首鋼福山資源集團有限公司

SHOUGANG FUSHAN RESOURCES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 639)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

(HK$'million)	**For the year ended 31 December 2011**	2010	**Percentage change**
Revenue	**7,139**	5,543	+29%
Gross profit	**5,029**	4,092	+23%
Gross profit margin	**70%**	74%	
Operating profit	**3,948**	2,977	+33%
EBITDA[1]	**4,443**	3,395	+31%
Profit for the year	**2,650**	2,215	+20%
Profit attributable to owners of the Company	**2,256**	1,803	+25%
Earnings per share *(HK cents)*	**41.93**	33.52	+25%

(HK$'million)	**As at 31 December 2011**	2010	**Percentage change**
Net assets	**20,558**	19,623	+5%
Gearing ratio[2]	**4.37%**	5.77%	–24%

The board of directors has proposed a 2011 final dividend of HK13 cents (2010: HK10 cents) per ordinary share.

Notes:

1. EBITDA is defined as operating profit plus depreciation and amortisation.
2. Gearing ratio is computed from total borrowings divided by total equity.

The board of directors (the "Board") of Shougang Fushan Resources Group 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 2011 with comparative figures for the year ended 31 December 2010. These final results have been reviewed by the Audit Committee of the Company.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	**2011** **HK$'000**	2010 *HK$'000*
Continuing operations			
Revenue	3	**7,138,643**	5,543,285
Cost of sales		**(2,109,708)**	(1,451,760)
Gross profit		**5,028,935**	4,091,525
Other operating income	5	**342,402**	161,855
Selling and distribution expenses		**(636,221)**	(381,020)
General and administrative expenses		**(605,847)**	(620,536)
Other operating expenses		**(181,184)**	(275,236)
Operating profit		**3,948,085**	2,976,588
Finance costs	6	**(21,487)**	(39,646)
Change in fair value of derivative financial instruments		**3,441**	9,672
Share of losses of associates		**(265)**	(526)
Profit before income tax	7	**3,929,774**	2,946,088
Income tax expense	8	**(1,141,146)**	(529,125)
Profit for the year from continuing operations		**2,788,628**	2,416,963
Discontinued operations			
Loss for the year from discontinued operations	9	**(139,009)**	(201,896)
Profit for the year		**2,649,619**	2,215,067
Other comprehensive income for the year			
Fair value (loss)/gain on available-for-sale financial assets		**(1,229,529)**	670,502
Exchange differences on translation of financial statements of foreign operations		**559,692**	469,529
Release of translation reserve upon disposal of discontinued operations		**(18,748)**	–
Total comprehensive income for the year		**1,961,034**	3,355,098
Profit for the year attributable to:			
Owners of the Company	10	**2,256,023**	1,802,791
Non-controlling interests		**393,596**	412,276
Profit for the year		**2,649,619**	2,215,067

	Notes	**2011** *HK$'000*	2010 *HK$'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,508,381**	2,883,403
Non-controlling interests		**452,653**	471,695
Total comprehensive income for the year		**1,961,034**	3,355,098
		HK (Cents)	*HK (Cents)*
Earnings per share from continuing and discontinued operations	12		
– Basic		**41.93**	33.52
– Diluted		**41.90**	33.39
Earnings per share from continuing operations	12		
– Basic		**42.74**	35.90
– Diluted		**42.70**	35.77

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**3,103,343**	2,732,027
Prepaid lease payments		**48,068**	47,323
Mining rights		**10,563,452**	10,413,660
Goodwill		**2,246,812**	2,156,320
Interests in associates		**19,950**	19,398
Available-for-sale financial assets		**1,771,034**	3,161,097
Deposits, prepayments and other receivables		**465,370**	443,990
Loan to a party	13	**–**	234,342
Deferred tax assets		**17,806**	16,193
Total non-current assets		**18,235,835**	19,224,350
Current assets			
Inventories		**190,507**	134,758
Trade and bill receivables	14	**3,350,955**	2,317,901
Deposits, prepayments and other receivables		**98,216**	123,788
Loan to a party	13	**234,342**	703,025
Amounts due from other parties		**19,087**	292,876
Derivative financial instruments		**18**	12,224
Pledged bank deposits		**354,141**	32,512
Cash and cash equivalents		**4,517,196**	2,766,063
		8,764,462	6,383,147
Assets classified as held for sale	9	**–**	512,130
Total current assets		**8,764,462**	6,895,277

	Notes	**2011** **HK$'000**	2010 HK$'000
Current liabilities			
Trade and bill payables	15	**1,031,431**	537,808
Other payables and accruals		**1,647,612**	1,394,709
Borrowings		**897,848**	233,381
Derivative financial instruments		**991**	11,597
Amounts due to other parties		**14,545**	22,878
Amounts due to non-controlling interests of subsidiaries		**18,776**	256,919
Tax payables		**699,537**	344,369
		4,310,740	2,801,661
Liabilities classified as held for sale	9	**–**	515,894
Total current liabilities		**4,310,740**	3,317,555
Net current assets		**4,453,722**	3,577,722
Total assets less current liabilities		**22,689,557**	22,802,072
Non-current liabilities			
Borrowings		**–**	898,482
Deferred tax liabilities		**2,131,424**	2,280,368
Total non-current liabilities		**2,131,424**	3,178,850
Net assets		**20,558,133**	19,623,222
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**537,751**	538,056
Reserves		**18,428,828**	17,611,838
Total equity attributable to owners of the Company		**18,966,579**	18,149,894
Non-controlling interests		**1,591,554**	1,473,328
Total equity		**20,558,133**	19,623,222

Notes:

1. GENERAL INFORMATION

Pursuant to the special resolution passed at the annual general meeting of the Company held on 19 May 2011, the name of the Company was changed from "Fushan International Energy Group Limited (福山國際能源集團有限公司)" to "Shougang Fushan Resources Group Limited (首鋼福山資源集團有限公司)" with effect from 24 May 2011.

Shougang Fushan Resources Group Limited (the "Company") is a limited liability company incorporated and domiciled in Hong Kong. Its registered office address is 6th Floor, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal places of the business of the Company and its subsidiaries (collectively referred to as the "Group") are in Hong Kong and the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries comprise coking coal mining, production and sales of coking coal products and side products.

On 10 December 2010, one of the Group's wholly-owned subsidiaries, New Honest Limited ("New Honest") entered into a conditional sale and purchase agreement (the "Agreement") with an independent third party (the "Purchaser") to dispose of its entire 66% equity interest in a subsidiary of the Group, namely Shanxi Yao Zin Coal and Coking Company Limited ("Shanxi Yao Zin"), for a cash consideration of Renminbi ("RMB") 211,200,000 (Hong Kong Dollars ("HK$") 259,776,000 equivalent) (the "Disposal"). In addition, the Group waived the shareholders' loans to Shanxi Yao Zin amounting to RMB124,900,000 (HK$153,627,000 equivalent) and the corresponding interest upon the completion of the Disposal. Shanxi Yao Zin was incorporated in the PRC and is principally engaged in production and sales of coke products in Shanxi, the PRC. The Disposal was not completed as at 31 December 2010. As operations carried out by Shanxi Yao Zin represent components of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and also represent separate major line of business. The Group had already presented in its financial statements for the year ended 31 December 2010, the Shanxi Yao Zin's operations as discontinued operations (the "Discontinued Operations") in accordance with Hong Kong Financial Reporting Standard 5 ("HKFRS 5").

