m hot rolling lines imported from Germany, also boosting a leading environmental-friendly production system. The plant has an annual production capacity of 2.6 million tonnes in steel slabs and 1.8 million tonnes in high value-adding heavy plates (steel slabs are rolled into plates as finished goods). We have increasing varieties of high value-adding heavy plates, especially those tailored for infrastructure, petrochemical industry and construction of heavy machinery.

Shouqin was hit hard by financial crisis last year. Sales volume of heavy plates was down by 11.6%, while average realized ex-VAT selling price was HK$4,227 (RmB3,725) per ton, a decrease of 39%. In the year under review, it recorded a turnover of HK$8,769.7 million (before elimination of intersegment sales but including that of downstream processing centre), a decrease of 41.0% from that of last year; net loss attributable to the Group amounted to HK$904.8 million, versus a profit contribution of HK$1,278.2 million last year. We have also made HK$210.4 million in provision for impairment of inventory, comparing to HK$92.7 million last year. However, it has already shown improvement in the second half. With vertical integration and improvement in market demand, its raw material cost advantages are expected to lead the industry peers, while profitability is improving, therefore we are confident of Shouqin's results in the forthcoming years.

Qinhuangdao Plate

With a medium plate (upto 3 m. in width) hot rolling facility starting from 1993, Qinhuangdao Plate recorded a turnover of HK$2,996.8 million (before elimination of intersegment sales) for the year, decreased by 47.9% from that of last year, with average ex-VAT selling price lower at HK$3,831 (RmB3,376) per ton. As a result, its net loss for the current year attributable to the Group was HK$278.3 million, comparing to net profit of HK$210.8 million last year.

Production and Processing of coking coal and related products

The Group has acquired 1.31 billion ordinary shares in Fushan International (equivalent to about 24.5% stake), and has become its single largest shareholder. Fushan International is the second largest hard coking coal producer in China, currently operating three premium coal mines in Shanxi with an annual production capacity of over 6 million tonnes, it also intends to grasp the restructuring opportunities in Shanxi to expand production through acquisition. Its consolidated turnover for the year was HK$4,470.1 million, net profit attributable to shareholders was HK$1,126.3 million, a rise of 1.4 times and 98.4% respectively over that of last year; whilst its consolidated gross profit ratio was 67.8%. Profit attributable to the Group was HK$39.9 million. In the meantime, the Group has recorded a one-off negative goodwill (gain), net of loss arising from fair value adjustments on consideration paid and the available for sale investments acquired in February 2009, of HK$136.9 million through acquisition of stake in Fushan International.

Driven by government stimulus towards the economy, recovery in infrastructure, automobile and property development industries has caused a surge of demand in coking coal, resulting in higher prices. At the same time, Fushan International has been focusing on expanding its clean coal production, with plans to boost its annual coal processing capacity from 4 million tonnes currently to 11 million tonnes, which should improve operational efficiency and market competitiveness. Market demand towards rare quality coking coal should climb following the economic growth, we are confident towards its future operations, expecting this upstream operation to provide a good profit base for the Group.

Mineral exploration – Production and Processing of iron ore in Australia

Mt. Gibson is an Australia-listed iron ore producer. The Group held approximately 14.3% stake in it on January, 2009 in addition to iron ore offtake agreements signed at the end of 2008. In December 2009, the Group injected its entire stake in Mt. Gibson into Fushan International (but kept the iron ore offtake agreements), in return of an additional 214 million new shares in Fushan International to solidify our position as the largest shareholder. Hence, the Group recognized a one-off net profit of about HK$1,113.7 million.

Mineral exploration – Production and Processing of iron ore in the PRC

Shouqin Longhui is a joint venture established by Shouqin, Qinhuangdao Plate and Qinhuangdao Longhui Trade Co., Ltd. in 2008, with the Group holding an effective 68% stake in. Shouqin Longhui currently owns 100% interest in two magnetite iron ore mines and a pellet plant in Qinhuangdao City, with an annual capacity of 1 million and 2 million tonnes respectively; one of the magnetite iron ore mines has started production in September 2009. During the year under review, Shouqin Longhui sold about 340,000 tonnes of pellets at an average ex-VAT selling price of RmB835, with a total turnover of HK$325 million (before elimination of intersegment sales), loss attributable to the Group was HK$47.9 million due to higher start-up costs.

Steel and iron ore trading

Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported turnover of HK$2,419 million for year ended 31 December 2009, thanks to the trading of Mt. Gibson iron ore at 3.35 million tonnes (2008: 0.13 million tonnes), gross profit amount grew to HK$51.6 million from HK$41.0 million last year, whilst net profit increased by 63.2% to HK$45.5 million, also a turnaround of a loss-making first half. Since implementation of long term iron ore offtake agreement with Mt. Gibson from 1 July 2009, our procurement cost was 10% lower than benchmark price, while quantity is tied to 80% of its available production. Following market improvement and growth in production of Mt. Gibson, we expect iron ore trading volume shall increase, providing a good profit contribution to the Group in the foreseeable future.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") is mainly engaged in the time charter business and is positioned as a hedge to our steel manufacturing segment. With freight cost as part of cost of imported raw materials, rising freight cost actually can be partially offset by increased charter income, and vice versa. Ocean freight market was extremely volatile in the year under review, financial crisis caused shrinkage in global trading activities, resulting in excess capacity and hence fall in charter rates; fortunately with the early signs of global economic stimuli in the second half of the year bought much improvement in the charter rates. In the current year, its turnover and net profit attributable to shareholders were HK$197.1 million and HK$31.2 million respectively, registering a drop of 60.5% and 90.6% comparing to that of last year, but a turnaround from a loss-making first half. In order to lessen profit fluctuation, our strategy remains locking in one vessel at longer term charter, we are confident this business should provide a viable hedge to our main activities.

