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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 2011

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$21,343 million, up 35% from last year.

– Profit attributable to shareholders was HK$152 million.

– Basic earnings per share was HK1.8 cents.

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 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
Revenue	4	**21,342,643**	15,850,276
Cost of sales		**(21,225,495)**	(15,137,603)
Gross profit		**117,148**	712,673
Other income	5	**63,713**	61,796
Other gains and losses	6	**897**	(27,214)
Change in fair value of derivative financial instruments		**498,024**	286,387
Distribution and selling expenses		**(153,594)**	(191,742)
Administrative expenses		**(521,128)**	(474,436)
Finance costs	7	**(568,223)**	(444,527)
Share of results of associates		**563,938**	476,629
Profit before taxation		**775**	399,566
Income tax (expense) credit	8	**(48,288)**	33,617
(Loss) profit for the year	9	**(47,513)**	433,183
Other comprehensive (expense) income			
Exchange differences arising on translation		**170,220**	187,208
Available-for-sale financial assets			
Fair value (losses) gains arising during the year		**(80,024)**	24,609
Reclassification adjustment upon impairment		**53,425**	–
Release on deemed disposal of partial interest in associates		**(20)**	(108)
Share of other comprehensive income of associates			
Exchange differences arising on translation		**163,334**	125,442
Fair value (losses) gains on available-for-sale financial assets		**(328,085)**	157,528
Other comprehensive (expense) income for the year (net of tax)		**(21,150)**	494,679
Total comprehensive (expense) income for the year		**(68,663)**	927,862

	NOTES	**2011** HK$'000	2010 HK$'000
(Loss) profit for the year attributable to:			
Owners of the Company		**152,252**	499,576
Non-controlling interests		**(199,765)**	(66,393)
		(47,513)	433,183
Total comprehensive income and expense attributable to:			
Owners of the Company		**91,479**	950,476
Non-controlling interests		**(160,142)**	(22,614)
		(68,663)	927,862
Earnings per share	11		
– Basic		**1.78 HK cents**	6.11 HK cents
– Diluted		**1.78 HK cents**	6.05 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2011

	NOTES	**2011** **HK$'000**	2010 *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**41,835**	34,234
Property, plant and equipment		**12,179,608**	12,096,114
Prepaid lease rentals		**359,937**	357,078
Intangible asset		**–**	–
Mining assets		**184,825**	179,593
Goodwill		**146,015**	168,015
Interests in associates		**7,573,677**	6,742,974
Available-for-sale investments		**187,836**	261,931
Deferred tax assets		**45,822**	46,827
Other financial assets		**585,738**	367,942
Deposits for acquisition of property, plant and equipment		**84,268**	178,396
Pledged bank deposits		**467,547**	–
		21,857,108	20,433,104
CURRENT ASSETS			
Inventories		**4,068,485**	3,491,190
Trade and bill receivables	12	**2,221,527**	1,622,373
Trade receivables from related companies	13	**966,230**	749,972
Prepayments, deposits and other receivables		**908,807**	1,006,681
Prepaid lease rentals		**7,912**	7,680
Amounts due from related companies	13	**55,476**	108,044
Amount due from an associate		**10,750**	17,756
Amount due from a non-controlling shareholder of a subsidiary		**3,702**	3,526
Amount due from ultimate holding company of a shareholder	14	**4,610**	1,887
Other financial assets		**308,102**	202,195
Restricted and pledged bank deposits		**625,996**	281,486
Bank balances and cash		**1,846,927**	1,702,696
		11,028,524	9,195,486

	NOTES	2011 HK$'000	2010 HK$'000
CURRENT LIABILITIES			
Trade and bill payables	15	**3,172,522**	2,966,135
Trade payables to related companies	13	**296,968**	760,045
Trade payable to ultimate holding company of a shareholder	14	**2,849,955**	1,074,108
Other payables, provision and accrued liabilities		**1,522,858**	1,802,613
Tax payable		**208,484**	218,457
Amounts due to related companies	13	**380,685**	296,140
Amount due to ultimate holding company of a shareholder	14	**103,069**	98,873
Bank borrowings – due within one year		**9,823,661**	8,845,339
Other financial liabilities		**5,173**	–
Loans from ultimate holding company of a shareholder		**1,009,995**	968,868
		19,373,370	17,030,578
NET CURRENT LIABILITIES		**(8,344,846)**	(7,835,092)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,512,262**	12,598,012
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**2,363,941**	1,888,612
Deferred tax liabilities		**33,034**	12,139
		2,396,975	1,900,751
		11,115,287	10,697,261
CAPITAL AND RESERVES			
Share capital		**1,790,661**	1,635,076
Share premium and reserves		**8,357,720**	7,932,018
Equity attributable to owners of the Company		**10,148,381**	9,567,094
Non-controlling interests		**966,906**	1,130,167
		11,115,287	10,697,261

