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 2012

FINANCIAL HIGHLIGHTS

– Consolidated revenue was HK$16,216 million, down 24% from last year.

– Loss attributable to shareholders was HK$1,947 million.

– Basic loss per share was HK21.8 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 2012 with comparative figures for the year ended 31 December 2011. These final results have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	4	**16,215,940**	21,248,664
Cost of sales		**(17,534,972)**	(21,088,118)
Gross (loss) profit		**(1,319,032)**	160,546
Other income	5	**61,542**	63,322
Other gains and losses	6	**(386,380)**	48,429
Change in fair value of derivative financial instruments		**158,437**	498,024
Distribution and selling expenses		**(100,798)**	(153,594)
Administrative expenses		**(508,378)**	(515,227)
Finance costs	7	**(794,135)**	(568,223)
Share of results of associates		**370,380**	563,938
(Loss) profit before taxation		**(2,518,364)**	97,215
Income tax credit (expense)	8	**2,175**	(48,288)
(Loss) profit for the year from continuing operations	11	**(2,516,189)**	48,927
Discontinued operations			
Loss for the period/year from discontinued operations	9	**(29,579)**	(96,440)
Loss for the year	11	**(2,545,768)**	(47,513)
Other comprehensive (expense) income			
Exchange differences arising on translation		**(670)**	170,220
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income		**3,277**	–
Available-for-sale financial assets			
Fair value losses arising during the year		**–**	(80,024)
Reclassification adjustment upon impairment		**–**	53,425
Release on deemed disposal of partial interest in associates		**–**	(20)
Share of other comprehensive income (expense) of associates			
Exchange differences arising on translation		**23,805**	163,334
Fair value losses on investment in equity instruments designated as at fair value through other comprehensive income		**(130,131)**	–
Fair value losses on available-for-sale financial assets		**–**	(328,085)
Other comprehensive expense for the year (net of tax)		**(103,719)**	(21,150)
Total comprehensive expense for the year		**(2,649,487)**	(68,663)

	NOTES	2012 HK$'000	2011 HK$'000 (Restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(1,917,627)**	248,692
– from discontinued operations		**(29,579)**	(96,440)
(Loss) profit for the year attributable to owners of the Company		**(1,947,206)**	152,252
Loss for the year attributable to non-controlling interests			
– from continuing operations		**(598,562)**	(199,765)
		(2,545,768)	(47,513)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(2,057,974)**	91,479
Non-controlling interests		**(591,513)**	(160,142)
		(2,649,487)	(68,663)
(Loss) earnings per share	*13*		
From continuing and discontinued operations			
– Basic		**(21.75) HK cents**	1.78 HK cents
– Diluted		**(21.75) HK cents**	1.78 HK cents
From continuing operations			
– Basic		**(21.42) HK cents**	2.92 HK cents
– Diluted		**(21.42) HK cents**	2.91 HK cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties		**38,687**	41,835
Property, plant and equipment		**11,651,210**	12,179,608
Prepaid lease rentals		**361,815**	359,937
Intangible asset		**–**	–
Mining assets		**129,004**	184,825
Goodwill		**–**	146,015
Interests in associates		**7,584,652**	7,573,677
Equity investments	*14*	**192,253**	–
Available-for-sale investments	*14*	**–**	187,836
Deferred tax assets		**46,482**	45,822
Other financial assets		**594,603**	585,738
Deposits for acquisition of property, plant and equipment		**25,071**	84,268
Pledged bank deposits		**92,403**	467,547
		20,716,180	21,857,108
CURRENT ASSETS			
Inventories		**3,258,761**	4,068,485
Trade and bills receivables	*15*	**1,982,962**	2,896,781
Trade receivables from related companies	*16*	**163,854**	966,230
Prepayments, deposits and other receivables		**637,760**	908,807
Prepaid lease rentals		**8,833**	7,912
Tax recoverable		**202**	–
Amounts due from related companies	*16*	**23,878**	55,476
Amount due from an associate		**2,911**	10,750
Amount due from a non-controlling shareholder of a subsidiary		**3,700**	3,702
Amount due from ultimate holding company of a shareholder	*17*	**5,220**	4,610
Other financial assets		**239,513**	308,102
Restricted bank deposits		**617,329**	502,600
Pledged bank deposits		**161,672**	123,396
Bank balances and cash		**1,563,345**	1,846,927
		8,669,940	11,703,778

	NOTES	2012 HK$'000	2011 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	18	**3,540,071**	3,684,954
Trade payables to related companies	16	**354,459**	296,968
Trade payables to ultimate holding company of a shareholder	17	**3,282,689**	2,849,955
Other payables, provision and accrued liabilities		**1,133,790**	1,522,858
Tax payable		**206,152**	208,484
Amounts due to related companies	16	**363,801**	380,685
Amount due to ultimate holding company of a shareholder	17	**396,870**	103,069
Bank borrowings – due within one year		**10,287,475**	9,986,483
Other financial liabilities		**3,936**	5,173
Loans from ultimate holding company of a shareholder		**868,673**	1,009,995
		20,437,916	20,048,624
NET CURRENT LIABILITIES		**(11,767,976)**	(8,344,846)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,948,204**	13,512,262
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**455,167**	2,363,941
Deferred tax liabilities		**30,233**	33,034
		485,400	2,396,975
		8,462,804	11,115,287
CAPITAL AND RESERVES			
Share capital		**1,790,661**	1,790,661
Share premium and reserves		**6,302,559**	8,357,720
Equity attributable to owners of the Company		**8,093,220**	10,148,381
Non-controlling interests		**369,584**	966,906
		8,462,804	11,115,287

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 2012, 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$11,767,976,000 as at 31 December 2012 of which current liabilities of approximately HK$10,287,475,000 were attributable to bank borrowings due within one year. The Company had net current liabilities of approximately HK$1,913,811,000 as at 31 December 2012 of which current liabilities of approximately HK$2,031,757,000 were attributable to bank borrowings due within one year. Taking into account the financial resources of the Group and the Company, including the Group's and the Company's unutilised banking facilities, the Group's and the Company'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 are of the opinion that the Group and the Company has sufficient working capital to meet in full its financial obligations 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 amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

In addition, the Group has applied HKFRS 9 *Financial Instruments* (as issued in November 2009 revised in October 2010 and further revised in December 2011) ("HKFRS 9") and the related consequential amendments in advance of their effective date of 1 January 2015 in the current year.