On 24 March 2011, New Honest and the Purchaser entered into a supplementary agreement pursuant to which New Honest agreed to receive a cash consideration by installments. Up to 31 December 2011, cash consideration of RMB50,000,000 has been received by the Group from the Purchaser. Shanxi Yao Zin has been making losses since its incorporation in 2005. In view of interest of the Group, on 31 December 2011, the directors of the Company had transferred their control of the financial and operating policy decisions over Shanxi Yao Zin to the Purchaser. On the same date, the Purchaser agreed to taken up the controls over Shanxi Yao Zin and assumed all assets and liabilities of Shanxi Yao Zin as at that date. The directors consider that the Group has loss of controls over Shanxi Yao Zin and the Disposal was completed on 31 December 2011. As a consequence of the Disposal, the Group recorded a gain of HK$142,251,000 in the consolidated statement of comprehensive income for the year ended 31 December 2011. Further details regarding the Discontinued Operations and Gain on Disposal of Discontinued Operations are set out in Note 9 and Note 17 respectively.

Other than the Disposal as described above, there were no significant changes in the Group's operations during the year.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 22 March 2012.

2. ADOPTION OF NEW OR AMENDED HKFRSs

2.1 Adoption of new or amended HKFRSs

During the year, the Group has applied for the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010

Other than as noted below, the adoption of these amended HKFRSs had no material impact on how the results and financial positions for the current and prior years have been prepared and presented.

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with government entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

Improvements to HKFRSs 2010 (issued in May 2010)

In May 2010, the HKICPA issued "Improvements to HKFRSs 2010" which sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. With the adoption of some of the amendments may result in changes in accounting policies, none of these amendments had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) *HKFRS 3 Business Combinations*

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS. The Group has amended its accounting policies for measuring non-controlling interests but the adoption of the amendment had no impact on the Group's financial statements.

(ii) *HKAS 1 Presentation of Financial Statements*

The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[4]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]

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

Amendments to HKFRS 7 Disclosure – Transfer of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

These amendments require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. This aims to improve and simply the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option. For these fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the fair value option are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in it entirely. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues apply.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 Fair Value Measurements

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 Financial Instruments: Disclosures. HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs and the directors are not yet in a position to quantify the effects, on the Group's financial statements.

3. REVENUE

The Group's principal activities are disclosed in Note 1 to this results announcement. Revenue from the Group's principal activities recognised during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Sales of raw coking coal	**2,917,656**	2,900,273
Sales of clean coking coal	**4,220,987**	2,643,012
	7,138,643	5,543,285
Discontinued operations		
Sales of coke *(Note 9)*	**205,054**	232,228
	7,343,697	5,775,513

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines. The Group has identified the following reportable segments:

Coking coal mining:	Mining and exploration of coal resources and production of raw and clean coking coal in the PRC
Coke production:	Production of coke in the PRC (Discontinued Operations)

Each of these operating segments is managed separately as each of the product lines requires different resources as well as operating approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies that the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that change in fair value of derivative financial instruments, gain on disposal of Discontinued Operations, share-based compensation, interest income, finance costs, share of results of associates, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

Segment assets include property, plant and equipment, prepaid lease payments, mining rights, goodwill, inventories, receivables and operating cash and mainly exclude available-for-sale financial assets, derivative financial instruments, deferred tax assets, interests in associates and corporate assets which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include tax payables, derivative financial instruments, deferred tax liabilities and corporate borrowings.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The Group's segment operating profit reconciles to the Group's profit before income tax is as follows:

	Continuing operations				Discontinued operations *(Note 9)*			
	Coking coal mining		Total		Coke production		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external parties	**7,138,643**	5,543,285	**7,138,643**	5,543,285	**205,054**	232,228	**7,343,697**	5,775,513
Segment operating profit/(loss)	**4,101,582**	3,328,515	**4,101,582**	3,328,515	**(263,327)**	(193,488)	**3,838,255**	3,135,027
Share-based compensation			**(177,098)**	(287,205)	**–**	–	**(177,098)**	(287,205)
Interest income			**77,122**	42,048	**–**	–	**77,122**	42,048
Other operating income not allocated			**66,625**	70	**–**	–	**66,625**	70
General and administrative expenses not allocated			**(120,146)**	(106,840)	**–**	–	**(120,146)**	(106,840)
Operating profit/(loss)			**3,948,085**	2,976,588	**(263,327)**	(193,488)	**3,684,758**	2,783,100
Gain on disposal of Discontinued Operations			**–**	–	**142,251**	–	**142,251**	–
Finance costs			**(21,487)**	(39,646)	**(17,874)**	(8,408)	**(39,361)**	(48,054)
Change in fair value of derivative financial instruments			**3,441**	9,672	**–**	–	**3,441**	9,672
Share of losses of associates			**(265)**	(526)	**–**	–	**(265)**	(526)
Profit/(Loss) before income tax			**3,929,774**	2,946,088	**(138,950)**	(201,896)	**3,790,824**	2,744,192

	Continuing operations						Discontinued operations *(Note 9)*			
	Coking coal mining		Corporate		Total		Coke production		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Depreciation	**206,954**	149,665	**857**	755	**207,811**	150,420	**48,949**	46,684	**256,760**	197,104
Amortisation of mining rights	**285,778**	266,871	**–**	–	**285,778**	266,871	**–**	–	**285,778**	266,871
Amortisation of prepaid lease payments	**1,236**	1,179	**–**	–	**1,236**	1,179	**248**	237	**1,484**	1,416
Write-down of inventories to net realisable value	**–**	–	**–**	–	**–**	–	**102,636**	15,666	**102,636**	15,666
Provision for impairment of trade receivables	**–**	117,318	**–**	–	**–**	117,318	**–**	–	**–**	117,318

	Continuing operations						Discontinued operations *(Note 9)*			
	Coking coal mining		Corporate		Total		Coke production		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**22,028,353**	20,663,873	**3,163,136**	1,734,712	**25,191,489**	22,398,585	**–**	512,130	**25,191,489**	22,910,715
Interests in associates			**19,950**	19,398	**19,950**	19,398	**–**	–	**19,950**	19,398
Deferred tax assets			**17,806**	16,193	**17,806**	16,193	**–**	–	**17,806**	16,193
Available-for-sale financial assets			**1,771,034**	3,161,097	**1,771,034**	3,161,097	**–**	–	**1,771,034**	3,161,097
Derivative financial instruments			**18**	12,224	**18**	12,224	**–**	–	**18**	12,224
Group assets					**27,000,297**	25,607,497	**–**	512,130	**27,000,297**	26,119,627
Segment liabilities	**2,620,256**	2,200,148	**92,108**	12,166	**2,712,364**	2,212,314	**–**	479,210	**2,712,364**	2,691,524
Deferred tax liabilities			**2,131,424**	2,280,368	**2,131,424**	2,280,368	**–**	–	**2,131,424**	2,280,368
Tax payables			**699,537**	344,369	**699,537**	344,369	**–**	989	**699,537**	345,358
Borrowings			**897,848**	1,131,863	**897,848**	1,131,863	**–**	35,695	**897,848**	1,167,558
Derivative financial instruments			**991**	11,597	**991**	11,597	**–**	–	**991**	11,597
Group liabilities					**6,442,164**	5,980,511	**–**	515,894	**6,442,164**	6,496,405

