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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 2008

FINANCIAL HIGHLIGHTS

- Profit attributable to shareholders up 1.1% to HK\$1.42 billion. Excluding non-cash impairment charges of options and shares in an Australian company as well as employee share option expenses, core operating profit stood at HK\$1.76 billion, a 43.6% increase over that of 2007
- Consolidated turnover jumped by 54.0% to HK\$17.67 billion; consolidated GP stood at 19.7%
- Production of heavy plates rose to 2.3 million tonnes in the steel manufacturing segment, rising by 10.4% when comparing to that of last year
- EPS was HK19.7 cents. Final dividend of HK3 cents per share; including interim dividend paid, total dividends for 2008 amount to HK5 cents per share.

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 2008 with comparative figures for the year ended 31 December 2007. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK\$'000	2007 HK\$'000 (restated)
Continuing operations			
Revenue	2	17,464,705	10,926,391
Cost of sales		(14,024,858)	(8,737,958)
Gross profit		3,439,847	2,188,433
Other income	3	155,240	150,782
Other gains and losses		(39,098)	34,243
Change in fair value of derivative financial instruments		(208,730)	167,985
Impairment loss on available-for-sale investments		(91,143)	–
Distribution and selling expenses		(287,006)	(176,540)
Administrative expenses		(643,538)	(504,846)
Finance costs	4	(448,748)	(347,714)
Share of (loss) profit of associates		(22,417)	23,282
Gain on disposal of partial interest in a subsidiary		–	103,710
Profit before taxation		1,854,407	1,639,335
Income tax expense	5	(39,002)	(25,430)
Profit for the year from continuing operations		1,815,405	1,613,905
Discontinued operations			
Profit after tax for the year from discontinued operations	6	11,237	58,914
Profit for the year	7	1,826,642	1,672,819
Attributable to:			
Equity holders of the Company		1,419,463	1,404,196
Minority interests		407,179	268,623
		1,826,642	1,672,819
Dividends recognised as distribution during the year	8		
Interim dividend of HK2.0 cents (2007: nil) per ordinary share		144,350	–
Final dividend of HK4.0 cents (2007: HK2.1 cents) per ordinary share		291,334	123,162
Special dividend of HK4.0 cents (2007: nil) per ordinary share		291,334	–
		727,018	123,162

CONSOLIDATED INCOME STATEMENT– continued*For the year ended 31 December 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Earnings per share	9		
From continuing and discontinued operations:			
– Basic		<u>19.67 HK cents</u>	<u>22.12 HK cents</u>
– Diluted		<u>19.55 HK cents</u>	<u>21.10 HK cents</u>
From continuing operations:			
– Basic		<u>19.57 HK cents</u>	<u>21.70 HK cents</u>
– Diluted		<u>19.45 HK cents</u>	<u>20.71 HK cents</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Investment properties		37,102	32,217
Property, plant and equipment		9,078,400	7,818,140
Prepaid lease rentals		332,945	354,243
Intangible assets		176,897	77
Goodwill		218,015	283,122
Interests in associates		667,905	310,368
Available-for-sale investments		342,426	467,573
Deposits for acquisition of property, plant and equipment		311,470	319,774
		11,165,160	9,585,514
CURRENT ASSETS			
Inventories		1,886,251	1,299,129
Trade and bill receivables	<i>10</i>	920,131	845,043
Trade receivables from related companies	<i>11</i>	1,722,235	662,294
Prepayments, deposits and other receivables		331,641	359,709
Prepaid lease rentals		5,714	9,431
Tax recoverable		1,317	8,778
Amounts due from related companies	<i>11</i>	508,399	17,599
Amount due from a minority shareholder of a subsidiary		3,398	3,204
Amount due from ultimate holding company of controlling shareholder	<i>12</i>	412	269,570
Other financial assets		449,671	177,654
Restricted bank deposits		650,619	68,779
Bank balances and cash		3,382,952	3,256,837
		9,862,740	6,978,027

CONSOLIDATED BALANCE SHEET – continued

At 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
CURRENT LIABILITIES			
Trade and bill payables	<i>13</i>	1,373,611	954,829
Other payables and accrued liabilities		1,377,535	1,597,538
Tax payable		33,403	16,233
Amounts due to related companies	<i>11</i>	694,505	546,797
Amount due to ultimate holding company of controlling shareholder	<i>12</i>	172,531	209,281
Bank borrowings – due within one year		3,141,658	3,194,900
Other financial liabilities		56,666	13,949
Loans from ultimate holding company of controlling shareholder		928,320	1,070,663
		7,778,229	7,604,190
NET CURRENT ASSETS (LIABILITIES)			
		2,084,511	(626,163)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		13,249,671	8,959,351
NON-CURRENT LIABILITIES			
Banking borrowings – due after one year		4,138,219	965,044
Deferred tax liabilities		50,114	50,374
		4,188,333	1,015,418
		9,061,338	7,943,933
CAPITAL AND RESERVES			
Share capital		1,435,076	1,400,639
Share premium and reserves		6,128,762	5,414,092
Equity attributable to equity holders of the Company		7,563,838	6,814,731
Minority interests		1,497,500	1,129,202
		9,061,338	7,943,933