NOTES:

1. GENERAL

The Company is incorporated in Hong Kong with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's major shareholder is Shougang Holding (Hong Kong) Limited ("Shougang HK"), which together with its subsidiaries, held approximately 48% equity interest of the Company as at 31 December 2011, and the ultimate holding company of Shougang HK is Shougang Corporation, a company established in the People's Republic of China (the "PRC"). Shougang Corporation, together with its associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange) other than the Company and its subsidiaries (collectively referred to as the "Group"), will hereinafter be referred to as the "Shougang Group". The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information of the annual report.

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries and associates are set out in annual report.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group had net current liabilities of approximately HK$8,344,846,000 as at 31 December 2011 of which current liabilities of approximately HK$9,823,661,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group, including the Group's unutilised banking facilities, the Group's ability to renew or refinance the banking facilities upon maturity and financial support from the ultimate holding company of the major shareholder of the Company, Shougang Corporation, the Directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligation as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

New and revised HKFRSs applied in the current year

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures, except for partial exemption of paragraph 25-27
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are government-related entities. In its annual consolidated financial statements for the year ended 31 December 2010, the Group had applied early the partial exemption from the disclosure requirements for government-related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (as revised in 2009) which has had no impact on the identification of related parties of the Group.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions and the disclosure set out in these consolidated financial statements for the current and prior years.

New and revised HKFRSs issued but not yet effective

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

Based on the Group's financial assets and financial liabilities as at 31 December 2011, the directors anticipate that the adoption of HKFRS 9 in the future will affect the classification and measurement of the Group's available-for-sale investments and is not likely to have significant impact on the amounts of the Group's other financial assets and financial liabilities. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

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

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

HKFRS 13 Fair Value Measurement

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

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

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and the application of the new Standard is not likely to have material impact to the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

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

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

HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine

HK(IFRIC) - Int 20 Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the Interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities are accounted for in accordance with HKAS 2 Inventories. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC) - Int 20 is effective for annual periods beginning on or after 1 January 2013 with transitional provisions. The Directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The Directors are still in the process of assessing the impact of the adoption of the Interpretation to the Group.

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

4. REVENUE AND SEGMENT INFORMATION

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

	2011	2010
	HK$'000	*HK$'000*
Sale of steel products	**14,761,402**	11,143,193
Vessel chartering and floating cranes leasing income	**105,874**	207,142
Sale of iron ore	**5,430,330**	4,494,866
Sale of coal and coke	**1,040,300**	–
Management services income	**4,737**	5,075
	21,342,643	15,850,276

Segment information

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

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

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

Segment revenues and results

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

For the year ended 31 December 2011

	Steel manufacturing	Shipping operations	Commodity trading	Mineral exploration	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
External sales	**14,281,937**	**105,874**	**5,461,776**	**1,488,319**	**4,737**	**21,342,643**
Inter-segment sales	**7,476**	**34,692**	**–**	**1,061,584**	**–**	**1,103,752**
Segment revenue	**14,289,413**	**140,566**	**5,461,776**	**2,549,903**	**4,737**	**22,446,395**
Eliminations						**(1,103,752)**
Group revenue						**21,342,643**

Inter-segment sales are charged at prevailing market rates.

Segment (loss) profit	**(338,197)**	**(59,424)**	**377,399**	**19,447**	**4,980**	**4,205**
Interest income						**33,664**
Central administration costs						**(81,933)**
Finance costs						**(568,223)**
Loss from change in fair value of derivative financial instruments						**(5,173)**
Impairment loss on available-for-sale investments						**(53,425)**
Loss on deemed acquisition/dilution of interests in associates						**(420)**
Gain arising from fair value adjustment on acquisition of additional interest in an associate						**108,142**
Share of results of associates						**563,938**
Profit before taxation						**775**

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

For the year ended 31 December 2010

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

Inter-segment sales are charged at prevailing market rates.