The Group's revenues from external customers and its non-current assets (other than financial instruments, loan to a party and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
PRC	**7,343,697**	5,775,513	**16,444,900**	15,809,775
Hong Kong	**–**	–	**2,095**	2,943
	7,343,697	5,775,513	**16,446,995**	15,812,718

The geographical location of customers is based on the location at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets.

During the year, HK$2,169,358,000 or 30% (2010: HK$1,914,151,000 or 35%) of the Group's revenues is generated from a single customer under coking coal mining segment. At 31 December 2011, 0.3% (2010: 13%) of the Group's trade and bill receivables was due from this customer.

5. OTHER OPERATING INCOME

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**58,833**	26,904
Other interest income	**18,289**	15,144
Dividend income on available-for-sale financial assets	**53,000**	–
Gain on disposals of property, plant and equipment	**–**	636
Gain on sales of scrapped products	**77,757**	56,080
Gain on trading of coal	**–**	5,689
Net foreign exchange gain	**133,040**	56,841
Profit on disposal of available-for-sale financial assets	**–**	410
Others	**1,483**	151
	342,402	161,855

6. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Interest charged on:		
– borrowings repayable within five years	**44,245**	51,630
– early redemption of bill receivables	**8,973**	14,611
Finance charges on finance leases	**637**	517
	53,855	66,758
Less: interest capitalised in construction in progress *	**(32,368)**	(27,112)
Total finance costs	**21,487**	39,646

* Borrowing costs were capitalised at the rates ranging from 2% to 6% (2010: 2% to 5%) per annum for the year ended 31 December 2011.

7. PROFIT BEFORE INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration		
– audit services	**1,530**	1,450
– other services	**1,350**	850
Cost of inventories recognised as expenses	**2,109,708**	1,451,760
Amortisation of:		
– prepaid lease payments	**1,236**	1,179
– mining rights	**285,778**	266,871
Depreciation of property, plant and equipment		
– owned assets	**206,068**	148,758
– leased assets	**1,743**	1,662
Employee benefit expenses (including directors' remuneration, share-based compensation and retirement benefits scheme contributions)	**807,643**	745,714
Net foreign exchange gain	**(133,040)**	(56,841)
Operating lease charges in respect of land and buildings	**9,902**	14,626
Provision for impairment on trade receivables *(Note 14)*	**–**	117,318
Loss/(Gain) on disposals of property, plant and equipment	**4,389**	(636)

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Current tax – PRC income tax		
– Current year	**1,183,930**	531,420
– (Over-provision)/Under-provision in respect of prior years	**(4,774)**	1,098
Deferred tax		
– Current year	**(38,010)**	(3,393)
	1,141,146	529,125

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit arising in Hong Kong in 2011 and 2010.

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment, the Group's certain major subsidiaries, namely Shanxi Liulin Xingwu Coal Co., Limited ("Xingwu"), Shanxi Liulin Jinjiazhuang Coal Co., Limited ("Jinjiazhuang") and Shanxi Liulin Zhaiyadi Coal Co., Limited ("Zhaiyadi"), all established in the PRC, were entitled to 50% relief on the income tax in the PRC for three years ended 31 December 2010. Thus, enterprise income tax rate for the calendar years from 2008 to 2010 was 12.5%. From 1 January 2011 onwards, enterprise income tax rate for these Group's major PRC subsidiaries is 25% without any exemption.

The Group is also subject to a withholding tax at the rate of 5% (2010: 5%) on the distributions of profits generated from these Group's major PRC subsidiaries which are directly owned by the Group's subsidiaries incorporated in Hong Kong.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2011	2010
	HK$'000	*HK$'000*
Continuing operations		
Profit before income tax	**3,929,774**	2,946,088
Tax calculated at the rates applicable to the tax jurisdiction concerned	**980,366**	761,329
Tax effect of tax exemption granted	**–**	(419,616)
Tax effect of non-deductible expenses	**51,558**	70,776
Tax effect of non-taxable income	**(26,537)**	(12,573)
Tax effect of unused tax losses not recognised	**17,503**	18,779
Effect of withholding tax at 5% on distributable profits of the Group's major PRC subsidiaries	**123,030**	109,332
(Over-provision)/Under-provision in respect of prior years	**(4,774)**	1,098
Income tax expense	**1,141,146**	529,125

9. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

As described in Note 1, on 31 December 2011, New Honest, one of the Group's wholly-owned subsidiaries, completed the disposal of its entire 66% equity interest in Shanxi Yao Zin (the Disposal) for a cash consideration of RMB211,200,000 (HK$259,776,000 equivalent) to the Purchaser. Up to 31 December 2011, the Group received cash consideration of RMB50,000,000 (HK$61,500,000 equivalent). Based on the credit history of the Purchaser, including the default in payments and current economic conditions, the recoverability on the remaining balance of RMB161,200,000 (HK$198,276,000 equivalent) from the Purchaser is uncertain and may be remote. The directors regard the fair value of the consideration of the Disposal as RMB50,000,000 (HK$61,500,000 equivalent) as at 31 December 2011. In addition, as stipulated in the Agreement, the Group waived the shareholders' loans and the corresponding interest to Shanxi Yao Zin amounting to RMB142,015,000 (HK$174,679,000 equivalent). Loss for the year from the Discontinued Operations is as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss for the year from Discontinued Operations		
Revenue *(Note 3)*	**205,054**	232,228
Expenses	**(486,255)**	(434,124)
Loss before income tax	**(281,201)**	(201,896)
Income tax expense	**(59)**	–
	(281,260)	(201,896)
Gain on disposal of Discontinued Operations *(Note 17)*	**142,251**	–
Loss for the year	**(139,009)**	(201,896)
Loss for the year from Discontinued Operations attributable to:		
Owners of the Company *(Note 12)*	**(43,381)**	(128,529)
Non-controlling interests	**(95,628)**	(73,367)
Loss for the year	**(139,009)**	(201,896)
Cash flows from Discontinued Operations		
Operating cash inflows/(outflows)	**34,693**	(6,151)
Investing cash outflows	**(46,643)**	(6,698)
Financing cash inflows	**11,771**	8,833
Total cash outflows	**(179)**	(4,016)

The carrying amounts of the assets and liabilities of Shanxi Yao Zin at the date of Disposal are disclosed in Note 17 to this results announcement. The Disposal contributed a gain of RMB117,953,000 (HK$142,251,000 equivalent) to the Group during the year (Note 17), which represents the proceeds of the Disposal less the carrying amount of the subsidiary's net liabilities and attributable goodwill. No tax charge or credit arose from the Disposal.