Notes:

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

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁴
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁶
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁷

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods ending on or after 30 June 2009

⁵ Effective for annual periods beginning on or after 1 July 2008

⁶ Effective for annual periods beginning on or after 1 October 2008

⁷ Effective for transfers on or after 1 July 2009

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS – continued

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

The Directors of the Company anticipate that the application of the other standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

2. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

Revenue arising from sales of steel products, electricity, steam and hot water, installation of kitchen and laundry equipment, leasing income, charter hire income and management services income during the year, for both continuing and discontinued operations, is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Continuing operations		
Sale of steel products	16,963,360	10,550,620
Vessel chartering and floating cranes leasing income	499,113	373,773
Management services income	2,232	1,998
	<hr/> 17,464,705	<hr/> 10,926,391
Discontinued operations		
Electricity, steam and hot water generation income	209,644	481,179
Revenue from manufacturing and installation of kitchen and laundry equipment	<hr/> –	<hr/> 70,330
Total	<hr/> 17,674,349 <hr/>	<hr/> 11,477,900 <hr/>

(a) Business segments

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information:

Steel manufacturing	– manufacture and sale of steel products;
Shipping operations	– vessel chartering and the leasing of floating cranes;
Steel trading	– trading of steel products;
Others	– management services business.

During the year, the electricity generation operation was discontinued on 12 June 2008. In addition, the kitchen and laundry equipment operation was discontinued on 27 June 2007. Details of the discontinued operation are set out in note 6.

2. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

(a) Business segments – continued

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 December 2008

	Continuing operations					Discontinued operation		
	Steel manufacturing	Shipping operations	Steel trading	Others	Elimination	Total	Electricity generation	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue								
External customers	14,076,252	499,113	2,887,108	2,232	–	17,464,705	209,644	17,674,349
Inter-segment sales	1,643,365	–	–	–	(1,643,365)	–	–	–
Total	<u>15,719,617</u>	<u>499,113</u>	<u>2,887,108</u>	<u>2,232</u>	<u>(1,643,365)</u>	<u>17,464,705</u>	<u>209,644</u>	<u>17,674,349</u>
Inter-segment sales are charged at prevailing market rates.								
Segment results	<u>2,363,229</u>	<u>323,067</u>	<u>27,926</u>	<u>2,240</u>	<u>–</u>	<u>2,716,462</u>	<u>18,882</u>	<u>2,735,344</u>
Unallocated other income						122,521	12	122,533
Unallocated corporate expenses						(513,411)	–	(513,411)
Finance costs						(448,748)	(5,475)	(454,223)
Share of loss of associates	(22,417)	–	–	–	–	(22,417)	–	(22,417)
Profit before taxation						1,854,407	13,419	1,867,826
Income tax expense						(39,002)	(6,411)	(45,413)
Gain on disposal of a subsidiary						–	4,229	4,229
Profit for the year	<u>1,815,405</u>	<u>11,237</u>	<u>1,826,642</u>					

2. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

(a) Business segments – continued

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 December 2007 (restated)

	Continuing operations					Discontinued operations				
	Steel manufacturing HK\$'000	Shipping operations HK\$'000	Steel trading HK\$'000	Others HK\$'000	Elimination HK\$'000	Total HK\$'000	Kitchen Electricity and laundry generation equipment HK\$'000		Total HK\$'000	Consolidated HK\$'000
Revenue										
External customers	9,108,887	373,773	1,441,733	1,998	–	10,926,391	481,179	70,330	551,509	11,477,900
Inter-segment sales	813,576	–	–	–	(813,576)	–	–	–	–	–
Total	9,922,463	373,773	1,441,733	1,998	(813,576)	10,926,391	481,179	70,330	551,509	11,477,900

Inter-segment sales are charged at prevailing market rates.

Segment results	1,441,131	218,773	29,846	1,998	–	1,691,748	86,949	(296)	86,653	1,778,401
Unallocated other income						288,506	(97)	(29)	(126)	288,380
Unallocated corporate expenses						(120,197)	–	–	–	(120,197)
Finance costs						(347,714)	(10,369)	(16)	(10,385)	(358,099)
Share of profit of an associate	23,282	–	–	–	–	23,282	–	–	–	23,282
Gain on disposal of partial interest in a subsidiary	103,710	–	–	–	–	103,710	–	–	–	103,710
Profit (loss) before taxation						1,639,335	76,483	(341)	76,142	1,715,477
Income tax expense						(25,430)	(9,697)	(478)	(10,175)	(35,605)
Loss on disposal of subsidiaries						–	–	(7,053)	(7,053)	(7,053)
Profit (loss) for the year						1,613,905	66,786	(7,872)	58,914	1,672,819

2. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

(b) Geographical segments

The Group's operations are located in the PRC including Hong Kong.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	Revenue	
	2008	2007
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
PRC, excluding Hong Kong	12,639,939	8,588,643
Hong Kong	3,582,645	1,523,400
Others	1,242,121	814,348
	17,464,705	10,926,391
Discontinued operations		
PRC, excluding Hong Kong	209,644	541,263
Hong Kong	–	10,246
	209,644	551,509
Total	17,674,349	11,477,900

3. OTHER INCOME

	2008	2007
	HK\$'000	HK\$'000
		(restated)
Continuing operations		
Interest income on bank deposits	102,678	93,878
Discount on acquisition of partial interest in an associate	16,414	–
Refund of value added tax	7,893	4,210
Scrap sales income	5,392	3,604
Compensation income	222	217
Gain on deemed disposal of partial interest in an associate	–	5,166
Sundry income	22,641	23,678
Tax refund on reinvestment of dividends to subsidiaries	–	20,029
	155,240	150,782
Discontinued operations	21	1,659
Total	155,261	152,441

4. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000 (restated)
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	403,167	265,441
Other borrowings wholly repayable within five years	51,976	75,847
Cost of arrangement of bank borrowings	3,575	10,151
	<hr/>	<hr/>
Total borrowing costs	458,718	351,439
Less: amounts capitalised	(9,970)	(3,725)
	<hr/>	<hr/>
	448,748	347,714
Discontinued operations		
Interest on bank and other borrowings wholly repayable within five years	5,475	10,369
Interest on finance leases	–	16
	<hr/>	<hr/>
	5,475	10,385
	<hr/>	<hr/>
Total	<u>454,223</u>	<u>358,099</u>

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate at 7.20% (2007: 6.57%) per annum to expenditure on qualifying assets.

5. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000
Current tax:						
Hong Kong	–	492	–	–	–	492
PRC Enterprise Income Tax	40,790	23,616	6,374	9,990	47,164	33,606
Underprovision in prior years:						
PRC Enterprise Income Tax	–	–	37	185	37	185
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	40,790	24,108	6,411	10,175	47,201	34,283
Deferred tax:						
Current year	(1,760)	(2,114)	–	–	(1,760)	(2,114)
Attributable to change in tax rate	(28)	3,436	–	–	(28)	3,436
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Income tax expense	<u>39,002</u>	<u>25,430</u>	<u>6,411</u>	<u>10,175</u>	<u>45,413</u>	<u>35,605</u>

5. INCOME TAX EXPENSE – continued

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

On 16 March 2007, the PRC promulgated the Law on Enterprise Income Tax (the “New Law”) by Order No. 63 issued by the Tenth National People’s Congress. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations change the tax rate for the current year. The New Law provides a five-year transition period from 1 January 2008 for those subsidiaries which were established before the promulgation date of the New Law and which are entitled to a preferential lower tax rate under the effective tax laws or regulations and hence the 25% tax rate is only applicable to certain subsidiaries after the expiry of tax holidays and concessions.

6. DISCONTINUED OPERATIONS

On 30 April 2008, the Group entered into a sale agreement to dispose of the entire interest in Ultra Result Limited (“URL”) and its subsidiary, which carried out all of the Group’s electricity generation operation, to a subsidiary of the Company’s controlling shareholder. The disposal was completed on 12 June 2008 (the “Completion Date”), on which date control of URL and its subsidiary was passed to the acquirer. Due to the disposal of the electricity generation operation during the year ended 31 December 2008, the comparative figures have been restated to present the electricity generation operation as discontinued operation for the year ended 31 December 2007.

On 27 June 2007, the Group entered into a sale agreement to dispose of Radnor Limited and its subsidiaries, which carried out all of the Group’s kitchen and laundry equipment operations, to a third party. The disposal was completed on 27 June 2007, on which date control of Radnor Limited and its subsidiaries was passed to the acquirer.

The profit (loss) for the period/year from the discontinued operations are analysed as follows:

	2008 HK\$'000	2007 HK\$'000 (restated)
Profit of electricity generation operation for the period/year	7,008	66,786
Gain on disposal of electricity generation operation	4,229	–
Loss of kitchen and laundry equipment operation for the period	–	(819)
Loss on disposal of kitchen and laundry equipment operation	–	(7,053)
	<u>11,237</u>	<u>58,914</u>

6. DISCONTINUED OPERATIONS – continued

The results of the period/year from the discontinued operations were as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i> (restated)
Revenue	209,644	551,509
Cost of sales	(162,471)	(426,720)
Other income	21	1,659
Distribution costs	–	(1,119)
Administrative expenses	(28,300)	(38,802)
Finance costs	(5,475)	(10,385)
	<hr/>	<hr/>
Profit before tax	13,419	76,142
Income tax expense	(6,411)	(10,175)
	<hr/>	<hr/>
Profit for the period/year	7,008	65,967
	<hr/> <hr/>	<hr/> <hr/>