Except as described below, the application of the amendments to 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.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. 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 entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios which are located in the PRC and Hong Kong. The Directors concluded that the Group's investment properties which are located in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the Directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted.

For the investment properties located in Hong Kong, the Directors concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group continues to recognise deferred taxes on changes in fair value of investment properties which are located in the PRC on the basis that reflects the tax consequences that would follow for the manner in which the Group expects to recover the carrying amount. For the investment properties located in Hong Kong, upon application of the amendments to HKAS 12, no deferred tax should be provided on changes in fair value of these investment properties as the Group is not subject to any income taxes on disposal of these investment properties. The previously recognised deferred tax liabilities on changes in fair value of the investment properties located in Hong Kong of approximately HK$314,000 as at 31 December 2011 is not adjusted retrospectively and continued to be recorded in the financial statements, as the amount is not significant. In the current year, no further deferred taxes have been provided for changes in fair value of the Group's investment properties located in Hong Kong. The Directors considered that the application of the amendments to HKAS 12 have had no material effect on the Group's result and financial position for the current and prior years.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS *7 Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivables. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bills receivables are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as secured borrowings.

In addition, the Group endorsed certain bills receivables to suppliers to exchange for goods from those suppliers which transferred the contractual rights to receive cash flows from those bills receivables to the respective suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the receivables, and the associated trade payables.

The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7 (see note 15a) as at 31 December 2012. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

Impact of application of HKFRS 9 Financial Instruments

In the current year, the Group and the Company has applied HKFRS 9 and the related consequential amendments in advance of their effective dates of 1 January 2015. The Group and the Company has chosen 1 January 2012 as its date of initial application (i.e. the date on which the Group and the Company has reassessed the classification of its financial assets and financial liabilities in accordance with requirements of HKFRS 9). The classification is based on the facts and circumstances as at 1 January 2012. In accordance with transition provisions set out in HKFRS 9, the Group and the Company has chosen not to restate comparative information and has provided additional disclosures in accordance with HKFRS 7 *Financial Instruments – Disclosures* in these consolidated financial statements for the year ended 31 December 2012, and any difference between the measurement under HKAS 39 *"Financial Instruments: Recognition and Measurement"* and HKFRS 9 as at 1 January 2012 is recognised in the opening accumulated profits and security investment reserve at the date of initial application. HKFRS 9 does not apply to financial assets and financial liabilities that have already been derecognised at date of initial application. Other than the changes in classification of certain financial assets, the changes in accounting policies had no material financial impact on the amounts recognised on the consolidated statement of financial position of the Group as at 1 January 2012.

The adoption of HKFRS 9 has no financial impact on the statement of financial position of the Company as at 1 January 2012 and 31 December 2012.

Financial assets

HKFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement*. Specifically, HKFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by HKFRS 9, debt instruments and hybrid contracts are subsequently measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (collectively referred to as the "amortised cost criteria"). If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss ("FVTPL").

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income ("FVTOCI"). If the equity investment is designated as at FVTOCI, all gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, except for dividend income that is generally recognised in profit or loss in accordance with HKAS 18 *Revenue*.

As at 1 January 2012, the Directors have reviewed and reassessed the Group's existing financial assets based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets and concluded that the Group's financial assets, previously classified as "loans and receivables" under HKAS 39 are held within a business model whose objective is to hold these financial assets in order to collect contractual cash flows that are solely payments of principal and interest. In addition, the Directors concluded that the Group's investments in equity securities that previously classified as available-for-sale investments under HKAS 39 are not held for trading, but held for medium or long-term strategic purpose. Therefore, the investments in equity securities are designated as at FVTOCI under HKFRS 9 as the Directors believe that this provides a more meaningful presentation than reflecting changes in fair value in profit or loss.

The initial application of HKFRS 9 has affected the classification of financial assets of the Group and its associate and the Group's security investment reserve and accumulated profits as at 1 January 2012 as follows:

i. the Group's investments in listed equity securities (not held for trading) that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI. As at 1 January 2012, at the date of initial application, the accumulated impairment loss of listed equity securities of HK$144,568,000 that had been reclassified from security investment reserve to profit or loss upon impairment in prior years under HKAS 39 is now reclassified from the opening accumulated profits to security investment reserve. Accordingly, as at 1 January 2012, the accumulated profits have been increased by HK$144,568,000 and the security investment reserve has been decreased by the same amount;

ii. The Group's investment in unlisted equity securities (not held for trading) previously classified as available-for-sale investment and measured at cost less impairment under HKAS 39 have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2012. The fair value measurements of the Group's unlisted equity securities are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs);

iii. The investment in listed equity securities (not held for trading) of the Group's associate that were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI; and

iv. The investment in unlisted equity securities (not held for trading) of the Group's associate previously classified as available-for-sale investments and measured at cost less impairment under HKAS 39 have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2012. The fair value measurements of the unlisted equity securities held by the Group's associate are grouped into Level 3, which are derived from valuation techniques that include inputs for the assets that are not based on observable market data (unobservable inputs).

The list below illustrates the classification and measurement of the financial assets under HKAS 39 and HKFRS 9 at 1 January 2012, the date of initial application.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39**	**New carrying amount under HKFRS 9**
			HK$'000	*HK$'000*
Investments in listed equity securities	Available-for-sale investments	Financial assets designated as at FVTOCI	42,228	42,228
Investments in unlisted equity securities	Available-for-sale investments	Financial assets designated as at FVTOCI	145,608	145,608
Other financial assets: Commodity forward contracts	Financial assets at FVTPL	Financial assets at FVTPL	893,840	893,840
Trade and bills receivables	Loans and receivables	Financial assets at amortised cost	2,896,781	2,896,781
Trade receivables from related companies	Loans and receivables	Financial assets at amortised cost	966,230	966,230
Other receivables and entrusted loan receivables	Loans and receivables	Financial assets at amortised cost	87,340	87,340
Amounts due from related companies	Loans and receivables	Financial assets at amortised cost	55,476	55,476
Amount due from an associate	Loans and receivables	Financial assets at amortised cost	10,750	10,750
Amount due from a non-controlling shareholder of a subsidiary	Loans and receivables	Financial assets at amortised cost	3,702	3,702
Amount due from ultimate holding company of a shareholder	Loans and receivables	Financial assets at amortised cost	4,610	4,610
Restricted bank deposits	Loans and receivables	Financial assets at amortised cost	502,600	502,600
Pledged bank deposits	Loans and receivables	Financial assets at amortised cost	590,943	590,943
Bank balances and cash	Loans and receivables	Financial assets at amortised cost	1,846,927	1,846,927

The Company's financial assets as at 1 January 2012 are classified as loans and receivables or financial assets at FVTPL under HKAS 39. Upon adoption of HKFRS 9, the loans and receivables are categorized as financial assets at amortised cost, and the financial assets at FVTPL are continued to classify as financial assets at FVTPL. No change in the carrying amounts is made.