In accordance with HKFRS 5, assets and liabilities of Shanxi Yao Zin, which can be directly allocated to coke products business as at 31 December 2010 had been shown separately as assets and liabilities classified as held for sale in the consolidated statement of financial position as at that date as follows:

	HK$'000
Property, plant and equipment	379,107
Goodwill	3,183
Prepaid lease payments	9,671
Inventories	31,380
Trade and bill receivables	6,025
Deposits, prepayments and other receivables	82,604
Cash and cash equivalents	160
Total assets classified as held for sale	512,130
Borrowings	35,695
Trade and bill payables	294,281
Other payables and accruals	132,787
Amounts due to related companies	13,038
Amounts due to non-controlling interests of subsidiaries	39,104
Tax payables	989
Total liabilities classified as held for sale	515,894

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit for the year attributable to the owners of the Company of HK$2,256,023,000 (2010: HK$1,802,791,000), a profit of HK$990,932,000 (2010: HK$1,052,511,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Interim dividend of HK6 cents (2010: HK5 cents) per ordinary share	**322,834**	269,028
Proposed final dividend of HK13 cents (2010: HK10 cents) per ordinary share	**699,062**	538,056
	1,021,896	807,084

On 22 March 2012, the board of directors proposed a final dividend of HK13 cents per ordinary share totalling HK$699,062,000 to the owners of the Company. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2011 has not been recognised as a liability as at the reporting date.

On 29 March 2011, the board of directors proposed a final dividend of HK10 cents per ordinary share totalling HK$538,056,000 to the owners of the Company. The final dividend was approved by shareholders at the annual general meeting held on 19 May 2011. The final dividend proposed after 31 December 2010 had not been recognised as a liability as at 31 December 2010.

12. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2011	2010
	HK$'000	*HK$'000*
Profit used to determine basic and diluted earnings per share from continuing and discontinued operations	**2,256,023**	1,802,791
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,380,488**	5,379,043
Effect of dilutive potential ordinary shares – Share options	**3,935**	19,904
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,384,423**	5,398,947

From continuing operations

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

	2011	2010
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**2,256,023**	1,802,791
Add: Loss for the year attributable to owners of the Company from discontinued operations *(Note 9)*	**43,381**	128,529
Profit used to determine basic and diluted earnings per share from continuing operations	**2,299,404**	1,931,320

Basic earnings and diluted earnings per share for the continuing operations are HK42.74 cents (2010: HK35.90 cents) and HK42.70 cents (2010: HK35.77 cents) respectively, based on the profit for the year attributable to owners of the Company from the continuing operations of HK$2,299,404,000 (2010: HK$1,931,320,000) and the weighted average number of ordinary shares as set out above for both basic and diluted earnings per share.

From discontinued operations

Basic loss and diluted loss per share for the Discontinued Operations are HK0.81 cent (2010: HK2.39 cents) and HK0.81 cent (2010: HK2.38 cents) respectively, based on the loss for the year attributable to owners of the Company from the Discontinued Operations of HK$43,381,000 (2010: HK$128,529,000) and the weighted average number of ordinary shares as set out above for both basic and diluted losses per share.

13. LOAN TO A PARTY

Pursuant to the loan agreement dated 13 April 2010 (the "Loan Agreement") entered into between Jade Green Investments Holding Limited ("Jade Green") and Mr. Xing Libin ("Mr. Xing"), Jade Green conditionally agreed to make the loan of HK$937,367,000 (RMB824,883,000 equivalent) (the "Loan Amount") to Mr. Xing to settle the outstanding liabilities owed by Mr. Xing. The Loan Amount and the transactions contemplated thereunder were approved at the extraordinary general meeting of the Company held on 8 June 2010. The Loan Amount is secured by 35% equity interest in Liulin Luenshan Coking Company Limited and dividend rights in respect of 35% equity interest in Jinjiazhuang and 5% equity interests in Zhaiyadi. The Loan Amount and interest accrued are repayable in three installments where (i) HK$468,683,000 repaid on 9 June 2011; (ii) HK$234,342,000 repaid on 9 December 2011; and (iii) the remaining HK$234,342,000 repayable on 9 June 2012. The Loan Amount is subject to floating interest rate of LIBOR plus 2.5% per annum. Details of the Loan Agreement were disclosed in the circular of the Company dated 4 May 2010. During the year, part of the Loan Amount amounting to HK$703,025,000 and the relevant interest of HK$33,023,000 have been repaid by Mr. Xing.

14. TRADE AND BILL RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**802,861**	903,640
Less: Provision for impairment losses	**(166,058)**	(159,308)
	636,803	744,332
Bill receivables	**2,714,152**	1,573,569
	3,350,955	2,317,901

Trade receivables generally have credit terms ranging from 60 to 90 days (2010: 60 to 90 days) and no interest is charged.

The carrying amount of trade and bill receivables is considered a reasonable approximation of fair value as these financial assets, which are measured at amortised cost, are expected to be paid within a short timescale, such that the time value of money impact is not significant.

As at 31 December 2011, included in bill receivables is an amount of RMB398,200,000 (HK$489,786,000 equivalent) (2010: RMB297,000,000) which was pledged for bill payables of RMB355,673,000 (HK$437,478,000 equivalent) (2010: RMB287,000,000) *(Note 15).*

At each reporting date, trade and bill receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised, based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade and bill receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case impairment loss is written off against trade and bill receivables directly. As at 31 December 2011, ageing analysis of net trade and bill receivables, based on the invoice dates, is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 90 days	**1,555,026**	1,455,413
91 – 180 days	**1,787,034**	695,300
181 – 365 days	**8,895**	80,027
Over 365 days	**–**	87,161
	3,350,955	2,317,901

Movement in the provision for impairment of trade receivables is as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**159,308**	44,859
Exchange retranslation	**6,750**	4,709
Classified as held for sale	**–**	(4,313)
Amounts written off as uncollectible	**–**	(3,265)
Impairment loss recognised *(Note 7)*	**–**	117,318
At 31 December	**166,058**	159,308

As at 31 December 2011, ageing analysis of trade and bill receivables that are not impaired is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Neither past due nor impaired	**3,319,875**	2,128,082
1 – 90 days past due	**22,185**	22,629
91 – 180 days past due	**6,137**	58,318
181 – 365 days past due	**2,758**	54,493
Over 365 days past due	**–**	54,379
	31,080	189,819
	3,350,955	2,317,901

Trade and bill receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade and bill receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there had not been a significant change in credit quality and the balances are considered fully recoverable.