Electricity generation operation

The results of the electricity generation operation were as follows:

	1 January 2008 to 12 June 2008 <i>HK\$'000</i>	1 January 2007 to 31 December 2007 <i>HK\$'000</i>
Revenue	209,644	481,179
Cost of sales	(162,471)	(361,270)
Other income	21	1,495
Administrative expenses	(28,300)	(34,552)
Finance costs	(5,475)	(10,369)
	<hr/>	<hr/>
Profit before tax	13,419	76,483
Income tax expense	(6,411)	(9,697)
	<hr/>	<hr/>
Profit for the period/year	7,008	66,786
	<hr/> <hr/>	<hr/> <hr/>

The net assets of URL and its subsidiary at the date of disposal were HK\$571,047,000.

6. DISCONTINUED OPERATIONS – continued

Kitchen and laundry equipment operation

The results of the kitchen and laundry equipment operation were as follows:

	1 January 2007 to 27 June 2007
	<i>HK\$'000</i>
Revenue	70,330
Cost of sales	(65,450)
Other income	164
Distribution costs	(1,119)
Administrative expenses	(4,250)
Finance costs	(16)
	<hr/>
Loss before tax	(341)
Income tax expense	(478)
	<hr/>
Loss for the period	(819)
	<hr/> <hr/>

The net assets of Radnor Limited and its subsidiaries at the date of disposal were HK\$10,698,000.

7. PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)		
Profit for the year has been arrived at after charging (crediting):						
Staff costs, including Directors' emoluments						
– basic salaries and allowances	338,611	240,161	7,332	23,765	345,943	263,926
– retirement benefits						
scheme contributions	41,962	27,949	1,002	4,319	42,964	32,268
– share-based payments	110,877	59,726	–	–	110,877	59,726
	<u>491,450</u>	<u>327,836</u>	<u>8,334</u>	<u>28,084</u>	<u>499,784</u>	<u>355,920</u>
Amortisation of intangible assets (included in administrative expenses)	80	414	–	–	80	414
Depreciation of property, plant and equipment	<u>540,667</u>	<u>421,533</u>	<u>7,052</u>	<u>17,616</u>	<u>547,719</u>	<u>439,149</u>
Total depreciation and amortisation	540,747	421,947	7,052	17,616	547,799	439,563
Change in fair value of derivative financial instruments						
– change in fair value of foreign currency forward contracts	86,660	(17,576)	–	–	86,660	(17,576)
– change in fair value of option to subscribe for shares of a listed company in Australia	147,109	(150,409)	–	–	147,109	(150,409)
– change in fair value of commodity forward contracts	<u>(25,039)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(25,039)</u>	<u>–</u>
	208,730	(167,985)	–	–	208,730	(167,985)
Auditors' remuneration	2,911	2,700	–	216	2,911	2,916
Cost of inventories recognised as expenses	13,855,272	8,590,499	162,471	424,467	14,017,743	9,014,966
Loss on disposal of property, plant and equipment (<i>Note</i>)	3,594	3,059	10,348	7	13,942	3,066
Change in fair value of investment properties (<i>Note</i>)	1,642	(3,033)	–	–	1,642	(3,033)
Minimum lease payments under operating leases in respect of land and buildings	5,109	3,026	–	146	5,109	3,172
Amortisation of prepaid lease rentals	5,456	4,775	1,945	4,394	7,401	9,169
Allowance (reversal of allowance) for inventories	117,319	(13,324)	–	2,718	117,319	(10,606)
Rental income from investment properties under operating leases, less outgoings of HK\$251,000 (2007: HK\$124,000)	(1,161)	(495)	–	–	(1,161)	(495)
(Reversal of) allowance for bad and doubtful debt, net (<i>Note</i>)	(3,833)	(16,264)	–	24	(3,833)	(16,240)
Exchange loss (gain), net (<i>Note</i>)	<u>37,695</u>	<u>(18,005)</u>	<u>–</u>	<u>253</u>	<u>37,695</u>	<u>(17,752)</u>

7. PROFIT FOR THE YEAR – continued

During the year ended 31 December 2007, there was significant increase in net realisable value of finished goods because the market price of certain finished goods increased. As a result, a reversal of allowance for inventories of HK\$13,324,000 attributable to continuing operations had been recognised in cost of sales in that year.

Note: Amounts included in other gains and losses

8. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Dividends recognised as distribution during the year:		
Interim – HK2 cents (2007: nil) per ordinary share	144,350	–
Final – HK4 cents (2007: HK2.1 cents) per ordinary share	291,334	123,162
Special – HK4 cents (2007: nil) per ordinary share	291,334	–
	<u>727,018</u>	<u>123,162</u>

The final dividend of HK3 cents per ordinary share for the year ended 31 December 2008 (2007: final dividend of HK4 cents and special dividend of HK4 cents per ordinary share) have been proposed by the Directors and are subject to approval by shareholders at the forthcoming annual general meeting of the Company.