The application of HKFRS 9 in the current year has affected the Group's results, other comprehensive expense, security investment reserve and accumulated profits as follows:

(i) Listed equity securities held by the Group and its associate were previously classified as available-for-sale investments and measured at fair value at each reporting date under HKAS 39 have been designated as at FVTOCI. During the current year, an impairment loss of HK$26,446,000 and HK$1,030,122,000 for the listed equity securities held by the Group and its associate, respectively, would have been recognised under HKAS 39 in relation to these investments due to further decline in fair values of the Group's investments during the current year and the decline in fair values of the associate's investments below their respective costs, which are considered as significant and prolonged. The fair value loss of these investments are recognised as other comprehensive expense and are included in security investment reserve of the Group and its associate under HKFRS 9. Accordingly, the other gains and losses has been increased by HK$26,446,000 and the share of results of associates has been increased by HK$294,369,000 with regard to the equity interest of the associate held by the Group, and the other comprehensive expense has been decreased by HK$320,815,000 for the year ended 31 December 2012. In addition, the accumulated profits as at 31 December 2012 has been increased by approximately HK$320,815,000. The loss reported for the year ended 31 December 2012 have been decreased by HK$320,815,000 and the security investment reserve as at 31 December 2012 have been decreased by HK$320,815,000 as a result of the change in accounting policy.

    As a result of the change in accounting policy, the Group's basic and diluted loss per share from continuing and discontinued operations was decreased by HK3.58 cents. This has also resulted in a decrease on both the Group's basic and diluted loss per share from continuing operations by HK3.58 cents. There is no impact on the basic and diluted earnings per share for the year ended 31 December 2011.

(ii) The unlisted equity securities held by the Group and by the Group's associate previously measured at cost less impairment under HKAS 39 are now measured at fair value under HKFRS 9 and have been designated as at FVTOCI. The carrying amounts of these investments approximated their fair values as at 1 January 2012.

    During the year ended 31 December 2012, net fair value gain of HK$29,723,000 arising from the Group's unlisted equity securities have been recognised as other comprehensive income. The fair value of unlisted equity securities of the Group's associate remains unchanged as at 31 December 2012 and no fair value change has been recognised as other comprehensive income of the Group's associate. Accordingly, the other comprehensive income for the year ended 31 December 2012 has been increased by HK$29,723,000 as a result of the change in accounting policy.

Financial liabilities
HKFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the credit risk of that liability.

In relation to the classification and remeasurement of financial liabilities, the application of HKFRS 9 has had no impact on the classification of financial liabilities of the Group and its associates and the Group's result and financial position as the Group and its associates do not have financial liabilities designated as at fair value through profit or loss under HKAS 39 that were subject to reclassification upon adoption of HKFRS 9.

The list below illustrates the classification and measurement of the financial liabilities under HKAS 39 and HKFRS 9 at 1 January 2012, the date of initial application.

	Original measurement category under HKAS 39	**New measurement category under HKFRS 9**	**Original carrying amount under HKAS 39** *HK$'000*	**New carrying amount under HKFRS 9** *HK$'000*
Other financial liabilities	Financial liabilities designated as at FVTPL	Financial liabilities designated as at FVTPL	5,173	5,173
Trade and bills payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	3,684,954	3,684,954
Trade payables to related companies	Financial liabilities at amortised cost	Financial liabilities at amortised cost	296,968	296,968
Trade payables to ultimate holding company of a shareholder	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,849,955	2,849,955
Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	664,502	664,502
Amounts due to related companies	Financial liabilities at amortised cost	Financial liabilities at amortised cost	380,685	380,685
Amount due to ultimate holding company of a shareholder	Financial liabilities at amortised cost	Financial liabilities at amortised cost	103,069	103,069
Bank borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	12,350,424	12,350,424
Loans from ultimate holding Company of a shareholder	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,009,995	1,009,995

As at 1 January 2012, the Company's financial liabilities are classified as financial liabilities at amortised cost under HKAS 39. Upon adoption of HKFRS 9, they are continued to classify as financial liabilities at amortised cost.

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:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 July 2012.

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 HKFRS 10 and HKFRS 12 are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK(SIC) Int 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. 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.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these HKFRSs for the first time.

The Directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013, and the application of these standards will not 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.

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 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also require items of other comprehensive income to be 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 do not change the option to present items of other comprehensive income either before tax or net of tax.

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

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 on-going 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 the Group for annual period beginning on 1 January 2013. Specific transitional provisions are provided to entities that apply HK(IFRIC) – Int 20 for the first time. However, HK(IFRIC) – Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Directors assessed that the application of the amendments will have no material impact on the Group's 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 from continuing and discontinued operations is as follows:

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Sale of steel products	**11,765,840**	14,761,402
Sale of iron ore	**4,203,179**	5,430,330
Sale of coal and coke	**237,528**	1,040,300
Floating cranes leasing income	**5,901**	11,895
Management services income	**3,492**	4,737
	16,215,940	21,248,664
Discontinued operations		
Vessel chartering income	**76,312**	93,979
	16,292,252	21,342,643

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. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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.

The vessel chartering under the shipping operations was discontinued in the current year. The segment information reported below included the amounts in relation to discontinued operations, which are described in more detail in note 9.