15. TRADE AND BILL PAYABLES

The Group was granted by its suppliers credit period ranging between 30 to 180 days (2010: 30 to 180 days) during the year. Based on the invoice dates, ageing analysis of trade and bill payables as at 31 December 2011 is as follows:

	2011 *HK$'000*	2010 *HK$'000*
0 – 90 days	**519,028**	400,176
91 – 180 days	**471,479**	108,427
181 – 365 days	**14,706**	11,140
Over 365 days	**26,218**	18,065
	1,031,431	537,808

As at 31 December 2011, bill payables of RMB643,592,000 (HK$791,619,000 equivalent) (2010: RMB314,540,000) were secured by the pledged bank deposits of RMB287,919,000 (HK$354,141,000 equivalent) (2010: RMB27,552,000) and bill receivables of RMB398,200,000 (HK$489,786,000 equivalent) (2010: RMB297,000,000) *(Note 14)*.

16. SHARE CAPITAL

	Number of shares		Amount	
	2011	2010	**2011**	2010
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary shares of HK$0.10 each				
At 31 December	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 January	**5,380,563**	5,370,563	**538,056**	537,056
Issue of new shares upon conversion of share options	**–**	10,000	**–**	1,000
Shares repurchased	**(3,056)**	–	**(305)**	–
At 31 December	**5,377,507**	5,380,563	**537,751**	538,056

During the year, the Company repurchased 3,056,000 ordinary shares of the Company on the Stock Exchange for a total consideration of HK$7,904,000. Out of the 3,056,000 repurchased ordinary shares, 2,216,000 repurchased ordinary shares were cancelled during the year and the remaining 840,000 repurchased ordinary shares were cancelled subsequent to the balance sheet date. The issued share capital of the Company has been reduced by the par value of the total repurchases ordinary shares.

17. GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

As referred to Note 9, on 31 December 2011, the Group disposed its subsidiary, Shanxi Yao Zin. Net liabilities of Shanxi Yao Zin at the date of the Disposal on 31 December 2011 were as follows:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	385,057
Goodwill	3,182
Prepaid lease payments	9,828
Inventories	97,870
Trade and bill receivables	6,895
Deposits, prepayments and other receivables	113,069
Cash and cash equivalents	94
Borrowings	(74,108)
Trade and bill payables	(505,144)
Other payables and accruals	(269,309)
Amounts due to fellow subsidiaries	(174,679)
Amounts due to related parties	(14,329)
Amounts due to non-controlling interests of subsidiaries	(42,706)
Tax payables	(1,026)
	(465,306)
Non-controlling interests	228,624
Translation reserves	(18,748)
Liabilities due to fellow subsidiaries waived by the Group	174,679
Gain on the Disposal *(Note 9)*	142,251
Total consideration	61,500
Satisfied by:	
Cash consideration	61,500
An analysis of net inflow of cash and cash equivalents in respect of the Disposal is as follows:	
Cash consideration	61,500
Less: Cash and cash equivalents disposed	(94)
Net inflow of cash and cash equivalents in respect of the Disposal	61,406

18. COMMITMENTS

(a) Operating lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable by the Group are as follows:

	2011	2010
	HK$000	*HK$000*
Within one year	**5,444**	7,493
In the second to fifth years	**14,564**	24,564
After fifth years	**61,483**	144,064
	81,491	176,121

The Group leases a number of land and buildings and other assets under operating leases arrangement. The leases run for an initial period of 1 to 50 years, without an option to renew the leases and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords. None of the leases include contingent rental.

(b) Capital commitments

	2011	2010
	HK$'000	*HK$'000*
Contracted but not provided for:		
– Acquisition of property, plant and equipment	**376,364**	405,190
– Exploration and design fees for a potential mining project	**9,200**	8,826
	385,564	414,016

(c) Other commitments

In accordance with notices issued by the Liulin County Government of Shanxi Province, certain mining companies in Liulin County, including Xingwu, Jinjiazhuang and Zhaiyadi, are obliged to pay subsidies for the improvement of educational infrastructure and facilities in the Liulin County including construction of modern schools and provision of educational facilities from 2012 to 2014 (31 December 2010: 2009 to 2011). Such subsidies will be charged in the consolidated statement of comprehensive income in the corresponding years accordingly. As at 31 December 2011, management expects that three (31 December 2010: one) further payments of RMB198,000,000 (HK$243,540,000 equivalent) (31 December 2010: RMB110,000,000 (HK$129,800,000 equivalent)) each are payable in 2012 to 2014 (31 December 2010: 2011).

19. EVENTS AFTER THE REPORTING DATE

(a) In January 2012, the Group has made the annual payment of charitable donation for the calendar year 2012 of approximately RMB198,000,000 (HK$243,540,000 equivalent) as disclosed in Note 18(c). Accordingly, the sum of HK$243,540,000 is charged as other operating expenses in the consolidated statement of comprehensive income in the first half of 2012.

(b) On 9 February 2012, Mount Gibson Iron Limited ("Mount Gibson"), which is accounted for as an available-for-sale financial assets of the Group and its shares are listed in Australia, declared a maiden fully franked interim dividend of Australian Dollars ("AUD")2 cents per ordinary share totalling AUD21,651,414 to its shareholders for the period ended 31 December 2011. As at 31 December 2011, the Group held 163,866,874 ordinary shares of Mount Gibson and is entitled to the dividend of AUD3,277,337 from Mount Gibson. Such dividend will be received on 20 April 2012. Accordingly, the Group will recognise such dividend income of AUD3,277,337 (HK$25,825,000 equivalent) in the consolidated statement of comprehensive income in the first half of 2012.

FINAL DIVIDEND

The Board recommends a final dividend of HK13 cents per ordinary share for the year ended 31 December 2011 (2010: HK10 cents per ordinary share) payable to shareholders whose names appear on the register of members of the Company at the close of business on Friday, 1 June 2012. The proposed final dividend together with the interim dividend of HK6 cents per ordinary share (2010: HK5 cents per ordinary share) will make a total dividend of HK19 cents per ordinary share for the year ended 31 December 2011 (2010: HK15 cents per ordinary share).

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Friday, 25 May 2012 (the "AGM"), the final dividend is expected to be paid on or about Tuesday, 19 June 2012. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 1 June 2012 for registration.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 May 2012 to Friday, 25 May 2012 (both days inclusive) to determine the entitlement to attend and vote at the AGM. During which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 23 May 2012 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The key operational data of our three premium operating coking coal mines in Liulin County, Shanxi (Xingwu Coal Mine, Jinjiazhuang Coal Mine and Zhaiyadi Coal Mine) for the year ended 31 December 2011 together with that of the same period of 2010 is summarised as follows:

		For the year ended 31 December		**Change**	
	Unit	**2011**	2010	Quantity/ Amount	Percentage
Production volume:					
Raw coking coal	Mt	**6.36**	6.23	+0.13	+2%
Clean coking coal	Mt	**2.31**	1.61	+0.70	+43%
Sales volume:					
Raw coking coal	Mt	**2.77**	3.53	–0.76	–22%
Clean coking coal	Mt	**2.26**	1.58	+0.68	+43%
Average realised selling price (inclusive of VAT):					
Raw coking coal	RMB/tonne	**1,021**	836	+185	+22%
Clean coking coal	RMB/tonne	**1,812**	1,706	+106	+6%

For the year ended 31 December 2011, the Group produced approximately 6.36 million tonnes (2010: approximately 6.23 million tonnes) of raw coking coal, representing a year-on-year increase of 2% and approximately 2.31 million tonnes (2010: approximately 1.61 million tonnes) of clean coking coal, representing a year-on-year increase of 43%. Operation of our three premium operating coking coal mines continued running smoothly and continued maintaining good safety record throughout the year. As a result, the production of raw coking coal for the year reached a similar level to that of the last year.