The proposed dividends for 2008 are payable to all shareholders whose names appear on the register of members on 1 June 2009.

9. EARNINGS PER SHARE

From continuing and discontinued operations

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

	2008 HK\$'000	2007 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to equity holders of the Company)	1,419,463	1,404,196
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	<u>(343)</u>	<u>(1,548)</u>
Earnings for the purpose of diluted earnings per share	<u>1,419,120</u>	<u>1,402,648</u>

9. EARNINGS PER SHARE – continued

From continuing and discontinued operations – continued

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,214,737,209	6,349,475,407
Effect of dilutive potential ordinary shares on share options	<u>42,404,625</u>	<u>297,559,030</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>7,257,141,834</u></u>	<u><u>6,647,034,437</u></u>

From continuing operations

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

	2008 HK\$'000	2007 HK\$'000 (restated)
Earnings figures are calculated as follow:		
Profit for the year attributable to equity holders of the Company	1,419,463	1,404,196
Less: Profit from discontinued operations	<u>(7,801)</u>	<u>(26,100)</u>
Earnings for the purpose of basic earnings per share from continuing operations	1,411,662	1,378,096
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	<u>(343)</u>	<u>(1,548)</u>
Earnings for the purpose of diluted earnings per share from continuing operations	<u><u>1,411,319</u></u>	<u><u>1,376,548</u></u>

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

From discontinued operations

Basic earnings per share from discontinued operations is HK0.10 cent per share (2007: HK0.42 cent per share) and diluted earnings per share from the discontinued operations is HK0.10 cent per share (2007: HK0.39 cent per share), based on the profit for the year from the discontinued operations of HK\$7,801,000 (2007: HK\$26,100,000) and the denominators detailed above for both basic and diluted earnings per share.

10. TRADE AND BILL RECEIVABLES

For most customers, in particular in steel manufacturing segment, the Group requires a certain level of deposits to be paid or settlement by bank bills before delivery. The Group allows a range of credit period to its customers normally not more than 30 days, except for certain well established customers, where the terms are extended to 60 days. The following is an aged analysis of trade and bill receivables net of allowance for bad and doubtful debts at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
Within 60 days	920,111	720,504
61 – 90 days	20	3,336
91 – 180 days	–	121,160
181 – 365 days	–	43
	<u>920,131</u>	<u>845,043</u>

11. 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.

- (a) The trade receivables from related companies and an aged analysis of such balances net of allowance for bad and doubtful debts are as follows:

	2008 HK\$'000	2007 HK\$'000
Within 60 days	1,486,237	513,274
61 – 90 days	–	38,219
91 – 180 days	18,316	91,777
181 – 365 days	217,682	18,858
1- 2 years	–	166
	<u>1,722,235</u>	<u>662,294</u>

- (b) The trade payables to related companies and an aged analysis of such balances are as follows:

	2008 HK\$'000	2007 HK\$'000
Within 90 days	412,911	346,330
91 -180 days	15,005	3,945
181 – 365 days	2,634	418
1 – 2 years	7,387	6,568
Over 2 years	5,156	5,985
	<u>443,093</u>	<u>363,246</u>

12. AMOUNT DUE FROM (TO) ULTIMATE HOLDING COMPANY OF CONTROLLING SHAREHOLDER

The trade receivables/payables from (to) ultimate holding company of controlling shareholder are unsecured, interest-free and repayable within 60 days. The non-trade receivables/payables from (to) ultimate holding company of controlling shareholder are unsecured, interest-free and are repayable on demand.

- (a) Trade receivables from the ultimate holding company of the controlling shareholder as at 31 December, 2007 is approximately HK\$268,534,000 (2008: Nil) and aged within 60 days.
- (b) The trade payables to the ultimate holding company of the controlling shareholder and an aged analysis of such balance are as follows:

	2008 HK\$'000	2007 HK\$'000
Within 90 days	78,142	51,952
91 - 180 days	–	23,454
181 - 365 days	–	25,417
1 - 2 years	–	121
Over 2 years	26	–
	<u>78,168</u>	<u>100,944</u>

13. TRADE AND BILL PAYABLES

The following is an aged analysis of trade and bill payables at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
Within 90 days	1,151,219	806,873
91 -180 days	202,006	136,819
181 – 365 days	13,977	6,652
1 – 2 years	5,015	2,236
Over 2 years	1,394	2,249
	<u>1,373,611</u>	<u>954,829</u>

DIVIDEND

The Board recommends a final dividend of HK\$0.03 per share for the year ended 31 December 2008 (2007: final dividend of HK\$0.04 per share and special dividend of HK\$0.04 per share) payable to shareholders whose names appear on the register of members of the Company on Monday, 1 June 2009. Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Monday, 1 June 2009, the final dividend is expected to be paid on or about Friday, 12 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 29 May 2009 to Monday, 1 June 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 27 May 2009 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

2008 started with optimism and hope through to the end of Beijing Olympics in September, the flourishing demand across of all segments provided much room for profitability. Things suddenly started to take a wrong turn post-Olympics, customers have become more cautious amidst the sharp deterioration in global economic conditions. The Group's performance has subsequently been negatively impacted mainly in the last quarter.