Segment revenue and results

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

For the year ended 31 December 2012

	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	11,244,937	82,213	4,336,441	625,169	3,492	16,292,252
Inter-segment sales	928	–	–	917,855	–	918,783
Segment revenue	11,245,865	82,213	4,336,441	1,543,024	3,492	17,211,035
Eliminations						(918,783)
Group revenue						16,292,252

Inter-segment sales are charged at prevailing market rates.

	Steel manufacturing	**Shipping operations**	**Commodity trading**	**Mineral exploration**	**Others**	**Total**
Segment (loss) profit	(1,628,121)	(30,689)	(118,913)	(390,784)	6,991	(2,161,516)
Interest income						47,592
Central administration costs						(44,624)
Finance costs						(794,135)
Gain from change in fair value of derivative financial instruments						1,237
Gain on disposal of a subsidiary						15,559
Gain on deemed acquisition of interests in an associate						17,564
Share of results of associates						370,380
Loss before taxation from discontinued operations						29,579
Loss before taxation from continuing operations						(2,518,364)

For the year ended 31 December 2011

	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	14,281,937	105,874	5,461,776	1,488,319	4,737	21,342,643
Inter-segment sales	7,476	–	–	1,061,584	–	1,069,060
Segment revenue	14,289,413	105,874	5,461,776	2,549,903	4,737	22,411,703
Eliminations						(1,069,060)
Group revenue						21,342,643

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	(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
Loss before taxation from discontinued operations						96,440
Profit before taxation from continuing operations						97,215

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, gain on disposal of a subsidiary, impairment loss on available-for-sale investments, gain on deemed acquisition of interest in an associate, 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:

	2012	2011
	HK$'000	*HK$'000*
Segment assets		
Steel manufacturing	**15,769,990**	18,105,510
Shipping operations	**10,431**	46,557
Commodity trading	**1,414,711**	1,841,738
Mineral exploration	**1,927,585**	2,809,133
Others	**5,065**	5,571
Total segment assets	**19,127,782**	22,808,509
Interests in associates	**7,584,652**	7,573,677
Available-for-sale investments	**–**	187,836
Equity investments	**192,253**	–
Deferred tax assets	**46,482**	45,822
Tax recoverable	**202**	–
Amount due from an associate – non-trade	**–**	4,572
Restricted bank deposits	**617,329**	502,600
Pledged bank deposits	**254,075**	590,943
Bank balances and cash	**1,563,345**	1,846,927
Consolidated assets	**29,386,120**	33,560,886
Segment liabilities		
Steel manufacturing	**6,950,650**	6,419,791
Shipping operations	**38,765**	79,798
Commodity trading	**430,119**	431,180
Mineral exploration	**882,443**	1,413,113
Others	**9,032**	10,853
Total segment liabilities	**8,311,009**	8,354,735
Amounts due to related companies – non-trade	**363,801**	380,685
Amount due to ultimate holding company of a shareholder – non-trade	**396,870**	103,069
Bank borrowings	**10,742,642**	12,350,424
Tax payable	**206,152**	208,484
Deferred tax liabilities	**30,233**	33,034
Other financial liabilities	**3,936**	5,173
Loans from ultimate holding company of a shareholder	**868,673**	1,009,995
Consolidated liabilities	**20,923,316**	22,445,599

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:

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Steel plates	**11,527,723**	14,654,581
Iron ore	**4,203,179**	5,430,330
Coal and coke	**237,528**	1,040,300
Steel slabs	**238,117**	106,821
Floating cranes leasing	**5,901**	11,895
Management services	**3,492**	4,737
	16,215,940	21,248,664
Discontinued operations		
Vessel chartering	**76,312**	93,979
	16,292,252	21,342,643

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

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

	Revenue from external customers		**Non-current assets (Note)**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC, excluding Hong Kong (country of domicile)	**12,696,947**	17,115,584	**12,229,260**	13,007,636
Hong Kong	**80,229**	95,224	**7,561,179**	7,562,529
Australia	**3,367,772**	3,683,649	**–**	–
Korea	**55,969**	182,600	**–**	–
Others	**91,335**	265,586	**–**	–
	16,292,252	21,342,643	**19,790,439**	20,570,165

Note: Non-current assets excluded other financial assets, equity investments/available-for-sale investments, pledged bank deposits and deferred tax assets.

Information about major customers
During the years ended 31 December 2012 and 2011, 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$3,457,677,000 (2011: HK$4,997,146,000) to the Group's revenue.

5. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest income on bank deposits	**47,592**	33,273
Scrap sales income	**5,105**	4,476
Refund of value added tax	**–**	4,141
Recovery of trade receivables previously written off	**–**	2,103
Compensation income	**272**	439
Sundry income	**8,573**	18,890
	61,542	63,322

6. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Impairment loss on property, plant and equipment	**(184,094)**	–
Impairment loss on goodwill	**(146,015)**	(22,000)
Impairment loss on mining assets	**(56,642)**	–
Impairment loss on available-for-sale investments	**–**	(53,425)
Loss on disposal of property, plant and equipment	**(43)**	(1,355)
Gain on deemed acquisition of interests in an associate	**17,564**	–
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
Net foreign exchange (loss) gain	**(5,196)**	10,811
Gain from changes in fair value of investment properties	**6,617**	6,576
(Allowance) reversal of trade and other receivables and trade receivables from related companies, net	**(34,130)**	100
Gain on disposal of a subsidiary *(Note 10)*	**15,559**	–
	(386,380)	48,429

7. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	**624,065**	517,526
Other borrowings wholly repayable within five years	**65,034**	54,906
Total borrowing costs	**689,099**	572,432
Add: Factoring cost for discounted receivables	**126,562**	65,802
Less: Amounts capitalised	**(21,526)**	(70,011)
	794,135	568,223

Borrowing costs capitalised during the year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 6.53% (2011: 6.01%) per annum to expenditure on qualifying assets.

8. INCOME TAX (CREDIT) EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
– Hong Kong	**–**	140
– PRC Enterprise Income Tax	**617**	7,958
	617	8,098
(Over)underprovision in prior year:		
– Hong Kong	**(80)**	–
– PRC Enterprise Income Tax *(Note)*	**148**	18,308
	68	18,308
Deferred tax:		
Current year	**(2,860)**	21,882
Income tax (credit) expense	**(2,175)**	48,288

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for 2012.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for 2011.

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%.