Other businesses

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

Our 35.7%-owned Shougang Concord Century Holdings Limited and its subsidiaries ("Shougang Century Group") reported net profit of HK$171.3 million in the current year, rising by 3.9 times when comparing to that of last year; whilst net profit attributable to the Group amounted to HK$54.8 million, comparing to loss attributable last year at HK$22.5 million.

Attributable to the increasing demand for radial tyres as well as the improvement in automobile industry during the year, Shougang Century Group's sales and the gross profit margin recorded significant growth, whilst there was significant net profit on sale of A shares it held. With its expanding businesses and capacity, we believe optimistic financial results will maintain in the future.

Electricity generation – Discontinued operation

Our 51%-owned Beijing Shougang Firstlevel Power Company Limited ("Beijing Power Plant") was disposed of entirely in June 2008 and was classified as part of discontinued operations.

Liquidity and Financial Resources

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 2009, as compared to 31 December 2008 is summarized below:

HK$ million	**As at 31 December**	
	2009	2008
Total Debt		
– from banks	**9,909**	7,280
– from parent company	**793**	928
Sub-total	**10,702**	8,208
Cash and bank deposits	**1,653**	4,034
Net debt	**9,049**	4,174
Total capital (Equity and debt)	**19,283**	15,772
Financial leverage		
– Net debt to total capital	**46.9%**	26.5%
– Net debt to total assets	**37.3%**	19.8%

2. *Currency and Interest Rate Risk*

   The Group manages its financial risk under the guidance of its Board of Directors. The objective of treasury policy is to manage the Group's foreign currency, interest and counterparty credit risks. Derivative financial instruments are only employed to manage such risks, but not for speculative purposes. We also dedicate to ensure sufficient financial resources for corporate development.

   The Group conducts its businesses mainly in Hong Kong, Mainland China and Australia. Therefore, we are subject to the foreign exchange fluctuations of HK Dollars, US Dollars, Renminbi and Australian Dollars. 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. The Group's turnover and costs are largely denominated in RmB, which offset each other in terms of any currency movements. However, there will be a translation gain as a result of the RmB appreciation. For the year ended 31 December 2009, approximately 77% 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.

Material acquisition and disposal

In January 2009, the Company has completed the acquisition of ordinary shares in Mt. Gibson, holding 14.3% stake, at A$0.6 per ordinary share. Details of this transaction were disclosed in the announcement dated 4 November 2008 and the circular dated 18 November 2008.

In February 2009, the Company has completed acquisition of 550 million ordinary shares in Fushan International, holding 12% stake, at HK$2.18 per share, partly paid by 550 million new shares of the Company. Details of this transaction were announced on 10 February 2009.

In September 2009, the Company has completed acquiring another 450 million ordinary shares in Fushan International, with a combined 20% stake, at HK$4.29 per share, partly paid by 450 million new shares of the Company. Details of this transaction were announced on 8 July 2009.

In December 2009, the Company has completed acquiring another 214 million ordinary shares in Fushan International at HK$5.556 per share, using the 14.3% stake in Mt. Gibson held by the Company as purchase consideration. Details of this transaction were announced on 22 September 2009. In the same month, the Company has acquired an additional 100 million ordinary shares in Fushan International at HK$7.2 per share.

Save as disclosed above, there were no other material acquisitions or disposals of the Group during the year.

Capital Structure

At the beginning of the current year, the issued share capital of the Company was HK$1,435.1 million, represented by 7,175.4 million ordinary shares at par value of HK$0.20 each. During the year, The Group issued 1 billion ordinary shares as part purchase consideration in Fushan International (described above). As a result, the issued share capital of the Company increased to HK$1,635.1 million, represented by 8,175.4 million ordinary shares as at 31 December 2009.

Employees and Remuneration Policies

The Group has a total of approximately 3,900 employees as at 31 December 2009.

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

In 2009, RmB4 trillion fiscal stimulus package and strong V-shaped economic recovery of China has put her in the focus of the world. From this year onwards, more attention is expected on her GDP growth and urbanization trends as the second largest economy in the world. The world needs to understand China better to realize this ongoing theme.

The global financial crisis has adverse impact on the China and the world economy, it takes time for a full recovery, whilst there could be much volatilities in China's economic growth. However, we do expect China to grow in a fast and steady manner in 2010, pushing the demand of both steel and raw materials.

Under these circumstances, the vertical integration strategy of the Group shall help put us in an advantageous foothold in both market competition and economic uncertainties – through strong upstream profit contribution which aligns with the core steel business that can enhance shareholders' return in the years to come.

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 of Hong Kong Limited (the "Stock Exchange") or otherwise) during the year.

COMPLIANCE WITH CODE ON 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 during the financial year ended 31 December 2009, 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 1 June 2009 (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 the chairman and 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.

Details of the Company's compliance with the provisions of the Code during the year together with the above deviation will be set out in the Corporate Governance Report in the Company's 2009 annual report.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
Cao Zhong
Managing Director

Hong Kong, 15 April 2010

As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Managing Director), Mr. Chen Zhouping (Deputy Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Luo Zhenyu (Deputy Managing Director), Mr. Ip Tak Chuen, Edmond (Non-executive Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Ms. Kan Lai Kuen, Alice (Independent Non-executive Director), Mr. Wong Kun Kim (Independent Non-executive Director) and Mr. Leung Kai Cheung (Independent Non-executive Director).