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by or loss incurred from each segment without allocation of interest income, central administration costs, finance costs, gain or loss from change in fair value of foreign currency forward contracts, interest rate swap contracts and option to subscribe for shares of a listed company in Australia, impairment loss on available-for-sale investments, loss on deemed acquisition/dilution of interests in associates, gain arising from fair value adjustment on acquisition of additional interest in an associate and share of results of associates. This is the measure reported to the executive 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:

	2011	2010
	HK$'000	*HK$'000*
Segment assets		
Steel manufacturing	**18,069,890**	17,051,386
Shipping operations	**46,174**	25,630
Commodity trading	**1,841,738**	1,311,422
Mineral exploration	**2,169,882**	2,180,773
Others	**5,571**	5,709
Total segment assets	**22,133,255**	20,574,920
Interests in associates	**7,573,677**	6,742,974
Available-for-sale investments	**187,836**	261,931
Deferred tax assets	**45,822**	46,827
Amount due from an associate – non-trade	**4,572**	17,756
Restricted and pledged bank deposits	**1,093,543**	281,486
Bank balances and cash	**1,846,927**	1,702,696
Consolidated assets	**32,885,632**	29,628,590
Segment liabilities		
Steel manufacturing	**6,399,279**	5,406,163
Shipping operations	**79,798**	44,456
Commodity trading	**431,180**	698,587
Mineral exploration	**921,193**	447,663
Others	**10,853**	6,032
Total segment liabilities	**7,842,303**	6,602,901
Amounts due to related companies – non-trade	**380,685**	296,140
Amount due to ultimate holding company of a shareholder – non-trade	**103,069**	98,873
Bank borrowings	**12,187,602**	10,733,951
Tax payable	**208,484**	218,457
Deferred tax liabilities	**33,034**	12,139
Other financial liabilities	**5,173**	–
Loans from ultimate holding company of a shareholder	**1,009,995**	968,868
Consolidated liabilities	**21,770,345**	18,931,329

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

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

Revenue from major products and services

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

	2011	2010
	HK$'000	*HK$'000*
Steel plates	**14,654,581**	10,324,234
Iron ore	**5,430,330**	4,494,866
Coal and coke	**1,040,300**	–
Steel slabs	**106,821**	818,959
Vessel chartering and floating cranes leasing	**105,874**	207,142
Management services	**4,737**	5,075
	21,342,643	15,850,276

Geographical information

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

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

	Revenue from external customers	
	2011	2010
	HK$'000	*HK$'000*
PRC, excluding Hong Kong (country of domicile)	**17,115,584**	12,744,884
Hong Kong	**95,224**	200,564
Australia	**3,683,649**	2,837,647
Korea	**182,600**	67,074
Others	**265,586**	107
	21,342,643	15,850,276

Information about major customers

During the years ended 31 December 2011 and 2010, the customer which accounted for 10% or more of the Group's revenue is Shougang Group. Sales to Shougang Group under the segments of steel manufacturing, commodity trading and mineral exploration contributed HK$4,997,146,000 (2010: HK$3,642,508,000) to the Group's revenue.

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income on bank deposits	**33,664**	26,966
Scrap sales income	**4,476**	3,288
Refund of value added tax	**4,141**	18,028
Recovery of trade receivables previously written off as uncollectible	**2,103**	–
Compensation income	**439**	679
Sundry income	**18,890**	12,835
	63,713	61,796

6. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Impairment loss on available-for-sale investments	**(53,425)**	–
Provision for onerous contracts	**(47,200)**	–
Impairment loss on goodwill	**(22,000)**	–
(Loss) gain on disposal of property, plant and equipment	**(1,355)**	131
Loss on deemed acquisition/dilution of interests in associates	**(420)**	(1,680)
Gain arising from fair value adjustment on acquisition of additional interest in an associate	**108,142**	–
Net foreign exchange gain (loss)	**10,479**	(33,216)
Gain from changes in fair value of investment property	**6,576**	1,910
Reversal of allowance of trade, other receivables and trade receivables from related companies, net	**100**	5,641
	897	(27,214)