For the year ended 31 December 2008, net profit attributable to shareholders of the Group amounted to HK\$1,419.5 million¹, representing an increase of 1.1% over that of the last year. Excluding non-cash impairment charges of options and shares in Australasian Resources Limited ("ARH") at HK\$238 million as well as employee share option expenses at HK\$111 million, core operating profit stood at HK\$1,764.4 million, amongst which steel manufacturing segment reporting net profit of over HK\$1,485.7 million. The Group recorded a consolidated turnover of HK\$17,674.3 million¹ in the year, which showed an increase of 54.0% comparing with that of last year. Basic and diluted earnings per share was HK19.7 cents and HK19.6 cents respectively.

OVERVIEW – continued

The Group has been progressively executing its strategy to become to a more vertically-integrated steel manufacturer. With our own resources, one can effectively control its input costs much better. Such initiatives are as follows which, during the year and to date, we have:

- (i) acquired 14.3% equity interest in Mount Gibson Iron Limited (“Mount Gibson”), a pure-play iron ore producer which is listed in Australia. We have also executed a series of iron ore offtake agreements so that a sizeable quantity of ore will be available to us for a long time at discount to market/benchmark prices. Shipment has already commenced in the last quarter of 2008 and it should be a win-win result for all;
- (ii) set up a new iron ore mining joint venture in Qinhuangdao city, the same city where our manufacturing facilities are located. The mines are expected to be operational from around second half of this year, mainly for our own raw material requirements; and,
- (iii) acquired 12.0% equity interest in Fushan International Energy Group Limited, the second largest coking coal producer which is listed in Hong Kong. We expect to have beneficial business relationship with each other on a long term basis on our coal requirements.

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

FINANCIAL REVIEW

Year ended 31 December 2008 compared to year ended 31 December 2007

Turnover and Cost of Sales

For the year under review, the Group recorded a consolidated turnover of HK\$17,674.3 million, representing an increase of 54.0% over that of last year. The increase is mainly attributed to higher selling prices and increased sales volume in the steel manufacturing segment.

Cost of sales for the current year was HK\$14,187.3 million. The resulting gross profit margin of 19.7% was similar to that of last year.

EBITDA and Core Operating Profit

In this current year, earnings before interest, tax, depreciation and amortization (“EBITDA”) of the Group reached HK\$2,466.9 million, which increased by 10.3% from HK\$2,237.5 million of the last year.

EBITDA and Core Operating Profit – continued

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

<i>In HK\$ million</i>	Year ended 31 December	
	2008	2007
Profit attributable to shareholders	1,419.5	1,404.2
Adjusting for loss/(gain) items:		
FV loss/(gain) on ARH Options	147.1	(150.4)
Impairment loss on ARH shares	91.1	–
Employee share option expenses	110.9	59.7
	1,768.6	1,313.5
(Gain)/Loss on asset realizations		
Power Plant	(4.2)	–
20% interest in Shouqin	–	(92.0)
Kitchen and laundry segment	–	7.1
Core Operating Profit	1,764.4	1,228.6

Taking out significant non-operational related items, core operating profit of the Group rose by 43.6% on the comparative year.

Finance cost

In the current year, finance cost increased to HK\$454.2 million, comparing to HK\$358.1 million last year, or 26.8%. Apart from rising interest rates, debt level has increased resulting in higher finance cost for the year.

REVIEW OF OPERATIONS

Manufacture and Sale of Steel Products

The Group operates in this business segment through a 76%-owned Qinhuangdao Shouqin Metal Materials Co., Ltd. (“Shouqin”) and a wholly-owned subsidiary Qinhuangdao Shougang Plate Mill Co., Ltd. (“Qinhuangdao Plate Mill”). This segment has contributed 80% of the Group’s turnover (2007: 79%). During the first half year under review, steel prices surged, enabling much profitability for steel manufacturing enterprises. We were hurt by the sharp deterioration of global economy in the second half of the year which caused rapid slowdown in demand, in addition to comparatively higher cost of raw materials on hand at that time. This core segment has realized HK\$1,485.7 million in net profit, comparing to HK\$933.0 million last year, rising by 59%. Summary of production and sales quantities during this year and last year of the two manufacturing plants under this segment is as follows:

<i>In '000 mt.</i>		Slabs		Heavy Plates	
	2008	2007	2008	2007	
(i)	Production				
	Shouqin	2,650	2,425	1,462	1,218
	Qinhuangdao Plate Mill	—	—	825	854
	Total	2,650	2,425	2,287	2,072
(ii)	Sales				
	Shouqin	985	1,310	1,444	1,076
	Qinhuangdao Plate Mill	—	—	763	812
	Total	985	1,310	2,207	1,888

Shouqin

From 7 February 2007, the Group has held an effective interest of 76% in Shouqin (52% held by the Group directly and 24% through Qinhuangdao Plate Mill), the remaining 20% and 4% were held by Hyundai Heavy Industries Co., Ltd. and Shougang Corporation respectively.