For the year ended 31 December 2011, we continued to make vigorous effort to expand our clean coking coal business. This falls in line with the Group's long term strategy to shift our sales mix from raw coking coal to clean coking coal and hence both production and sales volume of clean coking coal increased by 43% while sales volume of raw coking coal dropped by 22% for the year ended 31 December 2011.

For the year ended 31 December 2011, the Group's average realised selling price (inclusive of value added tax "VAT") of raw coking coal increased by 22% to Renminbi ("RMB")1,021/tonne when compared with that of the same period of 2010 (2010: RMB836/tonne) and the Group's average realised selling price (inclusive of VAT) of clean coking coal increased by 6% to RMB1,812/tonne when compared with that of the same period of 2010 (2010: RMB1,706/tonne). The slight increase in average realised selling price of clean coking coal was due to the increase in proportion to sell No.9 clean coking coal which its selling price is lower than that of No.4 clean coking coal in 2011. In terms of sales volume, No.4 and No.9 clean coking coal accounted for 47% and 53% respectively for the year ended 31 December 2011 compared against 77% and 23% respectively for the year ended 31 December 2010. In the fourth quarter of 2010, our third coal preparation plant in Zhaiyadi Coal Mine commenced to process No.9 clean coking coal. This new preparation plant not only increases our clean coking coal production volume but also diversifies our product mix to No.9 clean coking coal to meet customers' demand.

FINANCIAL REVIEW

For the year ended 31 December 2011, the Group recorded a turnover of approximately Hong Kong Dollars ("HK$")7,139 million, representing an increase of approximately HK$1,596 million or 29% as compared with that of approximately HK$5,543 million for the same period of 2010. The growth in turnover was mainly attributable to the increase in average realised selling price of raw and clean coking coal by 22% and 6% respectively, increase in production volume of raw coking coal by 2% and the appreciation of RMB by approximately 5% for the year. All produced raw coking coal was almost either sold or transformed to clean coking coal for sold. The Group only maintained minimal level of coal with carrying amount of approximately HK$12 million as inventories as at 31 December 2011. In terms of turnover, sales of raw and clean coking coal accounted for 41% and 59%, respectively for the year ended 31 December 2011 compared against 52% and 48%, respectively for the year ended 31 December 2010.

For the two years ended 31 December 2011, gross profit margin maintained over 70%.

For the year ended 31 December 2011, the Group recorded net profit of approximately HK$2,650 million, representing an increase of approximately HK$435 million or 20% as compared with that of approximately HK$2,215 million for the same period of 2010. For the year ended 31 December 2011, the Group also recorded profit attributable to the owners of the Company (the "Owners") of approximately HK$2,256 million, representing an increase of approximately HK$453 million or 25% as compared with that of approximately HK$1,803 million for the same period of 2010. The substantial increase in net profit and profit attributable to the Owners in 2011 were mainly attributable to the increase in turnover as explained above, even though the increment was partially offset by the increase in income tax expense because of the change of income tax rate from 12.5% to 25% since 1 January 2011 as mentioned below under

"Income Tax Expense" and by the increase in production costs as mentioned below under "Cost of Sales". During the year under review, earnings per share was HK41.93 cents (2010: HK33.52 cents), representing a year-on-year increase of 25%.

For the year ended 31 December 2011, the Group incurred a non-cash share-based compensation expense of approximately HK$177 million arising from granting of share option by the Company in August 2009. The Group's net profit and profit attributable to the Owners would have been HK$2,827 million and HK$2,433 million, respectively for the year ended 31 December 2011, if this non-cash expense was excluded. This non-cash share-based compensation expense has completed to charge as expense in profit and loss since September 2011 and thus it is not expected to have such non-cash share-based compensation expense to be incurred in next year if no option is granted.

Cost of Sales

The unit production costs are summarised as follow:

		For the year ended 31 December		**Change**	
	Unit	**2011**	2010	Amount	Percentage
Production cost of raw coking coal	RMB/tonne	**258**	187	+71	+38%
Less:					
One-off relocation compensation expenses *(see below (ii)(e))*	RMB/tonne	**(13)**	–		
One-off reversal of capitalised environmental restoration fund *(see below (ii)(f))*	RMB/tonne	**(9)**	–		
		236	187	+49	+26%
of which, depreciation and amortisation	*RMB/tonne*	***(57)***	*(53)*	*+4*	*+8%*
Processing cost for clean coking coal	RMB/tonne	**54**	48	+6	+13%
of which, depreciation	*RMB/tonne*	***(11)***	*(10)*	*+1*	*+10%*

During the year under review, cost of sales was approximately HK$2,110 million, representing an increase of approximately HK$658 million or 45%, as compared with that of approximately HK$1,452 million for the same period of 2010. The increase was due to the following reasons:

(i) the increase in production costs as a result of (a) the increase in unit production cost of raw coking coal by 38% as explained in below (ii); (b) the increase in production of raw coking coal by 2% from 6.23 million tonnes for the year ended 31 December 2010 to 6.36 million tonnes for the year ended 31 December 2011 and; (c) the increase in sales volume of clean coking coal by 43% from 1.58 million tonnes for the year ended 31 December 2010 to 2.26 million tonnes for the year ended 31 December 2011;

(ii) the increase in unit production cost of raw coking coal by 38% as a result of the increase in uncontrollable costs such as (a) the payment of levies of city constructional tax and additional educational surcharge by approximately HK$88 million for the year ended 31 December 2011 as these levies have been liable to pay since December 2010; (b) the increase in water resource charge by approximately HK$10 million for the year ended 31 December 2011; (c) the additional levy of continuous development fund amounted to HK$21 million for the year ended 31 December 2011 as the levy is increased by RMB3 (HK$3.6 equivalent) per tonne since March 2011; (d) the increase in mine resources compensation fee which is charged at 1% of the realised selling price of raw coking coal by approximately HK$11 million for the year ended 31 December 2011; and increase in other costs such as (e) the substantial increase in relocation compensation expenses by HK$117 million for the year ended 31 December 2011 mainly due to the provision of HK$98 million made for the one-off relocation compensation expenses arising from the relocation of a coal preparation plant; (f) the increase in charge of environmental restoration fund by approximately HK$109 million, of which HK$69 million was reversed those capitalised in the prior years, for the year ended 31 December 2011 due to the changes of tax policy; and (g) the increase in staff costs by HK$105 million or 33% to HK$427 million for the year ended 31 December 2011 due to the adjustments of staff wages in order to maintain the competitive advantages in the labour market and to retain quality management and staff; and

(iii) the appreciation of RMB for the year ended 31 December 2011 by approximately 5% was attributable to increase in production costs by approximately 5% accordingly when converted into HK$, being the Group's presentation currency.