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**517,526**	468,304
Other borrowings wholly repayable within five years	**54,906**	43,540
Total borrowing costs	**572,432**	511,844
Add: Factoring cost for discounted receivables without recourse	**65,802**	19,212
Less: Amounts capitalised	**(70,011)**	(86,529)
	568,223	444,527

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 6.01% (2010: 5.06%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSE (CREDIT)

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**140**	–
– PRC Enterprise Income Tax	**7,958**	3,883
	8,098	3,883
Underprovision in prior year:		
– PRC Enterprise Income Tax *(Note)*	**18,308**	–
Deferred tax:		
Current year	**21,882**	(37,500)
Income tax expense (credit)	**48,288**	(33,617)

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

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.

Note: The underprovision of PRC Enterprise Income Tax included HK$32,111,000 which arose from the disallowance of the preferential tax treatment under the EIT Law for a subsidiary in the PRC in relation to the year ended 31 December 2008, as notified by the SAT during the year ended 31 December 2011.

9. (LOSS) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**474,019**	359,886
– retirement benefits scheme contributions	**57,976**	44,229
– share-based payments	**19,266**	35,382
	551,261	439,497
Amortisation of mining assets, included in cost of sales	**2,339**	1,888
Amortisation of prepaid lease rentals	**8,364**	7,871
Depreciation of property, plant and equipment	**828,336**	684,567
Total depreciation and amortisation	**839,039**	694,326
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**787**	(191)
– change in fair value of interest rate swap contracts	**4,386**	–
– change in fair value of option to subscribe for shares of a listed company in Australia	**–**	117
– change in fair value of commodity forward contracts	**(503,197)**	(286,313)
	(498,024)	(286,387)
Auditor's remuneration	**3,226**	2,652
Cost of inventories recognised as expenses	**21,075,802**	14,982,753
Fair value of commodity forward contracts upon settlement, included in cost of sales	**179,494**	139,313
Allowance (reversal of allowance) for inventories, net, included in cost of sales *(Note)*	**66,659**	(201,751)
Minimum lease payments under operating leases in respect of land and buildings	**3,451**	3,267
Rental income from investment properties under operating leases, less outgoings of HK$194,000 (2010: HK$209,000)	**(1,653)**	(1,147)

Note: During the year ended 31 December 2010, there was significant increase in net realizable value of finished goods because the market price of certain finished goods increased. As a result, a reversal of allowance for inventories of HK$201,751,000 had been recognised in cost of sales in that year.

10. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2010 final – HK1 cent (2010: nil) per ordinary share	**81,754**	–

The Board of Directors did not declare a final dividend for the year ended 31 December 2011 (2010: final dividend of HK1 cent per ordinary share in respect of the year ended 31 December 2010).

11. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**152,252**	499,576
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of associates based on dilution of their earnings per share	**(439)**	(4,250)
Earnings for the purpose of diluted earnings per share	**151,813**	495,326

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**8,531,308,549**	8,175,381,214
Effect of dilutive potential ordinary shares on share options	**8,012,370**	10,029,480
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**8,539,320,919**	8,185,410,694

The computation of diluted earnings per share does not assume the exercise of certain options as the relevant exercise price was higher than the average market price for shares for both 2011 and 2010.

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 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:

	2011	2010
	HK$'000	*HK$'000*
Within 60 days	**2,059,263**	1,514,457
61 – 90 days	**43,712**	10,127
91 – 180 days	**44,630**	64,368
181 – 365 days	**73,922**	33,421
	2,221,527	1,622,373

13. TRADE RECEIVABLES/TRADE PAYABLES/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. The 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 allowance of doubtful debts presented based on the invoice date at the end of the reporting period are as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 60 days	**599,655**	734,527
61 – 90 days	**113,680**	1,198
91 – 180 days	**229,068**	1,104
181 – 365 days	**19,367**	7,601
1 – 2 years	**4,460**	5,542
	966,230	749,972