Shouqin is a leading environment-friendly integrated facility encompassing the entire process from iron, steel, slab to plate with 4300mm hot rolling lines imported from Germany. The plant has an annual production capacity of 2.6 million tonnes in steel slabs and 1.8 million tonnes in high value-adding heavy plates (steel slabs are rolled into plates as finished goods). We have increasing varieties of high value-adding heavy plates, especially those tailored for infrastructure, petrochemical industry and construction of heavy machinery. We have also successfully implemented 5S and Six Sigma quality improvements imperatives in Shouqin during the year.

Manufacture and Sale of Steel Products – continued

Shouqin achieved good performance in 2008 and recorded a turnover of HK\$14,858.8 million (before elimination of intersegment sales), comparing to HK\$9,141.5 million last year, or a rise of 62.5%. While its plate rolling system only reached design capacity since April 2007, it currently runs at an almost 120% utilization rate. In the year under review, net profit attributable to the Group from Shouqin amounted to HK\$1,278.2 million, versus a profit contribution of HK\$731.2 million last year, registering an increase of 74.8%. Input costs are expected to be much lower in the future through progressive vertical integration, therefore we are confident of Shouqin's results in the forthcoming years.

Qinhuangdao Plate Mill

With a medium plate (upto 3 m. in width) hot rolling facility starting from 1993, Qinhuangdao Plate Mill's results were more than satisfactory. Turnover of Qinhuangdao Plate Mill was HK\$5,756.8 million (before elimination of intersegment sales) for the year, representing an increase of 47.3% from that of last year. With sales volume of major steel products slightly decreased by 6.0%, the average selling price has however increased by approximately 35% over that of last year. As a result, net profit for the current year attributable to the Group was HK\$207.5 million (excluding the share of 24% results in Shouqin), rising by about 3.0% comparing to that of last year.

Shipping operations

Shougang Concord Shipping Holdings Limited and its subsidiaries ("Shougang Shipping Group") is mainly engaged in the time charter business and is positioned as a hedge to our steel manufacturing segment. With freight cost as part of cost of imported raw materials, rising freight cost actually can be partially offset by increased charter income, and vice versa. In the current year, its turnover and net profit attributable to shareholders were HK\$499.1 million and HK\$333.0 million respectively, registering a rise of 33.5% and 46.5% comparing to that of last year. In order to lessen profit fluctuation, our strategy remains locking in one vessel at longer term charter. Baltic Dry Index had massive swings in 2008 upto present which in turn bring much pressure to this segment, but we believe this business should still provide a viable hedge to our main activities.

Other businesses

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

Shougang Concord Century Holdings Limited and its subsidiaries ("Shougang Century Group") reported net profit of HK\$34.8 million in the current year, reduced by 67.1% when comparing to that of last year. Following the increase in shareholding in Shougang Century Group from 20.7% to 36.8%, but with loss from realization of its reserves, the Group recorded an attributable loss of HK\$22.5 million in the current year, comparing to net profit of HK\$23.3 million last year.

Other businesses – continued

Amidst intense market competition and economic downturn during the year, Shougang Century Group's sales of steel cord for radial tyres still maintained well, but the gross profit margin dropped from 13.1% to 8.5% in the current year, whilst there was significant net profit on sale of A shares it held. With its expanding businesses and capacity, we believe its financial results will improve in the future.

Trading of steel products; Installation of kitchen and laundry equipment – Discontinued operation

Shougang Concord Steel Holdings Limited and its subsidiaries ("Shougang Steel Group") reported turnover and net profit of HK\$2,887.1 million and HK\$27.9 million respectively for the year ended 31 December 2008, representing an increase of 90.9% and decrease of 5.7% in comparison with last year. Within this segment, trading volume and unit prices of steel products have increased. On the other hand, the installation of kitchen and laundry equipment segment has been disposed of in June 2007, recording a one-off loss of HK\$7.1 million.

Electricity generation – Discontinued operation

Our 51%-owned Beijing Shougang Firstlevel Power Co., Ltd. ("Beijing Power Plant") was disposed of entirely in June 2008 and is classified as part of discontinued operation. The consolidated turnover was HK\$209.6 million for the current year and attributable profit was HK\$7.8 million which included gain on disposal of HK\$4.2 million for the year.