Included in cost of sales, amortisation of mining rights was approximately HK$286 million for the year ended 31 December 2011, representing an increase of approximately HK$19 million or 7%, as compared with that of approximately HK$267 million for the same period of 2010. The increase in amortisation of mining rights was mainly due to the increase in production volume of raw coking coal by 2% and the appreciation of RMB by approximately 5% during the year under review.

Gross Profit and Gross Profit Margin

As a result of the reasons above, gross profit for the year ended 31 December 2011 was approximately HK$5,029 million, representing an increase of approximately HK$937 million or 23% as compared with that of approximately HK$4,092 million for the same period of 2010. During the year under review, gross profit margin achieved at 70% compared with 74% for the same period of 2010. Even though the average realised selling prices for the year ended 31 December 2011 were higher than that in the same period of 2010, its gross profit margin dropped to 70% due to the increase in production costs as mentioned above under "Cost of Sales".

Other Operating Income

During the year under review, other operating income was approximately HK$342 million, representing a substantial increase of approximately HK$180 million or 111% as compared with approximately HK$162 million of the same period in 2010. The increase was mainly attributable to:

(i) the first receipt of dividend income of HK$53 million arising from the equity securities listed in Australia, Mount Gibson Iron Limited ("Mount Gibson"), for the year ended 31 December 2011;

(ii) the increase of net exchange gain of approximately HK$76 million arising from re-translation of the Group's current assets denominated in RMB as at 31 December 2011 as a result of the appreciation of RMB by approximately 4% as at 31 December 2011 compared with that as at 31 December 2010;

(iii) the increase of income from sales of scrapped products generated from the process of clean coking coal by approximately HK$22 million which was substantially increased in line with the production volume of clean coking coal for the year ended 31 December 2011; and

(iv) the substantial increase in bank interest income by approximately HK$32 million from approximately HK$27 million for the same period of 2010 to approximately HK$59 million for the year ended 31 December 2011 as a result of the effective cash management.

Selling and Distribution Expenses

During the year under review, selling and distribution expenses were approximately HK$636 million, representing an increase of approximately HK$255 million or 67% as compared with that of approximately HK$381 million for the same period of 2010. The increase was mainly result from the substantial increase in transportation costs arising from the increase in sales volume of clean coking coal by 43% from 1.58 million tonnes for the year ended 31 December 2010 to 2.26 million tonnes for the year ended 31 December 2011, increase in labour cost and the inflation as well as the appreciation of RMB by approximately 5% during the year under review.

General and Administrative Expenses

During the year under review, administrative expenses were approximately HK$606 million, representing a decrease of approximately HK$15 million or 2% as compared with approximately HK$621 million for the same period of 2010. The slight decrease was resulted from the reduction of the non-cash share-based compensation expense by HK$110 million in 2011 as this expense has been fully recognised since August 2011, however off-set by (i) the increase in payment of road maintenance fee by approximately HK$13 million, which was payment on demand by the relevant authority; (ii) the increase in directors' remuneration and staff costs by approximately HK$31 million; and (iii) the inflation and the appreciation of RMB by approximately 5% during the year under review.

Other Operating Expenses

During the year under review, other operating expenses were approximately HK$181 million, which mainly represented the committed annual payment of charitable donation for the year of 2011 of approximately HK$133 million paid by the Group to the Liulin Provincial Government during the year under review, for the construction of modern schools and provision of education facilities as disclosed in the financial statements of the Company for the year ended 31 December 2009.

Finance Costs

During the year under review, actual finance costs were approximately HK$54 million, representing a decrease of approximately HK$13 million or 19% as compared with that of approximately HK$67 million for the same period of 2010. During the year under review, approximately HK$32 million (2010: approximately HK$27 million) of borrowing costs were capitalised in construction in progress. The decrease in actual finance costs were due to the decrease in bank borrowings by approximately HK$234 million from approximately HK$1,132 million as at 31 December 2010 to approximately HK$898 million as at 31 December 2011 and the reduction of average annual interest rate charges on the bank borrowings to approximately 4% for the year ended 31 December 2011 from approximately 5% for the same period of 2010.

Income Tax Expense

During the year under review, income tax expense was approximately HK$1,141 million (2010: approximately HK$529 million), of which approximately HK$123 million (2010: approximately HK$109 million) represented the provision of withholding tax of 5% on the dividend declared from the Group's major subsidiaries incorporated in the People's Republic of China ("PRC") ("major PRC Subsidiaries") in accordance with the tax regulations in the PRC. The substantial increase in income tax expense was increase in line with profits and was due to the increase in income tax rate upon the expiration of the 50% relief on the enterprise income tax in the PRC in 2011. For the calendar years from 2008 to 2010, the enterprise income tax for the Group's major PRC subsidiaries was 12.5%. From the calendar year of 2011 onwards, the enterprise income tax rate for the Group's major PRC Subsidiaries is 25%.

Owner's Attributable Profit

By reasons of the foregoing, the profit attributable to the Owners during the year under review was approximately HK$2,256 million, representing an increase of approximately HK$453 million or 25% as compared with that of approximately HK$1,803 million for the same period of 2010.

Material Investments and Acquisitions

During the year ended 31 December 2011, the Group had no material investments and acquisition. However, during the year under review, a wholly-owned subsidiary of the Group further acquired 3,700,000 equity shares of Mount Gibson at a total cost of approximately HK$38 million. As at 31 December 2011, the Group held approximately 15.14% equity interest in Mount Gibson directly.

Material Disposals

Except the transaction disclosed in Note 1 to the results announcement of the Company for the year ended 31 December 2011 in relation to the disposal of entire 66% equity interest in Shanxi Yao Zin Coal and Coking Coal Company Limited (the "Disposal"), the Group had no material disposals for the year ended 31 December 2011. For the year ended 31 December 2011, the Group recorded a gain of approximately HK$142 million on the Disposal.

Safety Production and Environmental Protection

The Group has always been paying great attention to production safety and environmental protection while achieving growth in coal production. Thus, the Group makes great efforts in promoting safety management and strengthening measures for environmental protection, aiming at building itself into a safety-oriented and environmentally-friendly enterprise. During the year under review, all coal mines of the Group operated smoothly and no material safety incidents were recorded.

Charges on Assets

As at 31 December 2011, save for disclosed below, none of the Group's assets was charged or subject to any encumbrance.

(i) bank deposits of approximately HK$354 million and bill receivables of approximately HK$490 million were used for securing bills facilities of approximately HK$792 million; and

(ii) the pledged of shares by certain subsidiaries of the Company namely Jade Green Investments Holding Limited, Thechoice Finance Limited, Worldman Industrial Limited, Gumpert Industries Limited, Thechoice Finance (HK) Limited, Worldman Industrial (HK) Limited and Gumpert Industries (HK) Limited that were used for securing United States Dollars ("USD") 55 million of bank loan for the Company.