Note: The underprovision of PRC Enterprise Income Tax for the year ended 31 December 2011 was mainly attributable to the disallowance of the preferential tax treatment in relation to the proportion of profits attributable to the new capital injected in 2008 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. DISCONTINUED OPERATIONS

The Group mainly conducted the vessel chartering operations through two vessels named as SG Enterprises and SG Prosperity. During the year ended 31 December 2012, the Directors decided to cease the vessel chartering operations, which were previously included in shipping operations segment, the rental contracts of these two vessels had been terminated as agreed with ship-owner, a third party. SG Enterprises and SG Prosperity have been delivered to ship-owner on 25 August 2012 and 28 September 2012 respectively. The termination of rental contracts resulted in the discontinuation of vessel chartering operations. Vessel chartering operations have been presented as discontinued operations and the comparative figures have been represented.

The results of the vessel chartering operations for the period/year were as follows:

	1 January 2012 to 28 September 2012	1 January 2011 to 31 December 2011
	HK$'000	*HK$'000*
Revenue	**76,312**	93,979
Cost of sales	**(97,140)**	(137,377)
Interest income	**–**	391
Other gains and losses	**(39)**	(47,532)
Administrative expenses	**(8,712)**	(5,901)
Loss before tax	**(29,579)**	(96,440)
Income tax expense	**–**	–
Loss for the period/year	**(29,579)**	(96,440)

Loss for the period/year from discontinued operations include the following:

Auditor's remuneration	**146**	188
Staff costs	**661**	1,051
(Release of) provision for onerous contracts	**(47,200)**	47,200
Exchange loss	**39**	332

During the year, the vessel chartering operation paid HK$45 million (2011: HK$91 million) which related to the Group's net operating cash flows, paid HK$0.1 million (2011: received HK$0.3 million) in respect of investing activities and received HK$36 million (2011: paid HK$148 million) in respect of financing activities.

10. DISPOSAL OF A SUBSIDIARY

On 27 March 2012, the Group entered into a sale and purchase agreement with an independent third party (the "Acquirer") to dispose of its entire interest in Shougang Concord Godown Limited ("Godown") to the Acquirer. The disposal was completed on 2 April 2012, when the Group lost control of Godown.

	2012
	HK$'000
The net assets of Godown at the date of disposal were as follows:	
Investment properties	10,476
Property, plant and equipment	645
Prepaid lease rentals	822
Net assets disposed of	11,943
Gain on disposal of a subsidiary:	
Consideration received	27,502
Net assets disposed of	(11,943)
Gain on disposal *(Note)*	15,559
Consideration satisfied by:	
Cash	27,502
Cash inflow arising on disposal:	
Cash consideration received	27,502

Note: The gain on disposal of Godown is mainly attributable to the leasehold land held for owner-occupation which was previously recognised as prepaid lease rentals and measured at cost.

An amount of revaluation reserve of HK$4,987,000, represented the difference between the carrying value and fair value of the prepaid lease rentals arisen from the transfer from prepaid lease rentals to investment property as its use had changed as evidenced by end of owner-occupation in previous years, was transferred directly to accumulated profits upon disposal of Godown.

11. LOSS FOR THE YEAR

	2012 *HK$'000*	2011 *HK$'000* (Restated)
Continuing operations		
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' emoluments		
– basic salaries and allowances	**478,724**	472,968
– retirement benefits scheme contributions	**63,763**	57,976
– share-based payments	**2,813**	19,266
	545,300	550,210
Amortisation of mining assets, included in cost of sales	**–**	2,339
Amortisation of prepaid lease rentals	**8,439**	8,364
Depreciation of property, plant and equipment	**831,838**	828,336
Total depreciation and amortisation	**840,277**	839,039
Change in fair value of derivative financial instruments		
– change in fair value of foreign currency forward contracts	**(787)**	787
– change in fair value of interest rate swap contracts	**(450)**	4,386
– change in fair value of commodity forward contracts	**(157,200)**	(503,197)
	(158,437)	(498,024)
Auditor's remuneration	**3,395**	3,038
Cost of inventories recognised as expenses (including allowance for inventories and fair value of commodity forward contracts upon delivery)	**17,526,819**	21,075,802
Fair value of commodity forward contracts upon delivery, included in cost of sales	**216,924**	179,494
Allowance for inventories, net, included in cost of sales	**130,571**	66,659
Research and development cost recognised as expenses	**3,309**	6,143
Other tax expenses	**41,248**	33,950
Minimum lease payments under operating leases in respect of land and buildings	**3,385**	3,451
Rental income from investment properties under operating leases, less outgoings of HK$49,000 (2011: HK$194,000)	**(1,359)**	(1,653)

12. DIVIDENDS

	2012 *HK$'000*	2011 *HK$'000*
Dividends recognised as distribution during the year		
2010 final – HK1 cent per ordinary share	**–**	81,754

The Board of Directors did not declare dividend for the year ended 31 December 2012 and 2011.

13. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	**(1,947,206)**	152,252
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	**(293)**	(439)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(1,947,499)**	151,813

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**8,953,306,227**	8,531,308,549
Effect of dilutive potential ordinary shares on share options	**–**	8,012,370
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**8,953,306,227**	8,539,320,919

For the year ended 31 December 2012, the computation of diluted loss per share does not assume the exercise of share option, as it would result in a decrease in loss per share for continuing operations. For the year ended 31 December 2011, the computation of diluted earnings per share for continuing operations does not assume the exercise of certain options as the relevant exercise price was higher than the average market price for shares.

From continuing operations

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

(Loss) earnings figures are calculated as follows:

	2012	2011
	HK$'000	*HK$'000*
(Loss) profit for the year attributable to owners of the Company	**(1,947,206)**	152,252
Less: Loss for the period/year from discontinued operations	**(29,579)**	(96,440)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	**(1,917,627)**	248,692
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of associates based on dilution of their earnings per share	**(293)**	(439)
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	**(1,917,920)**	248,253

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

From discontinued operations

Basic loss per share for the discontinued operations is HK0.33 cent per share (2011: HK1.14 cents per share) and diluted loss per share for the discontinued operations is HK0.33 cent per share (2011: HK1.13 cents per share), based on the loss for the year from the discontinued operations of HK$29,579,000 (2011: HK$96,440,000) and the denominators detailed above for both basic and diluted (loss) earnings per share.