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:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**202,232**	694,076
91 – 180 days	**18,765**	8,276
181 – 365 days	**12,111**	836
1 – 2 years	**43,718**	18,541
Over 2 years	**20,142**	38,316
	296,968	760,045

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

As at 31 December 2011 and 2010, the amount due from the ultimate holding company of a shareholder is non-trade in nature, unsecured, interest free and 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 balances are presented based on the invoice date at the end of the reporting period as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**2,731,018**	1,074,108
91 – 180 days	**118,797**	–
181 – 365 days	**–**	–
1 – 2 years	**140**	–
	2,849,955	1,074,108

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:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**2,413,327**	2,456,267
91 – 180 days	**426,896**	447,981
181 – 365 days	**275,657**	57,217
1 – 2 years	**46,038**	1,551
Over 2 years	**10,604**	3,119
	3,172,522	2,966,135

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2010: HK1 cent per share).

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 Company's annual general meeting to be held on Friday, 25 May 2012 (the "AGM"). During such 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 Foor, 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

COMPANY OVERVIEW

We are a heavy plate manufacturer in the PRC with various interests in upstream resources. Currently, our operations are mainly segregated into four segments, namely, steel manufacturing, mineral exploration, commodity trading and shipping. Principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei, PRC. Currently, we hold approximately 27.2 % (31 December 2010: 24.4%) equity stake of Shougang Fushan Resources Group Limited ("Fushan"), a Hong Kong-listed hard coking coal producer based in the PRC, in addition to 68% stake in a Chinese iron ore miner. We also have long-term iron ore offtake agreements with Australia-listed Mount Gibson Iron Limited ("Mt. Gibson") to enhance our investments in upstream resources. In addition, we own a deep processing centre on steel products to extend our operation to the downstream value chain. Such vertical integration strategy is advantageous in enhancing the heavy plate manufacturing operation of the Group.

PERFORMANCE REVIEW

In 2011, the steel market has showed characteristics of sharp and frequent volatilities. Increase in steel price has failed to catch up with that of rising raw material cost, coupled with slowing downstream demand growth and overcapacity, this conundrum cannot be solved quickly. In the meantime, many companies are facing severe operating and liquidity risks amidst tightening monetary policy, the industry is currently at its darkest before dawn. Our steel manufacturing segment has focused on serving petrochemical and wind power segments with premium thick plate products, which helps drive average selling price ("ASP") and thus turnover. Strong positive contributions by our mineral exploration segment also help compensate the overall results.

Net profit attributable to shareholders of the Group amounted to HK$152 million in 2011, comparing to HK$500 million last year. The Group recorded a consolidated turnover of HK$21,343 million in this year, representing an increase of 35% comparing to that of last. Basic earnings per share was HK1.8 cents.

FINANCIAL REVIEW

Year ended 31 December 2011 compared to the year ended 31 December 2010

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$21,343 million during the year under review, higher by 35% when comparing to that of last. Higher turnover comes from increase in quantities sold and ASP and hence turnover of the steel manufacturing segment, turnover from steel and iron ore trading also climbed.

Cost of sales for the year was HK$21,225 million, including transfer in HK$179 million fair value of iron ore offtake contracts, resulting in gross profit of HK$117 million, comparing to HK$713 million in the last.

EBITDA and Core Operating (Loss)/Profit

For the year under review, earnings before interest, tax, depreciation and amortization ("EBITDA") of the Group reached HK$1,599 million, comparing to HK$1,597 million in the last.

(Loss)/profit after tax included current significant non-cash and/or non-recurring charges and are reconciled below:

In HK$ million	**For the year ended 31 December 2011**	2010
Profit attributable to shareholders of the Group	**152**	500
Adjusted by: Non-cash items		
Fair value (gain) on iron ore offtake contracts, net	**(324)**	(147)
Fair value (gain) on acquisition of Fushan during the year	**(108)**	–
Impairment in Available for sale investment	**53**	–
Goodwill impairment	**22**	–
Employee share option expenses	**19**	35
Core operating (loss)/profit	**(186)**	388

Change in fair value of derivative financial instruments

This item comprises mainly change in fair value of the long term iron ore offtake agreement with Mt. Gibson. This offtake agreement is classified as financial asset, the value of which is calculated by independent valuer in accordance with factors such as iron ore purchase quantity and its annual forecasted prices, resulting in book gain or loss. Since both iron ore purchase quantity and its forecasted prices are higher than that of 2010, fair value of this asset has net increased by HK$324 million in the year under review.