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 2008, as compared to 31 December 2007 is summarized below:

<i>HK\$ million</i>	As at 31 December	
	2008	2007
Total Debt		
– from banks	7,280	4,160
– from parent company	928	1,071
Sub-total	8,208	5,231
Cash and bank deposits	4,034	3,326
Net debt	4,174	1,905
Total capital		
(Equity and total debt)	15,772	12,046
Financial leverage		
– Net debt to total capital	26.5%	15.8%
– Net debt to total assets	19.8%	11.5%

2. Currency and Interest Rate Risk

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

The Group conducts its businesses mainly in Hong Kong and Mainland China, with equity investments in Australia. Therefore, we are subject to the foreign exchange fluctuations of HK Dollars, US Dollars, Renminbi ("RmB") and Australian Dollars. To minimize currency exposure, non Hong Kong Dollar assets are usually financed in the same currency as the asset or cash flow from it via borrowings. The Group's turnover and costs are largely denominated in RmB, which largely offset each other in term of any currency movements. However, there will be a translation gain as a result of the RmB appreciation. For the year ended 31 December 2008, approximately 81% of the Group's turnover was denominated in RmB. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements.

3. Financing activities

In February 2008, the Company entered into a club deal for 4-year facilities at approximately HK\$2,480 million (US\$320 million) in Hong Kong. Such facilities entail floating rate of LIBOR + 52 bps. According to the loan agreement, two drawdowns were made in March and June 2008 respectively of HK\$775 million (US\$100 million) each, total drawn amount was HK\$1,550 million, the remaining HK\$930 million (US\$120 million) were still unused as of 31 December 2008.

Material acquisition and disposal

In April 2008, the Group entered into a Share Sale Agreement with a wholly owned subsidiary of Shougang Holding (Hong Kong) Limited which is the controlling shareholder of the Company. The transaction contemplated under the said agreement was disposal of our electricity generation segment. This resulted in a one-off gain of HK\$4.2 million. Details of the transaction contemplated under the agreement was disclosed in the circular to shareholders dated 20 May 2008.

In November 2008, the Group entered into a share subscription agreement and an underwriting agreement with Mount Gibson. Details of the transactions contemplated under these agreements were disclosed in the circular to shareholders dated 18 November 2008. After completion of the subscription and underwriting, the Group has already become holder of 14.3% equity interest in Mount Gibson.

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

Capital Structure

At the beginning of the current year, the issued share capital of the Company was HK\$1,400.6 million, represented by 7,003.2 million ordinary shares at par value of HK\$0.20 each. During the year, certain employees of the Group exercised the granted options, pursuant to which 280.1 million new ordinary shares were issued. In addition, the Company repurchased 108.0 million ordinary shares from the market in accordance with the general mandate granted at the last annual general meeting, at prices ranging from HK\$0.95 to HK\$1.48 per share. All the repurchased shares were cancelled subsequently. As a result of the aforesaid events, the issued share capital of the Company increased to HK\$1,435.1 million, represented by 7,175.4 million ordinary shares as at 31 December 2008.

Employees and Remuneration Policies

The Group has a total of approximately 3,900 employees as at 31 December 2008.

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

The National Stimulus plan for the Ten Largest industries has recently been announced. Steel industry, which usually is considered the “backbone” to industrialization, not only is included as parts of the plan, but the stimuli for the remaining nine industries are mostly associated with that of steel.

With subdued global industrial activities, steel demand plunged; the challenges in the market in the short to mid term remain inevitably severe. However, with the progressive integration of value chain, our product quality and cost efficiency are relatively better than most of our competitors.

Following the demand brought forward from downstream industries such as machinery, infrastructure and shipbuilding, with the execution of the RmB4 trillion investment package and National Stimulus Plan, we believe the steel industry especially that of heavy plates should see an end to its downturn by end of the year and slowly recover. Against this backdrop, the Group is cautiously optimistic to continue to perform well, and we intend to show we are able to continue to generate decent profits.

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

During the year, the Company repurchased a total of 107,960,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK\$137,339,440. The repurchases were made with a view to enhance shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of ordinary shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration (expenses excluded) HK\$
September 2008	94,732,000	1.48	1.17	124,518,820
October 2008	13,228,000	0.99	0.95	12,820,620
	<u>107,960,000</u>			<u>137,339,440</u>

All the shares repurchased were cancelled during the year. The nominal value of HK\$21,592,000 of all the shares cancelled during the year was credited to the capital redemption reserve and the aggregate consideration for repurchase of shares together with the relevant expenses amounting to HK\$138,073,000 was debited to the Company's accumulated profits.

Apart from the 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 2008, 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 chairman 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.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

– continued

The Chairman of the Board of Directors of the Company had not attended the annual general meeting of the Company held on 6 June 2008 (the “Meeting”) as he had another business engagement. The Managing Director of the Company, who took the chair of the Meeting, together with other members of the Board and the Audit, Remuneration and Nomination Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the Meeting were already of sufficient calibre and number for answering questions at the Meeting.

Details of the Company’s compliance with the provisions of the Code during the year together with the above deviation will be set out in the Corporate Governance Report in the Company’s 2008 annual report.

APPRECIATION

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

By order of the Board
Cao Zhong
Managing Director

Hong Kong, 9 April 2009

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