14. EQUITY INVESTMENTS/AVAILABLE-FOR-SALE INVESTMENTS

Equity investments/available-for-sale investments comprise:

	2012	2011
	HK$'000	*HK$'000*
Listed investments:		
– Equity securities listed in Australia, at fair value *(Note a)*	**15,782**	42,228
Unlisted investments:		
– PRC equity securities, at fair value *(Note b)*	**176,471**	–
– PRC equity securities, at cost *(Note b)*	**–**	145,608
Total	**192,253**	187,836

These investments in equity securities are not held for trading. Upon the application of HKFRS 9 on 1 January 2012, the Group's investments in listed and unlisted equity securities that were previously classified as available-for-sale investments have been classified as equity investments designated as at FVTOCI. The Group has chosen to designate these investments in equity instruments as at FVTOCI as the management believes that this provides a more meaningful presentation for medium or long-term strategic investments, than reflecting changes in fair value in profit or loss.

Notes:

a. On 20 March 2007, Timefull Investments Limited ("Timefull"), a subsidiary of the Company entered into a share and option subscription agreement with Australasian Resources Limited ("ARH"), a company listed in Australia, whereby Timefull subscribed 28,000,000 newly-issued shares of ARH ("ARH Shares") at AUD1 each, representing approximately 5.72% (2011: 6.1%) of the enlarged issued share capital of ARH and 14 million call options were granted to Timefull at an exercise price of AUD1.5 per option ("ARH Option") at a consideration of AUD28 million (equivalent to approximately HK$187 million). The ARH Shares acquired was initially recognised as available-for-sale investments and the ARH Option was recognised as other initially financial asset which expired in 2010.

   As at 31 December 2011, based on the decline in the fair value of ARH shares below the initial cost of investment, an impairment loss of HK$53,425,000 has been provided as disclosed in note 6. In the current year, the Group has applied HKFRS 9 and the related consequential amendments in advance of their effective dates of 1 January 2015. The listed equity investments previously measured at fair value at the end of the reporting period are designated by the Group as at FVTOCI (as disclosed in note 3). As at 31 December 2012, the fair value loss of HK$26,446,000 is recognised as other comprehensive expense and is included in security investment reserve of the Group under HKFRS 9.

b. The unlisted PRC equity securities represent the Group's investment in 10% equity interest of a private entity established in the PRC, for which the principal activities are ship building, ship repairing and retrofitting. The unlisted equity investments previously measured at cost less impairment under HKAS 39 are now measured at fair value under HKFRS 9. The fair value of the unlisted equity securities as at 1 January 2012 and 31 December 2012 was measured using valuation technique with significant unobservable inputs.

15. TRADE AND BILLS 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 bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	HK$'000	*HK$'000*
Within 60 days	**1,615,374**	2,224,290
61 – 90 days	**155,462**	170,118
91 – 180 days	**88,963**	428,451
181 – 365 days	**123,163**	73,922
	1,982,962	2,896,781

15a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's bills receivables as at 31 December 2012 that were transferred to banks or suppliers by discounting or endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and trade payables and has recognised the cash received from the banks as secured borrowings and trade payables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables discounted to banks with full recourse	**Bills receivables endorsed to suppliers with full recourse**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Carrying amount of bills receivables	252,813	141,858	394,671
Carrying amount of borrowings and trade payables	(252,813)	(141,858)	(394,671)

16. 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, which approximated the respective revenue recognition dates are as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 60 days	**151,834**	599,655
61 – 90 days	**11,625**	113,680
91 – 180 days	**–**	229,068
181 – 365 days	**–**	19,367
1 – 2 years	**395**	4,460
	163,854	966,230

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:

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**284,948**	202,232
91 – 180 days	**37,832**	18,765
181 – 365 days	**11,918**	12,111
1 – 2 years	**8,342**	43,718
Over 2 years	**11,419**	20,142
	354,459	296,968

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

As at 31 December 2012 and 2011, 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:

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**2,102,859**	2,731,018
91 – 180 days	**1,179,689**	118,797
1 – 2 years	**141**	140
	3,282,689	2,849,955

18. TRADE AND BILLS PAYABLES

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**2,818,279**	2,647,314
91 – 180 days	**527,424**	705,341
181 – 365 days	**120,582**	275,657
1 – 2 years	**70,339**	46,038
Over 2 years	**3,447**	10,604
	3,540,071	3,684,954

19. COMPARATIVE INFORMATION

Certain comparative information in respect of trade and bills receivables, trade and bills payables and bank borrowings has been re-presented to conform to current year presentation in the consolidated statement of financial position.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 17 June 2013 to Tuesday, 18 June 2013 (both days inclusive) to determine the entitlement to attend and vote at the Company's annual general meeting to be held on Tuesday, 18 June 2013 (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 Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 14 June 2013 for registration.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY OVERVIEW

We are a flagship listed vehicle of Shougang Corporation in Hong Kong. After the expiry of the lease contracts of two vessels, our operations are now mainly segregated into three segments, namely, steel manufacturing, mineral exploration and commodity trading. Our principal business in steel manufacturing segment includes two heavy plate mills operating in Qinhuangdao City, Hebei, PRC. We hold approximately 27.6% (31 December 2011: 27.2%) equity stake of Shougang Fushan Resources Group Limited ("Fushan"), a Hong Kong-listed hard coking coal producer in China. We have long-term iron ore offtake agreements with Australia-listed iron ore producer Mount Gibson Iron Limited ("Mt. Gibson") to enhance our investment in upstream supply chain. 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

The Group's core business in steel manufacturing was significantly affected by the weak selling price and high raw material and production cost in 2012. In addition, the excessive production and imbalance between supply and demand further led to the weak situation. These factors are prevalent and common to the steel industry right now. Iron ore comprise our most significant production cost. The fluctuation of Iron ore price also had a great impact on our operating results. Profit from Fushan, an associate in coking coal mining showed a decline as well.

For the year of 2012, net loss attributable to shareholders of the group amounted to HK$1,947 million[1], comparing to attributable profit of HK$152 million in last year, including share of loss in steel manufacturing segment at HK$1,648 million, comparing to loss of HK$617 million in last year. The Group recorded a consolidated turnover of HK$16,292 million[1] in this year, representing a drop of 24% comparing to that of last year. Basic loss per share was HK21.8 cents.