Other gains and losses

This item comprises recurring items such as exchange differences, and also includes the following significant non-recurring items:

(i) The Company has made a full provision of HK$53 million on the value of the equity investment in Australasian Resources Limited which is classified as Available for sale investment, owing to lower share price;

(ii) The Group has made a provision for onerous contract of HK$47 million for its Shipping segment;

(iii) The Group has made a provision of HK$22 million for the goodwill arising from our investment in Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin"); and

(iv) The Group has recorded a fair value adjustment gain of HK$108 million on acquisition of additional interest in Fushan during the year.

Finance costs

For the year, finance costs amounted to HK$568 million, 28% higher than that of last year. The Group maintains a higher leverage currently to take advantage of the low interest environment.

Share of results of associates

In the year under review, we have recognized profit contribution of HK$554 million and HK$1 million from each of Fushan and Shougang Concord Century Holdings Limited ("Shougang Century").

Taxation

In the year under review, taxation expenses amounted to HK$48 million which mainly represented by under-recognized tax expenses of Qinhuangdao Shougang Plate Mill Co., Ltd. ("Qinhuangdao Plate Mill") in prior years at HK$32 million, in addition to reversal of deferred tax asset recognized.

REVIEW OF OPERATIONS

Summary of net profit/(loss) contribution to the group by operation/entity:

HK$'000 Operation/Entity		**Attributable interest**	**For the year ended 31 December 2011**	2010
1.	**Steel manufacturing**			
	Shouqin	76%	**(560,172)**	(322,697)
	Qinhuangdao Plate Mill	100%	**(56,645)**	(125,646)
	Sub-total		**(616,817)**	(448,343)
2.	**Mineral exploration**			
	Fushan	27.2%[1]	**553,679**	412,119
	Fair value adjustment on acquisition of additional interest	–	**108,142**	–
	Shouqin Longhui	67.8%	**(32,134)**	70,943
	Sub-total		**629,687**	483,062
3.	**Commodity trading**			
	Trading Group	100%	**79,555**	340,027
4.	**Shipping operations**			
	Shougang Shipping Group	100%	**(96,869)**	47,569

5.	**Others**			
	Shougang Century	35.7%	**1,161**	62,466
	Fair value gain on offtake contracts, net		**323,703**	147,000
	Impairment on Available for sale investment		**(53,425)**	–
	Goodwill impairment		**(22,000)**	–
	Corporate	100%	**(92,743)**	(132,205)
	Sub-total		**156,696**	77,261
	Total		**152,252**	499,576

Note 1: Since July 2011, the attributable interest increased from 24.4% to 27.2%

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Plate Mill. In this year under review, we have boosted our operations; there was also major leap forward in research and marketing. Production of pipeline steel plates was 332,000 tonnes, representing a 20% market share, taking up No. 2 spot in the PRC, our utilization rate also averaged over 90%, yet we were unable to fully offset the impact of elevated raw material cost, especially in the fourth quarter. This core segment recorded net loss of HK$617million during the current year, while that of last was net loss HK$448 million. Summary of production and sales quantities of the two manufacturing plants in the current and last year under this segment is as follows:

In '000 mt.		**Slabs**		**Heavy Plates**	
For the year ended 31 December		**2011**	2010	**2011**	2010
(i)	**Production**				
	Shouqin	**2,553**	2,394	**1,759**	1,313
	Qinhuangdao Plate Mill	**–**	–	**609**	639
	Total	**2,553**	2,394	**2,368**	1,952
	Change		+7%		+21%
(ii)	**Sales**				
	Shouqin#	**571**	927	**1,753**	1,283
	Qinhuangdao Plate Mill	**–**	–	**566**	576
	Total	**571**	927	**2,319**	1,859
	Change		–38%		+25%

Difference between production and sales of slabs is mainly represented by those consumed by Shouqin internally to produce heavy plates; slab sales are mainly made towards Qinhuangdao Plate Mill and are eliminated on consolidation

Shouqin

The Group holds 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 Company Limited and Shougang Corporation respectively.

Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to 4300mm wide hot rolling plate production line imported from Germany, focusing on serving industries such as heavy machinery, shipping, infrastructure and petrochemical. Currently, annual production capacities of slab and heavy plate have reached 3.6 million tonnes and 1.8 million tonnes respectively. For the current year, Shouqin reported a turnover of HK$12,687 million before elimination, recording a 28% rise on the comparative year. Reasons for such change are two-fold:

(i) Sales volume of heavy plates increased by 37%, while ASP (net of VAT) was HK$5,945 (RmB 4,927), about 12% higher than that of last year; but,

(ii) Sales volume of slabs decreased by 38%, with it using more of the slabs being produced itself. We scheduled a medium overhaul of the entire plant for two weeks in the first half of the year, resulting in lower overall utilization. We also made for HK$48 million in provision of impairment of inventory on prudence, comparing to HK$5 million last year.

Its downstream processing centre, Qinhuangdao Shouqin Steels Machining and Delivery Co., Ltd. is mainly engaged in pre-treatment of ship plates, heavy machinery engineering and structural steel. This entity recorded HK$688 million in turnover, increased by 40% from that of last, and contributed an attributable profit of HK$3 million in the year.

For the year ended 31 December 2011, Shouqin recorded a gross loss of HK$18 million, comparing to gross profit of HK$130 million in the last year, and thus contributed a net loss of HK$560 million to the Group.

Qinhuangdao Plate Mill

Qinhuangdao Plate Mill recorded a turnover of HK$3,792 million before elimination for the year ended 31 December 2011, a rise of 13% comparing with that of last. Slightly lower sales volume is offset by higher ASP (net of VAT) of HK$5,523 (RmB 4,577), about 12% higher than that of last year. As a result, the Group's share of loss of Qinhuangdao Plate Mill was HK$57 million, comparing to loss of HK$126 million last year.

We see near-term earnings remain sluggish for both plants under the high-cost environment, but the long term fundamentals remain positive.

Mineral exploration

Production and sale of coking coal

Fushan is a 27.2% held associate of the Group and is a major hard coking coal producer in China, currently operating three premium coking coal mines in Shanxi, PRC with an annual production capacity of over 6 million tonnes. Its consolidated turnover from continuing operations for the current year was HK$7,139million; net profit attributable to shareholders was HK$2,256 million, a rise of 29% and 25% respectively over that of last. Profit attributable to the Group was HK$554 million this year. Besides, the Group recorded a fair value adjustment gain of HK$108 million on acquisition of additional interest in Fushan during the year.

Demand towards quality coking coal is expected to be strong with higher steel production. Given the constrained supply outlook in the coking coal market in China, we are confident towards its future operations, expecting this upstream business to provide a sustainable profit base for the Group.

Production of iron ore products

The Group holds an effective 68% interest in Qinhuangdao Shouqin Longhui Mining Co., Ltd. ("Shouqin Longhui") which is situated in Qinglong County, Qinhuangdao City, Hebei, PRC. Shouqin Longhui currently holds two magnetite iron ore mines in addition to concentrating and pelletizing facilities.

During the year under review, Shouqin Longhui sold approximately 1.6 million tonnes of iron ore pellets, a decrease of 4% from that of last, while ASP has increased by 12% to HK$1,578 (RmB1,308). It recorded a turnover HK$2,550 million for the year before elimination, loss attributable to the group was about HK$32 million, comparing to an attributable profit of HK$71 million in the last.

Commodity trading ("Trading")