Contingent Liabilities

As at 31 December 2011, there were no guarantees given to any banks or financial institutions by the Group.

Gearing Ratio

As at 31 December 2011, gearing ratio of the Group, computed from the Group's total borrowings divided by the total equity, was approximately 4%. The total borrowings amounted to approximately HK$898 million as at 31 December 2011.

Exposure to Fluctuations in Exchange Rates

As at 31 December 2011, other than assets and liabilities denominated in RMB and Australian Dollars ("AUD"), the Group had no material exposure to foreign exchange fluctuations. As at 31 December 2011, RMB was appreciated by approximately 4% while AUD was slightly depreciated by approximately 0.3% respectively when compared to that as at 31 December 2010.

Liquidity and Financial Resources

As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was approximately 2 times and the Group's cash and bank deposits amounted to approximately HK$4,871 million, of which approximately HK$354 million was deposited to secure bills facilities of the same amount.

Included in trade and bill receivables, the Group has total bill receivables amounting to approximately HK$2,714 million (of which approximately HK$490 million was used for securing bills facilities of approximately HK$437 million) as at 31 December 2011 that were readily convertible into cash, but would be subject to finance cost when conversion before the maturity. Taking into account of free bill receivables of approximately HK$2,224 million, the Group's free cash resources would have approximately HK$6,741 million as at 31 December 2011.

Capital Structure

Total equity, bank borrowings and other borrowings are classified as capital of the Group. As at 31 December 2011, the amount of capital was approximately HK$21,456 million.

During the year under review, the Company repurchased a total of 3,056,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$7,904,000. The share repurchases were made with a view to enhance shareholders' interests. A total of 2,216,000 repurchased shares were cancelled during the year under review while the remaining of 840,000 repurchased shares were cancelled in January 2012.

Save as disclosed above, there was no change in the issued capital of the Company during the year under review. As at 31 December 2011, the issued capital of the Company was approximately HK$538 million, represented approximately 5,378 million shares in number.

As at 31 December 2011, the total borrowings of approximately HK$898 million denominated in USD and RMB. The USD borrowing of approximately HK$425 million bears an interest calculated at LIBOR plus 1.85% per annum and is repayable by 13 installments from September 2010 to September 2013, the RMB borrowings amounting to approximately HK$467 million are subject to floating interest rate adopted by the People's Bank of China and are repayable in March 2012. The remaining balances of borrowings of approximately HK$6 million are subject to fixed interest rates or interest free and are repayable within 1 year from 31 December 2011.

EMPLOYEES

As at 31 December 2011, the Group had 29 Hong Kong employees and 6,772 PRC employees. The remuneration packages of the employees are subject to annual review. The Group provides a mandatory and voluntary provident fund scheme for its employees in Hong Kong and the state-sponsored retirement plan for its employees in PRC. The Group has also adopted a share option scheme since 20 June 2003. During the year under review, no share option was granted, exercised, cancelled or lapsed.

FUTURE PROSPECTS

The growth of China's economy in 2011 was concluded in a slower and yet steady pace when GDP growth rate decreased from a double digit growth in the beginning of 2011 to only 9.2% in the last quarter. The uncertainties in European sovereign debt crisis and a weak United States economy in the second half of 2011 created further potential risks to the global economy. Steel industry in China was affected and evidenced by the daily steel production dropping from approximately 2 million tonnes per day in mid-June 2011 to around 1.6 million tonnes per day in the last two months of 2011. The demand for coking coal was affected as a result of lower steel production. Another reason that contributed to a drop in the international coking coal price was the resumption of production in Queensland from the flooding that occurred during the first quarter of 2011, which drove the international spot price for coking coal lower. The international spot price in the first quarter of 2012 settled at USD235/tonne. In addition, when Teck Resources Limited signed the price with Pohang Iron and Steel Co., Ltd. (POSCO) in the second quarter of 2012, the price dropped further to settle at USD206/tonne. Due to the scare resource of coking coal, together with, in China, its coking coal price does not rise at the same pace as international spot price, the domestic coking coal price in China still maintains rigid. Thus, in 2011, our averaged realised selling prices of raw and clean coking coal were increased by 22% and 6% respectively. Nevertheless 2012 will be expected a challenging year for coking coal prices.

China is going to deliver the energy saving policy laid out in the "12th Five-Year Development Plan for Steel Industry" by phasing out blast furnaces with capacity below than 1,000 cubic meters and replacing them with larger scale blast furnaces. As more premium coking coal will be needed by those larger scale blast furnaces, this means more demand for high quality coking coal. Despite a possible slowdown in the 2012 GDP growth rate to 7.5%, it is believed that many railway projects will resume and around 7 million social housing will need to be completed in 2012 which will increase the demand of steel and then benefit the domestic coking coal sector.

We are ready to ride on these favorable factors and develop strong long term strategic business opportunities with major steel producers to further expand our clean coking coal business. Our strong financial strengths give us the advantage to expand our business through acquisitions both domestically and abroad to further expand our resources and production capacity and to maximise the return for our shareholders.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, BDO Limited and is in line with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

CHANGE OF THE NAME OF THE COMPANY

Following the passing of a special resolution by the shareholders of the Company regarding change of the name of the Company and the issue of a certificate of change of name by the Hong Kong Registrar of Companies, the name of the Company was changed from Fushan International Energy Group Limited (福山國際能源集團有限公司) to Shougang Fushan Resources Group Limited (首鋼福山資源集團有限公司) with effect from 24 May 2011.

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

During the year, the Company repurchased a total of 3,056,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$7,876,220 (expenses excluded). The share repurchases were made with a view to enhance shareholders' interests. Details of the share repurchases are as follows:

Month of share repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration *(expenses excluded)*
		HK$	*HK$*	*HK$*
December 2011	3,056,000	2.64	2.54	7,876,220

A total of 2,216,000 repurchased shares were cancelled during the year while the remaining of 840,000 repurchased shares were cancelled in January 2012.

Save as disclosed above, 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.

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 2011. Details of the Company's compliance with the provisions of the Code during the year will be set out in the Corporate Governance Report in the Company's 2011 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
Li Shaofeng
Chairman

Hong Kong, 22 March 2012

As at the date of this announcement, the Board comprises Mr. Li Shaofeng (Chairman), Mr. Chen Zhouping (Vice-chairman and Managing Director), Mr. Wong Lik Ping (Vice-chairman), Mr. So Kwok Hoo (Deputy Managing Director), Mr. Chen Zhaoqiang (Deputy Managing Director), Mr. Liu Qingshan (Deputy Managing Director), Mr. Xue Kang (Deputy Managing Director), Mr. Leung Shun Sang, Tony (Non-executive Director), Mr. Zhang Yaoping (Non-executive Director), Mr. Zhang Wenhui (Non-executive Director), Mr. Kee Wah Sze (Independent Non-executive Director), Mr. Choi Wai Yin (Independent Non-executive Director) and Mr. Chan Pat Lam (Independent Non-executive Director).