Note 1: These amounts included turnover, cost of sale and loss attributable to shareholders contributed by discontinued operations.

FINANCIAL REVIEW

Year ended 31 December 2012 compared to the year ended 31 December 2011

Turnover and Cost of Sales

The Group recorded consolidated turnover of HK$16,292 million[1] for the year, lower by about 24% when comparing to that of last year. Lower turnover mainly comes from drop in average selling price and sales volume in the steel manufacturing segment.

Cost of sales for the year was HK$17,632 million[1], comparing to HK$21,225 million[1] in last year, a drop of 17%.

EBITDA and Core Operating Loss

For the year under review, loss before interest, tax, depreciation and amortization of the Group reached HK$323 million, comparing to earnings before interest, tax, depreciation and amortization ("EBITDA") HK$1,599 million in last year.

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

In HK$ million	**For the year ended 31 December**	
	2012	2011
(Loss)/profit attributable to shareholders of the Group	**(1,947)**	152
Adjusted by:		
Fair value loss/(gain) on iron ore offtake contract with Mt. Gibson, net	**60**	(324)
Impairment in fixed assets	**184**	–
Impairment in mining assets	**57**	–
Fair value (gain) on acquisition of Fushan	**–**	(108)
Gain on deemed increase in interest of Fushan	**(18)**	–
Impairment in available for sale investment	**–**	53
Goodwill impairment	**146**	22
Employee share option expenses	**3**	19
Core operating loss	**(1,515)**	(186)

Finance costs

For the year under review, finance costs amounted to HK$794 million, 40% 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 of HK$469 million from Fushan and loss of HK$107 million from Shougang Concord Century Holdings Limited ("Shougang Century").

Taxation

In the year under review, it was HK$2 million in net tax credit, comparing to HK$48 million in expenses in last year.

REVIEW OF OPERATIONS

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

HK$'000 Operation/Entity	**Attributable interest**	**For the year ended 31 December 2012**	 2011
1. Steel manufacturing			
Shouqin	76%	**(1,489,758)**	(560,172)
Qinhuangdao Plate Mill	100%	**(157,873)**	(56,645)
Sub-total		**(1,647,631)**	(616,817)
2. Mineral exploration			
Fushan	27.6%	**468,924**	553,679
Gain on deemed increase in interests of Fushan	–	**17,564**	–
Fair value adjustment on acquisition of additional interest of Fushan	–	**–**	108,142
Shouqin Longhui	67.8%	**(312,311)**	(32,134)
Sub-total		**174,177**	629,687
3. Commodity trading			
Trading Group	100%	**(41,118)**	79,555
4. Others			
Shougang Century	35.7%	**(106,515)**	1,161
Fair value (loss)/gain on Mt. Gibson offtake contract, net	100%	**(59,724)**	323,703
Impairment on available for sale investment		**–**	(53,425)
Goodwill impairment		**(146,015)**	(22,000)
Corporate and others	100%	**(90,801)**	(93,172)
Sub-total		**(403,055)**	156,267
Total – continuing operations business		**(1,917,627)**	248,692
Discontinued operations business – Shipping operations			
Shougang Shipping Group	100%	**(29,579)**	(96,440)
Total		**(1,947,206)**	152,252

Steel Manufacturing

The Group operates in this business segment through Qinhuangdao Shouqin Metal Materials Co., Ltd. ("Shouqin") and Qinhuangdao Shougang Plate Mill Co., Ltd ("Qinhuangdao Plate Mill'). The steel industry currently faces a dire operating environment which is a transitional conundrum. This core segment recorded net loss of HK$1,648 million during the year, while that of last year was net loss HK$617 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.

For the year ended 31 December	**Slabs 2012**	Slabs 2011	**Heavy Plates 2012**	Heavy Plates 2011
(i) **Production**				
Shouqin	**2,473**	2,553	**1,623**	1,759
Qinhuangdao Plate Mill	**–**	–	**585**	609
Total	**2,473**	2,553	**2,208**	2,368
Change		-3%		-7%
(ii) **Sales**				
Shouqin#	**701**	571	**1,619**	1,753
Qinhuangdao Plate Mill	**–**	–	**547**	566
Total	**701**	571	**2,166**	2,319
Change		+23%		-7%

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 Limited and Shougang Corporation respectively.

Shouqin is a leading environmental-friendly integrated facility encompassing the entire process from iron, steel, slab to plate production, it has formulated a product mix covering major applications in petrochemical, shipping, pressure vessel, industrial machineries and constructions. Its proprietary production technologies in petrochemical, electrical and ultra-thick plates are among the most advanced in the PRC, its 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$10,599 million before elimination, recording a 16% drop on the comparative year. Reasons for such change are two-fold:

(i) Average selling price (net of VAT) of heavy plates was HK$5,016 (RMB4,078) per tonne, about 17% lower than that of the last year and sales volume of heavy plates decreased;

(ii) Average selling price (net of VAT) of slab was HK$3,672 (RMB2,985) per tonne, about 23% lower than that of the 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$291 million in turnover, 58% lower than that of last year, and resulted in attributable loss of HK$52 million in this year.

For the year ended 31 December 2012, Shouqin recorded a gross loss of HK$1,003 million, comparing to gross loss of HK$18 million in last year, and thus contributed a net loss of HK$1,490 million to the Group.

Qinhuangdao Plate Mill
Qinhuangdao Plate Mill recorded a turnover of HK$2,898 million before elimination for the year ended 31 December 2012, a drop of 24% comparing with that of last year. Lower sales volume and selling price from the weak market, average selling price (net of VAT) was HK$4,397 (RMB3,575) per tonne, about 22% lower than that of last year. As a result, the Group's share of loss of Qinhuangdao Plate Mill was HK$158 million, comparing to loss of HK$57 million last year.

Mineral exploration
Production and sale of coking coal
Fushan is a 27.6% 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 for the current year was HK$5,651 million; net profit attributable to shareholders was HK$1,800 million, a drop of 21% and 20% respectively over that of last year. Profit attributable to the Group was HK$469 million in this year.