Our Trading operations are jointly conducted by SCIT Trading Limited and Shougang Concord Steel Holdings Limited and its subsidiaries (The "Trading Group"), both of which are wholly owned by the Group. The Trading Group reported a turnover of HK$5,463 million in the year ended 31 December 2011, which was HK$3,593 million in the last year. The Trading Group sold approximately 2.9 million tonnes of iron ore to external parties, which was similar comparing to last, through long term offtake arrangements with Mt. Gibson covering its Koolan Island and Tallering Peak mines. Significant rainfall and an extremely wet season caused flooding in Mt. Gibson's facilities in the first quarter of the year, adversely affecting its output. Lower profit was also due to a collapse in iron ore price from US$171 per tonne on 30 September 2011 to US$119 per tonne on 31 October, a drop of 30%, resulting in selling losses in the fourth quarter. We were forced to warehouse a cargo of 70,000 tons of iron ore, which was sold at a loss after year-end, thereby recording an inventory impairment provision of HK$23 million. We usually do not bear inventory risk by best-efforts sales to spot market once the goods are bought. Management has already actively taken steps to mitigate similar inventory risk in the future. Trading of other steel products still recorded a small gain. The resulting net gain was HK$79 million in the current year, comparing to a net gain of HK$340 million in the last. The Trading Group has already strengthened its business development in the PRC and is prepared to cover more varieties and quantities, including higher offtake volume from Mt. Gibson; results from this operation are expected to recover in the future.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") reported a net loss of HK$97 million (including a provision for onerous contract of HK$47 million) for the current year under review, compared to a net gain of HK$48 million last year. This operating segment mainly conducts chartering services of two capsized vessels; the leases of which shall expire in 2012. Should global economy recover, we should see improvement in transaction volume and prices in the charter market.

Other business

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

Shougang Century, a 35.7% associate of the Group, recorded net profit of HK$3 million in the current year. The Group's share of its net results was a profit of HK$1million, comparing to share of profit of HK$62 million in the last.

Lower profit from Shougang Century is mainly the result of a competitive operating environment in the steel cord sector from a price war that started in the second half of 2011. Rising auto ownership and road traffic in China should be beneficial for the overall business in the long term.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

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

1. **Leverage**

   The financial leverage of the Group as at 31 December 2011 as compared to 31 December 2010 is summarized below:

HK$ million	**31 December 2011**	31 December 2010
Total Debt		
– from banks	**12,188**	10,734
– from parent company	**1,010**	969
sub-total	**13,198**	11,703
Cash and bank deposits	**2,940**	1,984
Net debt	**10,258**	9,719
Total capital (Equity and debt)	**23,346**	21,270
Financial leverage		
– Net debt to total capital	**43.9%**	45.7%
– Net debt to total assets	**31.2%**	32.8%

2. **Currency and Interest Rate Risk**

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

   The Group conducts its businesses mainly in Hong Kong and Mainland China, it is subject to the foreign exchange fluctuations of HK Dollars, US Dollars and Renminbi. To minimize currency exposure, non-Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. For the year ended 31 December 2011, approximately 80% 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. The Group also enters into certain interest rate swaps to mitigate interest rate risks. Notional amounts of such derivative instruments amounted to approximately HK$195 million as at end of this year.

3. **Financing activities**

   The Company has concluded four new bank financings during the year, totaling HK$1,400million (US$180 million), of tenors between 36 to 42 months.

MATERIAL ACQUISITIONS & DISPOSALS

On 5 May 2011, the Company entered into an acquisition agreement with its major shareholder Shougang HK to acquire additional shares in Fushan, increasing our equity interest from 24.4% to 27.2%. The Company issued approximately 778 million new shares as consideration of the acquisition. This acquisition was completed on 18 July 2011. Details can be found in our announcements.

CAPITAL STRUCTURE

During the year, the Company issued 778 million new shares for the acquisition described above. The issued share capital of the Company was HK$1,791 million (represented by 8,953 million ordinary shares).

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 4,700 employees as at 31 December 2011.

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

With the complicated and difficult situations in the world, slowdown in global economy looks inevitable. Inflation control remains a major target in China' s economic cycle. Stricter loan-to-deposit ratio for banks and tighter monetary policy has restricted growth in downstream demand. At the same time, China's stimulation in construction in areas such as social housing, water works and environmental protection shall persist, steel demand looks set to bounce back. However, steel manufacturers continue to be squeezed by upstream and downstream pressures, which remain a major challenge ahead.

We continue to seek opportunities to strengthen our value chain integration, increasing upstream exposure through investments in iron ore and coking coal, whilst increasing competitiveness from improving product mix. We are confident in getting past this storm and eventually bringing sweet fruits to our shareholders.

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 2011, 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 19 May 2011 (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 chairmen 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 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
Managing Director

Hong Kong, 22 March 2012

As at the date of this announcement, the Board comprises Mr. Wang Qinghai (Chairman), Mr. Cao Zhong (Vice Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (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).