Market demand towards quality coking coal remains strong, with continuing supply and demand gap. New and sizeable blast furnaces of steel mills have higher stringent requirements for coking coal quality. 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's production was lower by improvement initiatives towards environmental requirements, thereby affecting its output. It sold approximately 1,100,000 tonnes pellets, down by 32% comparing with that of last year, while average selling price has decreased by 18% to HK$1,325 (RMB 1,077) per tonne. It recorded a turnover HK$1,543 million for the year. During the year, the Group has made impairment for the mining assets and fixed assets of mineral exploration segment in the amount of HK$57 million and HK$180 million respectively. Together with the operating loss, the loss of Shouqin Longhui attributable to the group was about HK$312 million, comparing to an attributable loss of HK$32 million in last year.

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$4,336 million in the year ended 31 December 2012, lower by 21% comparing to last year. It sold approximately 3.40 million tonnes of iron ore, which was higher than the 2.90 million sold in last year, through long term offtake arrangements with Mt Gibson starting from mid of 2009. Selling price was lower by 24% and profit was hit by offering concessions due to a deteriorated market. The resulting net loss was HK$41 million in the current year, comparing to a gain of HK$80 million in last year. The Trading Group has since this year strengthened its business development in the Mainland; results from this operation are expected to be more favorable in the foreseeable future.

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. The Group's share of its net loss was HK$107 million, comparing to share of profit of HK$1 million in last year.

The severe competition has driven lower profitability, resulting in a transitional conundrum of steel cord industry.

Discontinued operation business – Shipping
This operating segment was discontinued following the expiry of the lease contracts of two vessels. This segment loss was HK$30 million and HK$96 million in 2012 and 2011 respectively.

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 2012 as compared to 31 December 2011 is summarized below:

HK$ million	**31 December 2012**	31 December 2011
Total Debt		
– from banks	**10,743**	12,350
– from parent company	**869**	1,010
Sub-total	**11,612**	13,360
Cash and bank deposits	**2,435**	2,940
Net debt	**9,177**	10,420
Total capital (Equity and debt)	**19,705**	23,508
Financial leverage		
– Net debt to total capital	**46.6%**	44.3%
– Net debt to total assets	**31.2%**	31.0%

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 2012, approximately 78% of the Group's turnover was denominated in Renminbi. A mixture of fixed and floating rate borrowings are used in order to stabilize interest costs despite rate movements. The Group also enters into certain interest rate swaps to mitigate interest rate risks. Notional amounts of such derivative instruments amounted to HK$195 million.

3. **Financing activities**
   The Company has concluded two new bank financings during the year, totaling HK$538 million (US$69 million), of tenors between 30 to 36 months.

MATERIAL ACQUISITIONS & DISPOSALS

There were no material acquisitions and disposals during the year.

CAPITAL STRUCTURE

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

The issued share capital of the Company was HK$1,791 million (represented by 8,953 million ordinary shares).

EMPLOYEES, REMUNERATION POLICIES AND TRAINING SCHEME

The Group has a total of approximately 4,600 employees as at 31 December 2012.

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 steel industry had gone through an extremely difficult year in 2012 and experienced the toughest challenge due to severe market environment. Excessive production capacity as well as supply greater than demand remained the key problems of the industry. In addition, amid keen competition of the steel industry, and the escalating cost of raw material and production, steel prices continued to drop; as a result, the industry was generally in a state of deficit.

We will continue to strengthen cost control; our goal is to achieve economic steelmaking, and to optimize our product mix in order to improve our competitiveness in the market. We have tried to enhance the extent of efficiency, aggressively promote the policy of "structure optimization, lower cost, expenses control, focus on management and increase in efficiency". The long term strategy of the Company is to become a fully vertical integrated steel enterprise with different upstream, mid-stream and downstream activities so as to ensure sufficient and stable supply in the upstream in order to help sale to the customers in the downstream. For the past few years, we have invested heavily in the upstream companies, including the hard coking coal and iron ore. Through these investments, part of the pressure on raw material costs has been released. The Company will continue to seek opportunity to expand further our fully vertical integrated model.

Looking into 2013, the world economy is still full of uncertainties. However, the steel industry is one of the important industries in PRC; although the industry is now experiencing the phrasal difficulties, however, as long as the economic environment improves and our strategies are also in line with PRC's urbanization and stabilization of growth policy, more infrastructure projects are expected and the demand for steel will increase. With the support of the parent company, Shougang Corporation, we are still full of confident with the steel industry.

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 AND CORPORATE GOVERNANCE CODE

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012. The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 31 December 2012, except for the following deviations:

– Under the code provision A.2.7 of the Revised Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

  During the year, the Non-executive Directors and the Independent Non-executive Directors may communicate with the Chairman directly at any time to voice their opinion and share their views on the Company's affairs despite that the Chairman has not held a meeting with the Non-executive Directors and the Independent Non-executive Directors without the Executive Directors present on the grounds of his absence from Hong Kong. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and the Non-executive Directors (including the Independent Non-executive Directors) in the absence of management.

– Under the second part of code provision A.6.7 of the Revised Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

  Three Non-executive Directors of the Company did not attend the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM") due to their other business engagements. The Company considers that the Non-executive Director and the Independent Non-executive Directors in attendance at the 2012 AGM were already of sufficient number and calibre of forming a balanced understanding of the views of the shareholders of the Company.

– Under the first part of code provision E.1.2 of the Revised Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

  The Chairman of the Board, who was also the chairman of the Nomination Committee of the Company, did not attend the 2012 AGM as he had another business engagement. The Managing Director of the Company, who took the chair of the 2012 AGM, and other members of the Board together with the chairmen of the Audit and Remuneration Committees and all other members of each of the Audit, Remuneration and Nomination Committees attended the 2012 AGM. The Company considers that the members of the Board and the Audit, Remuneration and Nomination Committees who attended the 2012 AGM were already of sufficient calibre and number for answering questions at the 2012 AGM.

Details of the Company's compliance with the provisions of the Former Code and the Revised Code during the year will be set out in the Corporate Governance Report in the Company's 2012 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, 27 March 2013

As at the date of this announcement, the Board comprises Mr. Xu Ning (Chairman), Mr. Li Shaofeng (Managing Director), Mr. Zhang Wenhui (Deputy Managing Director), Mr. Chen Zhouping (Non-executive 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).